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29th Dec 1944

# THE ECONOMIST

ESTABLISHED 1843

Vol. CXLVI No. 5236 REGISTERED AS A NEWSPAPER JANUARY 1, 1944 Entered as Second Class Mail Matter at the New York, N.Y., Post Office ONE SHILLING

|                               |                                |
|-------------------------------|--------------------------------|
| Now or Never - - - - 1        | The Indian Prospect - - - 5    |
| Middle East Opportunity - - 2 | Protection for Minorities - 13 |
| The Principles of Trade - - 4 | Government in the City - 17    |

NOTES IN THE WEEK

THE ECONOMIST.

Volume. No. CXLVI. Nos. 5236 to 5261.

January to June 1944.

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THE announcement on Christmas Eve of the names of the Second Front Commanders puts an end to a long weary period of waiting and preparing. The *dramatis personæ* are heralded; the curtain is about to go up. History will have to decide whether the war could have been won in 1943, or whether the delay will in the end have cost a bleeding world less than an assault imperfectly mounted and incompletely prepared. But there can be no doubt about the intentions for the New Year. From East and South and West—and perhaps from the North and certainly, relentlessly, from the air—a grand assault is going to be made. All the carefully hoarded trumps in the Allied hand are about to be played, in the hope of winning trick, game and rubber. God they do—for if they do not, the prospect is indeed. There are sound and solid reasons for hopefulness: the resources are vast, the leadership good, the determination is unshakable. But no military venture, least of all an amphibious one, can be conducted with a certainty, however massive the resources, however complete the preparation “down to the last gaiter-strap.” By January 1st, 1945, either the European war will be over, or else the prevailing view about the time and the manner of its ending will have to be radically altered. For total victory, it is now or never.

It is not only for military victory that the tide must be caught now or never. There is a good prospect that within a very few months the nations will be faced with the vital responsibilities of peace. The silence that will fall

on Europe when the guns stop firing will not be a restful pause for thought and planning. It will be a vacuum into which a chaos of actions and doctrines will rush. The shape of the world for many years to come will be decided by what is done in that brief instant. Those who have studied the history of the Armistice months of 1918 and 1919—there is an admirable short summary in Sir Frederick Maurice's recent book—realise how very quickly the moment of absolute victory and absolute opportunity passed. By February, 1919, the Germans were successfully bargaining. Before the Peace Conference met, the framework of the treaty had already been decided by the attitudes of the Governments and Parliaments. The new basis of German government—a tacit alliance between the Socialists and the *Offizierskorps*—had been set without Allied challenge. By a year after the Armistice, the treaty had been signed and elections in Britain, France and Germany had set new courses which could not later be altered. This time, the treaty may not be born so hurriedly; but there will be no pause in the stream of events, each of which is a commitment, a draft on opportunity. If the angels are not ready to rush in and fill the vacuum, the fools—or the worse than fools—will get there first.

Are we ready for the peace? We are far less ready than last time. Indeed, there is a striking contrast in the state of mind then and now. In 1918 the whole world knew what an Allied victory would mean—and, what was more important, the Allies themselves knew what they wanted.



In the international field, an Allied victory would mean a league of sovereign, self-determined, national states; it would mean a pledge to work towards arbitration, general disarmament and collective security. The dominant system of government would be that of the liberal, bourgeois, democratic state, with its two-chamber Parliament, its civil liberties and its law courts, its elections and its parties. In economics, there would be a return, as rapid as might be, to the gold standard, to relatively free trade controlled only by moderate protective tariffs, to economy and balanced budgets. Government controls would be removed and private enterprise would resume its sway. It is of little moment now to reopen the insoluble debate whether this consistent order of ideas failed because it was invalid or because it was never tried. The point is that the victors knew what they were going to do with their victory.

What are we going to do with our victory, if we win one in 1944? We do not know. Who can hazard a guess about the nature of the world order that will emerge from a victory of the United Nations? We know what it will *not* be—it will not be Nazi. But what positive ideas are agreed between Washington, London and Moscow? From all the reports of the Moscow, Cairo and Teheran Conferences, and from what can be read between the lines, it is apparent that only one thing was firmly established—the presence of good will. That is something—indeed it is a great deal—but it is not enough of a foundation for world order. What sort of nations will emerge from this war? How will the liberated countries of Europe conduct their relations among each other? How will they organise themselves internally? As free democracies, as one-party Soviets, as oligarchies, as military hierarchies? And what is the economic organisation that will follow from a victory led by America, Britain and Russia? Is it private enterprise, or state capitalism, or a struggle between the two, or a synthesis of the two? If there is any man who can answer these questions with confidence that he is right, he is gifted either with arrogance or with second sight. Yet we are within a few months—or so we must hope—of decisions on these matters, of decisions either taken by forethought and deliberation or forced by the blind madness of events. The dawn is breaking and we do not yet know what to do with the day.

Nor is it only on the international plane that the most urgent matters are still unresolved. At home, there is much talk of preparation for reconstruction, but there is very little evidence of real preparedness. The Beveridge Plan is, in essence, a comparatively simple rearrangement of familiar administrative structures. But

after more than a year the Government has not even yet produced its White Paper. The planning of the rebuilding of areas devastated by bombing—the first introduction to the beginning of the prologue to reconstruction—is still held up for simple decisions of finance and authority. If Ministers cannot say anything definite on these matters, is it really possible to believe that they have even begun to think about the really difficult and essential subjects, such as full employment, foreign trade, productivity and the rest? When last heard of, Full Employment was the subject of an argument at departmental level about the relative responsibilities of the Treasury, the Board of Trade and the Ministry of Labour.

It is difficult not to be very impatient and very angry. The whole complex of questions to which the inadequate title of Reconstruction has been given is still being treated as if it were a remote contingency, a distant set of footnotes to the eventual problem of demobilising the forces. In point of fact, it is a battle that will soon be on us, a battle that will be won or lost as quickly as the Battle of Britain, a battle whose outcome will be quite as decisive for the future of the world. We have just about as long to prepare for it, and just about as far to go, as we had in the summer of 1940. But we are tackling it with Chamberlain methods; we are bumbling when we ought to be bustling.

The New Year is going to be full of blood and glory. After more than four years of strain, the nation must nerve itself for heavy casualties and for very grievous losses. But not all the people are fighting men, or even in the direct succession from the fighting line. Unlike 1940, this is the period of fulfilment, when many people's war work is done. The planners, whether of strategy or of production, have finished their tasks; the quality of their planning is to be put to the test, but they cannot alter it now. The problems of economic mobilisation are solved—save for the last turn of the manpower screw. Many of the producers are still needed to work at full pressure—those in the coal mines and the aircraft factories, for example—but others have produced all that is wanted. For all these people it would be poor patriotism and worse psychology to stand around in attitudes of vicarious heroism while the young men fight it out. The desire to have a job to do can best be met by working overtime to have the instruments of victory ready for when they are needed. In 1944, as in 1940, it is for the Government to issue the call and direct the energies. There is just time, even yet to make certain that the moment of opportunity to be won on the battlefields of the Second Front is not let slip for ever.

## Middle Eastern Opportunity

MR CASEY has been appointed Governor of Bengal and, so far, no successor has been announced to his former post—that of Minister of State in the Middle East. Some reports suggest that no successor will be appointed. Does this mean that, now the war has receded a little from the Levant, the Government no longer feels the need for a measure of co-ordination in its dealings with the Middle Eastern States? Does it mean that the promising system of regionalism for which wartime needs laid the foundations is to be scrapped? If so, it would be a disaster, both for the states concerned and for British interests in that area.

It would be a disaster first of all because the aftermath of war will leave all the Middle Eastern states in acute economic difficulty. Unless some machinery exists, with influential backing, to help them through the crisis, the end of hostilities may leave the Middle East permanently more divided, mutually hostile and potentially aggressive than ever before. Wartime shortages, the varying degree of expenditure by occupying troops, different systems of rationing, the varying scope of the black markets, have all helped to accentuate the economic differences between the states. In one small geographical area there are five or six

different price levels and currency values. Cross-frontier trading is greatly reduced. Unless these states are given some assistance, they may be tempted to try to overcome their post-war problems by fierce economic nationalism and emerge from the war more disintegrated than before.

Such an outcome would be all the more tragic in that Middle Eastern politics show some encouraging signs of tending towards unity. With the focus provided by the Middle East Supply Centre at Cairo, a number of steps have been taken to secure co-ordinated action throughout the region. For example, at the recent conference on statistics held in Cairo it was arranged that a Statistical Bureau should be set up to serve the whole area; that the governments should arrange for the exchange of publications through specially appointed liaison officials and that common studies should be undertaken on questions which of their nature bear no relation to national frontiers. In February, an agricultural conference is to be convened at which experts from the various states will give their information and experience. In the cultural and educational fields, discussions have begun on securing some uniform educational standards—for example, there is considerable

of adopting English as second language in all the schools. Members of the Governments of the various states have held informal conferences. Recently, for instance, their Supply Ministers consulted together. These activities have been encouraged by the existence in Cairo of a focal point where expert advice and a great deal of disinterested help are available. It is likely that, without the underlying assistance of the Great Powers, the Middle Eastern Governments would hardly have gone even the modest distance towards unity that they have achieved so far.

Arab unity is still at the level of aspiration. It needs far more positive backing if it is not to go out through the Gate of Ivory. There can be no doubt that Arab unity, as opposed to the fractious divisions of half a dozen impoverished states, is profoundly in the interests of the Great Powers and quite especially of the British. They must therefore do more than go on repeating Mr Eden's warm but vague blessing on Arab union. The war has shown how much functional co-operation can be secured, provided the machinery is there. It would be folly in the needy post-war period to scrap the whole system. With the guidance and assistance of British experts, Egypt recently announced an ambitious Four-Year Plan, including a great electrification project in connection with the Assuan dam. An entirely new departure was made when the Government accompanied their decision by the launching of a large internal loan, which is having remarkable success. The experiment is a pointer to the manner in which, under the guidance, say, of the MESC, the economic difficulties of the area as a whole might be used to underpin greater unity. All the states are showing in purchasing power. This surfeit of money is one of the great difficulties in achieving a proper relation between the various price levels. The Egyptian precedent might well be followed. The other Middle Eastern states have available to them in Cairo expert financial and technical consultants to advise them on an investment policy of their own. They should be encouraged to undertake the local financing of further Four-Year Plans and further development schemes, not simply state by state, but crossing frontiers and knitting the area into greater economic unity. Many useful projects, particularly irrigation schemes, naturally fall across national boundaries. An almost infinite degree of expansion is possible in this desperately backward and under-developed area.

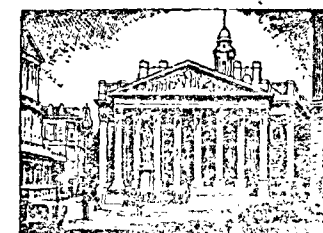
The effect of the working of such schemes would not be simply economic. It would bring to the fore new types of men—the technician, the administrator, the official more interested in the efficiency of his job than the advancement of his family. That such men exist has been proved by such experiments as the Syrian and Lebanese Bread Grain Office (*Office de Céréales Panifiables*), which has initiated rationing schemes in the large towns in Syria and throughout Lebanon, where, moreover, it has succeeded in using local talent in building up a really remarkable population census on which to base the

rationing scheme. The administration is British, French, Syrian and Lebanese. It is efficient and incorrupt. The young men are feeling the exhilaration of working without graft or nepotism. It would be impossible without the British and French stiffening. With it, a new type of executive officer is being created—a radical revolution in these lands traditionally riddled with lawyers and professional politicians. But here, as with all the concrete schemes for greater unity, the Middle Eastern Governments themselves have not the weight nor the drive necessary to translate their general aspiration towards Arab unity into actual fact. They need the friendly help—and pressure—of the Great Powers.

The general British interest in a peaceful and unified Middle East is obvious. Communications, oil supplies, imperial relations are all linked with the fate of the Middle East. But there is another and more urgent reason for British concern. In March, 1944, will come the day fixed by the White Paper for changing the conditions of Jewish immigration into Palestine. By that time the Government has a positive obligation to state its policy in the Palestine question. Most experts in the Middle East are agreed that the problem is not soluble in terms of Palestine alone. It can only be approached through a wider conception, that of a measure of Arab union in the Middle East. The first, most obvious and most manageable step is the creation, or rather restoration, of Greater Syria by bringing together Syria, Lebanon, Transjordan and Palestine in some form of close political and economic association. Such a solution would give elbow room to both Arabs and Jews. It would not guarantee a settlement of the Jewish problem, but at least it would put an end to conditions in which any settlement seems impossible. Now is the time to initiate this wider scheme. One of the obstacles to it, France's desire to cling to its special position in Lebanon, has now been removed. General Catroux's brilliance and skill as a negotiator have ended the deadlock of a few weeks ago. The aspirations of Syrians and Lebanese alike are being met with remarkable and encouraging speed. The French are now relinquishing most of the subjects formerly reserved for their control under the Mandate. Even the old vexed *intérêts communs*—the Customs hitherto collected by the French and divided by them between Syria and Lebanon—are to be handed over to the Syrian and Lebanese Governments. By the same token, the Syrians and Lebanese can probably be more easily persuaded to join in a wider scheme now while their constitutional life is anyway in a state of flux than later when their interests will have had time to harden.

It is an opportunity for statesmanship which will not recur. Mr Casey has left Cairo, it is true. But Mr Churchill has been there. He has the prestige and the imagination to initiate a bold policy. If he lets the moment pass, who knows what evils and insurrections and divisions and frustrations may lie ahead.

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# The Principles of Trade

IT is a commonplace that the reconstruction of the import and export trades of the United Kingdom will be one of the most urgent and most difficult tasks confronting the country after the war. But the prospects of British overseas trade cannot be discussed except in the framework of international trade as a whole. It is therefore necessary—and this is what complicates the matter so badly—to discuss both the general and the particular at the same time, both the abstract principles of international trade and the particular problems of balancing the accounts of the pound, or, for that matter, of the dollar.

Unfortunately, of all the major problems of reconstruction, this one has received the least fundamental and the least helpful attention. There have been analyses of the British balance of payments which took little account of the shape and structure of world trade or of other countries' views on the problems arising. There have also been discussions of the principles of international trade which have taken even less account of the practical necessities. There have been very few public studies which comprehend both aspects of the matter; in general, public opinion, confronted with a problem of great difficulty and complexity, is floundering. *The Economist* has no wish to exempt itself from this criticism. For a journal that was founded as a Free Trade organ, this is a question that clearly needs the most careful analysis, the more so if the argument appears to be leading to any modification of the view taken up a hundred years ago and consistently maintained ever since. Nor is the arrogant claim made that the series of articles, of which this is the first, will provide a complete answer to all the problems. But an attempt will be made in this series to set down some of the basic considerations and the consequences that seem to follow.

The first and most fundamental question relates to the purpose of international trade in general. Is it something to be sought after? Is an increase in international trade an advantage *per se*? Or is it, in the modern world, only a marginal and unfortunate necessity, to be indulged in only when the resources of domestic economic planning fail? The classical answer is to point to the international division of labour. The nations are so constituted and so placed in the world that their productive abilities differ. In every country there are things that it is cheaper to make than to buy, and other things that it is cheaper to buy than to make—and "cheaper" in this context means cheaper in terms of the ultimate resource of human labour. In the particular case of Great Britain, there are many things that can be procured with a much smaller expenditure of British manpower by the mechanism of exchange than through domestic production. To forgo this cheapest method of procurement is to waste manpower and therefore to reduce the sum total of goods and services that can be produced by the manpower available—in short, to reduce the potential standard of living of the British people. This is true of Great Britain in a high degree; but it is true in some degree of every nation in the world. An increase in a country's international trade is a sign that it is availing itself of its opportunities to raise its standard of living through the mechanism of exchange. A decline in international trade is a sign of deliberate or imposed impoverishment.

This is the classical doctrine, and *The Economist* adheres to it. Neither the world as a whole nor any individual country in it is so well supplied with material

goods that it can afford to dispense with the addition to its standard of living that can be got from international exchange. Indeed, if the attainment of the highest possible real national income were the only object of economic policy in this age, without regard to the regularity of its flow or its distribution between rich and poor, or to national safety in time of war, then there would be no need to modify in the least the pure Free Trade position. Even as things are, it is still true that every reduction in international trade is a reduction in the potential standard of living; and if any modifications in the Free Trade position are necessary, it is because the modern community has acquired economic needs other than maximum wealth.

To admit the possibility of modifications is not, however, to admit that there is any force in many of the arguments that are frequently advanced against an increase in international trade. It may be as well to pass some of these arguments in brief review.

The first is the argument, frequently put forward by Colonel Walter Elliot, that science is removing the differences in productive efficiency between the nations. An international division of labour may have been an advantage when industries were compelled to be specialists. But now that every country is well on the way to being able to produce everything, international exchange is merely a disturbing influence. This, of course, is sheer bunkum. It is true that science is removing some of the absolute differences in productivity. Rubber, which could formerly be grown only in equatorial lands, can now be produced anywhere in the world. But these absolute differences were never very important to the basis of international trade. It is relative differences that count, and they are further from being removed than ever. To make a case for international trade, it is not necessary to prove that Britain cannot grow wheat or that Argentina cannot make textile machinery. It is only necessary to establish that Britain cannot grow wheat so cheaply as Argentina or that Argentina cannot make machinery so cheaply as Britain. So far from removing the basis for international trade, modern technology, by emphasising the need for heavy capital investment and for special operating skill, is tending to increase it.

A second very familiar objection is that the primary producers of the world are industrialising themselves and will no longer be ready to buy British manufactures. This is a specious argument and is the more attractive since it may possibly be true. If the majority of countries deliberately embark upon a policy of complete autarky, and are willing to accept the severe reduction in their living standards that would be involved, then international trade will be an impossibility. But mad though the world was in the 1930's, it was not so mad as that, and there are very few cases of attempts at complete self-sufficiency. In general, a country that industrialises itself enriches itself, and provided it does not pursue a hopelessly stringent policy towards imports, it becomes a better, not a worse, market for other countries' goods. It is true that it does not become a better market for the simple, mass production goods to which a country naturally turns first—cheap cotton textiles, for example. But if the Indian peasant can earn a larger income by making loin-cloths than he previously earned in agriculture, he can spend more, not less, on imports, if only the overseas producer will give him what he wants. This is the natural result of industrialising, and if too severe a protective policy threatens to prevent it, the political power of the primary producers in all these countries is still great enough to make their governments very responsive to hints dropped by the world's largest importer of primary products. It cannot be true that a country with Britain's widespread commercial ramifications would be injured by anything that enriched the world.

A third objection to a policy of maximising international trade has some force, but not nearly as much as is often attributed to it. This is the argument that the need

to be strong in time of war prohibits dependence on imports. It is an argument which may be quite valid for a country in Germany's position, but has very little validity for Britain. Any restriction of trade in the interests of defence is a deliberate decision to impose a lower standard of living in peacetime in order to be strong in wartime. Any country embarking on such a policy would naturally have to ask itself how much peacetime wealth it would sacrifice for how much wartime strength. In Britain's case the sacrifices that would have to be made to secure any substantial increase in the national safety would be very large. This may be demonstrated by the fact that all the efforts and all the very large sums of money that have been devoted during the war to the increase of domestic food production have succeeded in raising it only to about half of the present reduced standard of consumption, when measured by food content. (The higher proportions often quoted are arrived at by comparing weights, which is, of course, misleading in this context.) And even if self-sufficiency in food could be attained, there is the even more difficult problem of self-sufficiency in raw materials. Self-sufficiency would be an extremely expensive (that is, extremely impoverishing) way of securing British ability to sustain a war. A fraction of the resources devoted to maintaining the merchant fleet, the Royal Navy and the ports or to storage of imported commodities would attain the same result much more easily. For the second time in a generation, actual experience has revealed that the limit is put on British military strength not by imports but by manpower. If, as is probably the case, Britain has been able to put a higher proportion of her manpower into the war sector (armed forces plus munitions industries) than any other belligerent, it is because she is *not* self-sufficient, but enjoys the enormous manpower economies of getting her food and raw materials by international exchange.

There is thus no case on defence grounds for any restriction of British dependence on imports of the bulk items, such as food and the major raw materials. There

is, however, a case for ensuring some domestic production of certain special items which are particularly important in modern warfare—such things as aircraft, internal combustion engines, machine tools, motor fuel, light metals, and many of the branches of the chemical industry. Even here, however, it would be foolish to insist on complete self-sufficiency. A production large enough to form the basis for wartime expansion, and to ensure that there is a supply of people in the country with the required "know how," would be sufficient to meet the reasonable requirements of defence.

Three objections to the policy of expanding international trade have thus been considered and rejected, in whole or in part. There are, however, two further arguments of much greater substance which must now be taken up. The first of these is the belief that post-war Britain will be unable to pay for her imports. The maximum of overseas trade is, indeed, in Britain's interests—so runs the argument—but the basis of her trading has been so shattered by the war that it will not be possible to get back even to the pre-war volume of trade, let alone to increase it. Against her will and against her interest, Britain will be compelled to restrict her imports.

The second of these major objections is that the present-day community has other economic objectives as well as the maximum aggregation of material income. In particular, it desires Full Employment, and is willing to sacrifice a certain measure (though a strictly limited measure) of wealth to secure it. This requires some purposive direction of the national economy by the state and free international trade, so it is argued, is not compatible with the planned economy. Foreign trade must not be allowed to become a disruptive force in an economy which it will be difficult enough, in any event, to keep on an even keel.

These two objections cannot be waved aside. They must be taken seriously. Accordingly, the next two articles in this series will take them up in turn for further examination.

## The Indian Prospect—II

## Political Possibilities

AN earlier article two weeks ago discussed the broad economic needs of India as they have lately been underlined by famine conditions and set out in various proposals for Indian reconstruction after the war. The conclusion was reached that the solution to the economic problem must in the first place be a political one. That is, the economics of the Indian situation require a strong Central Government; will Indian politics in fact permit the establishment of such a Government?

Since then, both Sir George Schuster, speaking in Parliament, and Professor A. V. Hill, speaking in India, have given their support to a 10-year economic plan for India, and Lord Wavell himself has emphasised India's economic needs. But the Viceroy has also stated that this is no time for fresh attempts to reach a political settlement. Presumably, his view is based upon two considerations. The first is that the military position of India as the base for an early attack upon Japan is too delicate for political risks to be taken; secondly, the likelihood of an agreement among the Indian parties, if new negotiations are opened, may seem to him slight. This is not the present opinion of many Indians, who believe that the full co-operation of all the Indian people is militarily indispensable, and claim that the chances of Indian agreement are now high.

In the past, it has been the view of the most impartial British students of India—of whom the latest is Professor Coupland—that, while India, economically, required a strong Central Government, politically only a weak Central Government, with authority dispersed, communally and regionally, was in fact possible. Insofar as the Cripps plan was a plan for partition between Moslems and Hindus, it accepted this line of political logic. Now it is suggested that this is not so. The Indians who argue for

economic planning deny that they are being unrealistic in their demand for the centralisation of Indian government. They say that, on the contrary, the tide of Indian opinion is flowing rapidly towards a much greater degree of unity for free India than has hitherto been thought practicable—largely because the basic problem before free India will be the abolition of Indian poverty. If this is true, it is vastly important. It has never been the British wish to see India divided and weak, when freed; this has only been the reluctant conclusion from the observation of Indian politics. If the situation has really changed, the British as well as the Indian approach to India's future can be radically altered.

Two points are accepted by the increasing number of Indians who are more optimistic about the political possibilities than Lord Wavell or Professor Coupland: first, that it is the British intention that India should have Dominion status or independence; and secondly, that the Indians will be left free to choose their own constitution. But they are not prepared to accept the assumption that any radical change in the status or government of India must be postponed until the end of the war. What is sought by them as by the Congress is a Provisional National Government at the centre and popular Ministries in the Provinces, for the duration and prosecution of the war, which would be regarded as practical proof of a prompt and satisfactory settlement after the war—and as "a rightful recognition of the general desire of all the communities and interests of India to fight against Fascism and aggression." It was largely upon this issue that the negotiations with Sir Stafford Cripps in 1942 were permitted, on the Indian side, to break down. Now, it is said, not only are Indians ready to support the war, but they are ready to agree on a much greater degree of Indian unity

\* An exception to this generalisation must be made for a pamphlet by Mr E. F. Schumacher entitled "Export Policy and Full Employment" just published by the Fabian Society (33 pages; 1s.). Not everyone will agree with all of Mr Schumacher's arguments or with the details of his conclusion. But he has written by far the most clear-headed and logical analysis of the problem that has yet appeared. Like a true Fabian, Mr Schumacher is, in this pamphlet, neither a doctrinaire nor a dogmatist, and his very moderate conclusion is as will appear from the present series of articles) very similar to that reached, by an independent route, by *The Economist* in its own investigation.



than has yet been thought practicable. What real evidence is there of these various contentions?

There was much in the conduct of Mr Gandhi in 1942 and in the violent disturbances which followed his imprisonment to justify the assumption that some Indian opinion, at any rate in the Congress, was, potentially, pro-Axis. But many more than Mr Gandhi's followers now swear that this is quite untrue. In recent months, they claim, the desire of the Indian people, and of all the Indian parties, to co-operate fully in the war has become very evident, even insistent. The cynic might comment that this expression of confidence in the cause of the United Nations has coincided significantly with a dramatic reversal in the fortunes of war, and the assurance of an Allied victory—or even, more cynically still, that the imprisonment of Mr Gandhi and his lieutenants has apparently borne some sound fruit. Nevertheless, the war effort of India, in terms of men, munitions and materials, is sufficiently large, and has been sufficiently long sustained to give substance to the claim that, fundamentally, India is overwhelmingly on our side.

But the events of 1942, and the absence then of either agreement or co-operation, remain to be explained. Two years ago, the leading political party in India, including fervent and sincere anti-Fascists, was willing to trifle with a pro-Japanese programme in order to obtain political concessions from Britain. The attitude of the most influential of Indian nationalists towards the war was in practice mainly determined by considerations of partisan politics. The real obstacle was the inability of the various Indian political parties to agree either with Britain or among themselves about the governing of a free India. To this, the political optimists, who are also the economic planners, have now a confident reply. To the outside observer, it has always seemed that the Moslem demand for independent self-government, and the Congress Party's refusal to see that demand recognised except within the framework of a single united Indian Dominion, presented an apparently insuperable obstacle. Now it is suggested, by members of all the Indian parties, that this deadlock can be broken; that the programmes of the Moslem League and the Congress Party have in effect come much closer together—that the vision of a really united free India is now practical politics. Mr Jinnah, president of the Moslem League, it is said, is now "not altogether hostile to the incorporation of autonomous Moslem Provinces, federally, within a united India"—with new provincial boundaries drawn to incorporate Moslem majorities in new and separate areas. In any case, the argument says, whatever the views of this or that political leader may be, the bulk of opinion, both Moslem and Hindu, is in favour of such a solution; the only reason why an agreement on these lines has not been made is the fact that the Congress leaders are in prison.

This communal issue, which is fundamental, affects the immediate wartime governance as well as the more lasting post-war settlement of India. The Moslem League would clearly not enter into any provisional national wartime administration which prejudged or prejudiced Moslem claims in the later settlement. Here, again, it is said that, in fact, the Moslem League and Congress are now sufficiently in agreement for immediate progress to be possible. Mr Jinnah's conditions for participation in a Provisional National Government are "equal representation" with the Congress Party, and the recognition of Moslem post-war claims; these, it is actually suggested, are now acceptable to both the Congress Party and the Hindu Mahasabha—which would represent a remarkable and historic change in the outlook for India.

At first glance, all this seems very encouraging—but at the same time very surprising. It is hard, at this distance from the ramifications of Indian politics, to see why, if this is really the state of opinion, the Cripps Mission, much more modest in the degree of agreement sought, broke down so utterly—and still more difficult to understand why the main Indian parties, said now to be in such close accord, have not already worked out an agreement for themselves. To this there is, apparently, only one answer,

namely, the fact that the Congress leaders are in prison. But they were not in prison when Sir Stafford Cripps presented his offer. Perhaps experience has taught lessons in India as elsewhere. But the confident assertion that all can be put right in a twinkling by the release of Mr Gandhi must inevitably be still regarded sceptically, as it has been, for instance, by a number of speakers at this week's meeting of the National Liberal Federation of India. True, the new optimistic view was represented in the speeches at the conference, but two other points were strongly put: first, that the Moslems and minorities are no more likely in 1944 than in 1942 to accept the kind of central government sought by the Congress party; and, secondly, that progress towards a settlement will not be possible until Mr Gandhi clearly pledges his support to the war effort.

In the past, it has been a common experience to find Indian nationalists of differing parties agreeing in general principle about political reforms and failing entirely to reach agreement in practice when the task of definition has come up. It is easy for Moslems and Hindus to agree that free India should be "federal," with decisive powers for central federal organs, and that representation should be "fair," but vastly more difficult to state specifically the degree of federation and the qualities of fair representation. It remains an open question whether, when it comes to the point, federal safeguards and sectional claims can really be reconciled with the strong central government which all the advocates of economic planning for India rightly say is necessary?

Nevertheless, if there is a new chance of a wartime agreement, on the basis of much more integration between Moslem and Hindu than has ever seemed likely, it should be taken. It would be worse than disingenuous for us to use the past record as an excuse for doing nothing. Lord Wavell cannot, indeed must not, take undue risks in the present military situation. The onus of proof that progress by a genuine national agreement is now possible must rest upon the Indians who seemed to prove that it was quite impossible two years ago. The door is open. Mr Gandhi could come out of gaol to-morrow if he would repudiate all anti-war activities, past or future. The British and Indian Governments are already bound to consider closely any agreed proposals for a settlement. Let them be produced.

Probably the invitation to advance, the reminder that the door is still wide open, should come from the British side. Lord Wavell's great chance is to create a new atmosphere of trust and confidence. The British people will not now go back on the promise to give India independence, and there are only two reservations: India's defence in the wider strategic context of the Indian Ocean must be provided for; and the protection and autonomy of minorities by some sort of communal or geographical federalism must be secured. Now it is suggested that the Indians are actually ready to march this way, and it is essential that the possibility should be put to the test.

A programme can be sketched by which the test could be made—or the bluff called, if it is a bluff. First, the Indianisation of the Viceroy's Council, nearly complete, should be completed. Secondly, an invitation should be made to all Indian leaders, including Mr Gandhi and the other Congressmen, to take part in talks to make the Council more representative, and therefore more capable of assuming full responsibility. But the Congress prisoners cannot be released without assurances of good behaviour, already asked for, or without a plain denunciation of the outbreaks of 1942; failing such assurances, they should be brought to trial as soon as possible. If all that so many Indians are saying is true, a new vista of accord and of Indian unity, political as well as economic, might then be opened up; assurances would be given, wartime agreement reached, popular government set up at the Centre and restored in the Provinces; economic planning, the nationalists' new main aim, would become politically possible. If not, if all the old frustrations took charge again, no new harm need be done; honour would be satisfied, though the prospect for India might be poorer and sadder.

## NOTES OF THE WEEK

### New Fields

The lesson of every campaign of the war has been that fighting men are made by battle experience, however real and thorough their battle training. A trek westward of troops and commanders from Africa and Italy suggests that, wisely, the core of the grand invading forces on the Second Front will be the men and methods which set victory on the move in the Mediterranean. It would have been quite needless, and an undue risk, to look farther than General Eisenhower for a Number One with ability, in his case proved, to lace together nationalities and Services in a single, effective and fluent instrument of attack; and with him will come the key men of his many-uniformed team. Air Marshal Tedder, who has been picked to be Deputy Supreme Commander, is perhaps, in qualities of mind and grasp of modern multi-dimensional fighting, the discovery of the war on the British side. The practice of combined command and operations, worked out first under pressure in the Western Desert, developed between Mareth and Salerno into a terrible weapon and lately stated with lucidity in speech and writing by his coadjutor on land, General Montgomery, stands chiefly to Air Marshal Tedder's credit. General Montgomery, who is to command the British land forces, has, for a general, one of the highest qualifications: successful leadership. The Allied naval commander will be Admiral Ramsay, who organised the Allied descents upon North Africa and Sicily, as well as the British withdrawal from Dunkirk; and Air Marshal Leigh-Mallory, whose home-based fighters and light bombers know every inch of the enemy's western territories, will command in the air. Least fortunate of the team which swept through Africa is General Alexander. To him, within the Mediterranean Command of General Maitland Wilson—whose armies have stood in wait further east, and whose scouts and staff officers have linked the Balkan patriots with Allied plans—is left the task which rudely halted the march out of Africa: the capture of Rome and conquest of Italy.

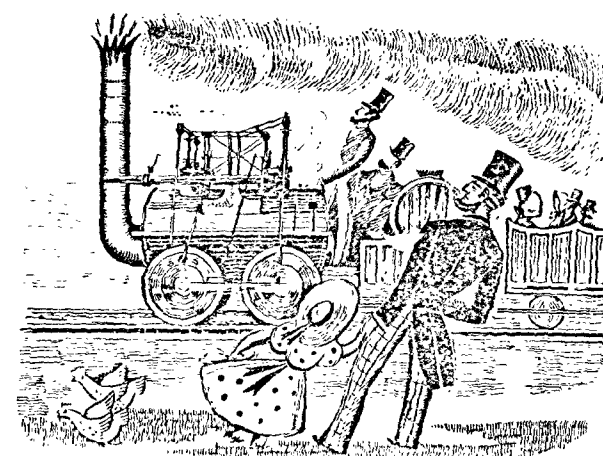
### Ninety Days

Though the core of the Second Front forces will be veterans, the bulk will be unblooded and ready for the test. In the largest expedition that has ever left these shores, most of the faces will be new and the majority of men American—just as the majority on the Mediterranean fronts will still be British. Success will depend upon yet another process of fusion, not simply between nationalities and Services, but between the new methods of the old hands and the possibly older methods of the men who have been waiting here or have just arrived. In a sense, the chances of outright victory when the movement comes have already been set by what has been done in the Home Commands and training camps, on both sides of the Atlantic, and by the extent to which this fits the strategic and tactical plans and technique of the commanders now nominated, at the eleventh hour, by battle experience. There is neither time before the appointed day nor room in this small island to make fresh starts in the organisation and methods of deployment and fighting. The task of moving vast modern armies, on land or over the water, is itself fearsome. General Eisenhower and Air Marshal Tedder have come to their posts with a desperately short time to go before action, and they will stand or fall by what the Chiefs of Staff, General Marshall and General Brooke, have made ready for them.

### Marshal Vatutin's Victory

The new Russian offensive from Kiev marks a decisive turn in the campaign in the East. The analogy between the Battle of Kiev and the earlier Battles of Kharkov and Kursk is striking. In all these cases, the German Command set out to rob the Russians of vital springboards for planned offensives. Towards the end of last winter's campaign the plan succeeded; Kharkov, the last prize which had fallen to the Russians, was wrested from them. In the Battle of Kursk, at the beginning of this summer's offensive, the

German plan failed; and the Russians were able immediately to strike with success at Orel. For some time Manstein's bid for Kiev this winter was a very powerful threat to the Russians. Had the Russians been thrown behind the Dnieper here it would have taken much time and much costly effort to restore the bridgehead and to advance from it. Fortunately, the German advance, for all its power and fury, was much too slow to upset the Russian array. Marshal Vatutin took the shock admirably. His forces retreated only half way to Kiev. Behind their screen, men and equipment were massed for the counter-thrust. The feat is remarkable for several reasons. The Kiev bridgehead was relatively narrow. It afforded little elbow room. Weather on the Dnieper at this season is as adverse as possible. The surprise effect of Vatutin's sweep forward was therefore tremendous. It is reflected in the contrast between the respective rates of the two advances. Manstein's tempo was two miles a day at its best. Vatutin's maximum was eight miles a day in the course of the first three days. After a week's fighting he has recovered three-quarters of the ground lost during the previous six weeks. It may be that it is still premature to speak of the Russian winter offensive here. But this, at least, is certain: the threat to Kiev has been removed. The advantages of surprise have been reaped by the Russians mainly because of the highly original planning of the directions of the thrust. The centre of gravity was first switched from the west to the south-west, from Zhitomir to Berdichev, a communication centre of utmost importance to all the German armies in the Ukraine, and then to Korosten in the north of the Kiev bulge. Simultaneously with their success in the Ukraine, the Russians have gained new ground on the Baltic sector. Here the main fighting has switched from Nevel to Vitebsk and the Smolensk-Orsha road Vitebsk is now almost encircled.



### The scene changes

LITTLE more than a hundred years ago Britain was an agricultural island. Its resources were undeveloped, its roads often incredibly bad; power-operated machinery was almost unknown. Then James Watt invented the steam engine . . . and by the middle of the nineteenth century the tide of industrial development was in full flood. In almost the span of a lifetime, Britain became the centre of the world's trade and in this vast change the Westminster Bank (founded in 1836) played its part, providing—as it does today—a complete banking service for industry and the individual.

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## and in Suspense

On Christmas Eve Herr Frank, the German Governor of Poland, appealed to the Poles for their co-operation in fight against Bolshevism. He recalled the Polish-Soviet pact of 1920 and tried to convince his audience that, in 1944, Poles will be confronted with the same task. Other overtures have been made in the last few months, not on the ole munificent: an increase in rations and a slight relaxation of economic and political repression is all that the Germans have so far offered. It is, however, difficult to judge how far off how such meagre sops can affect the mood of a population which is nearly exhausted by years of starvation and unparalleled terror. The complete obscurity in which the Polish-Soviet relations are still wrapped leaves much room for doubt and suspicion. Frank's appeals will certainly not meet with any wide response, perhaps none at all, possibly. But they may play their part in creating a mood of pathetic neutrality among the Poles just when their own unhappy country becomes a battlefield again. Neither the Soviet nor the Polish Government has so far done anything to forestall this danger. The Poles have been given no real assurance that they will be treated like Allies by the advancing Soviet armies, or that this time they will be spared what they experienced in Eastern Poland in 1939 and 1940. The Polish Government, on the other hand, has not clearly instructed the Polish underground to assist the Soviet armies when they enter Poland. Neutrality will prove untenable; a nonsensical suggestion made in some Polish quarters that the cadres of the Polish underground should be moved to Hungary before the entry of the Russian armies into Poland would plainly spell political suicide. All the recent diplomatic omings and goings have not even resulted in the resumption of Polish-Soviet relations. Every day of delay now may tell disastrously on the position inside Poland in the very near future.

## Conditions in Southern Italy

The outbreak of typhus in Naples and the declaring of the town out of bounds for the Allied armies have focused attention on the appalling misery of South Italy. Eye-witnesses have returned bringing terrible accounts of the complete disintegration of social life which has followed on the starvation conditions in the towns and even villages. The result has been considerable criticism of the working of Amgot and a tendency to lay the blame for desperate conditions on administrative failure. This is grossly exaggerated and very unfair. The two basic causes of Italy's present condition lie entirely outside the control of Amgot. One is the failure of the Sicilian and Italian harvests; this year, the yield is not expected to be quite as much as two-thirds of the normal harvest. Usually, the Italians barely support themselves without outside supplies. War or no war, this year's harvest would have spelt shortage and even starvation in parts of Italy. But to this basic factor has been added the Germans' work of demolition. As they have withdrawn they have systematically destroyed stocks of grain, stores of all sorts, water supplies and public utilities. Eye-witness accounts speak of the phenomenal thoroughness of the work of destruction. If to this again is added the transport difficulties inherent in war, and German bombings and sinkings of Allied ships, it becomes clear that the most perfect administration could hardly have prevented starvation. Nevertheless, some administrative errors do seem to have aggravated a desperate situation. Between military commanders, Amgot, the Italian Control Commission, the Italian local authorities, the Badoglio Government and the Allied Advisory Council spreads a web of confused authority in which many necessary decisions have doubtless been enmeshed. Yet here again there has been a good deal of unfairness in the criticism. Those who have been loudest in their condemnation of Amgot's inefficiency have also been most bitter in their criticism of its toleration of "Fascism." There is a real confusion here. Amgot never had and never could have the necessary personnel to take over the entire administration of civilian life behind the lines. It was compelled from the first to use local officials who inevitably included some fascists.

## Jugoslavia: The Old Problem

The split between Marshal Tito and the Cairo Government has been, if possible, widened by a week of mutual abuse. The Cairo reaction to the setting-up of the Tito Committee—an immediate denunciation of Tito and his men as outlaws and traitors—began the evil. Tito was

obviously constrained to deny the legality of a government which, if it returned, would be liable to condemn his followers by court-martial. Now his "exiling" of the King has aroused another storm of abuse from Cairo. It is to be hoped that behind the façade of mud-slinging, Allied diplomacy is at work to prevent an irremediable cleavage. It is easy to paint the Yugoslav crisis in terms of black and white and Right and Left. But the situation is far more complex, and the deepest issue of all is probably the question whether a Yugoslav state in its pre-war form will be possible after the war. Yugoslavia's twenty years of existence between the wars were dogged with the unsettled racial problem, between Croats, Slovenes and Serbs. The Tito-Cairo split is in essence the same problem. Tito's writ runs in Slovenia, Croatia and parts of Bosnia. In Serbia—on which the full weight of German fury fell—there is far less organised resistance, but what there is Mihailovitch controls. It is true that a large number of Serbs are fighting among Tito's partisans—some estimates put his Serbs at over 40 per cent of his troops; but presumably they are those who have tired of Mihailovitch's waiting tactics. They do not operate in Serbia. The fears aroused in Croats and Slovenes by the pan-Serb tendencies of the Cairo Government have been well publicised. Less recognised are the fears of Serbs that Tito's movement may mean the weakening or even the partition of Serbia. The only solution which gives any hope of preserving Yugoslav unity and giving the state a chance after the war to develop unhindered by racial strife would be the reconciliation of King Peter with Tito. It may be too late, but it is the simplest sense for the Allies to do all within their power to bring it about.

## The Falange Dissolved

At the recent conference of regional leaders in Spain three decisions were taken which call for comment. The first was the granting of an amnesty; the second, the permission given for freer comment in the press; the third, the dissolution of the Falange Militia. At their face value, they represent a "liberalising" of the regime, which the Spanish Government no doubt hopes will be well received in London and Washington. But they cannot be taken at their face value. The invitation to free comment has since disappeared without trace. The full text of the amnesty suggests that it is only for those who have been in prison for more than five years. It follows that it can only cover a very small fraction of prisoners. Five years ago the majority of Republicans, when captured, were shot. It is only since the end of the Civil War that the mass incarceration of political prisoners began. It is impossible for Franco to grant an amnesty to the vast numbers still in prison. It would mean the collapse of his regime—as did the release of prisoners by Gil Robles in 1936. Some 2,000,000 souls, with hatred ingrained in them and in their families, cannot possibly be passed back into ordinary political circulation. The Franco regime never succeeded in reconciling them. It cannot now release them.

The dissolution of the Falange, however, is bitterly in earnest. It is the culmination of the deep feud between the groups on the Right which from the moment of insurrection in 1936—and before—split Franco's backers into rival and deeply hostile groups. Among his supporters were the Carlists, the Army, the Church on the one hand, and the Falange on the other. The former group were Conservative as only Spaniards can be—anti-modern, anti-industrial, anti-mass civilisation, seeking to live a medieval life behind the barrier of the Pyrenees. The Falange was the party of the young disgruntled intelligentsia. It looked for its model to Fascism in Italy and Nazism in Germany. It was aggressive and modernising, and aimed at becoming a mass movement in sovereign control of the state. Between the Falange and the traditionalist Franco the gulf was always great. But the Falangists had to be tolerated because they were the means of securing German and Italian support. And when the war was won, there was just a chance that their mass appeal might win some popular support for the new regime. But they have failed to deliver the goods. Since Franco's victory, the Spanish people have suffered four sullen years of imprisonment, unemployment, starvation and disease. The chief economic problems—above all, the land question—are still unsolved. Internal failure and the eclipse of the Axis made the dissolution of the Falange inevitable. It was simply a question of time. Yet its dissolution solves no problems for Franco. His chief preoccupation must be the basic unpopularity of

January 1, 1944

THE ECONOMIST

9

his regime. The Army, the Church, the landed interests represent a tiny fraction of Spain. Now the Falange, the young-intellectuals with their gangster fringe, have been thrust into angry opposition. It is the tragic paradox of Franco's position that each time he seeks to strengthen his control over the regime, he is obliged to strike down one of its props. The outlook for its continuance is bleak, the prospects of the Spanish people even bleaker.

## The Nursing Profession

The Government's White Paper on the health services is due to appear at any time now, and the problem of how to obtain an adequate supply of nurses, on which the success of any national health service must largely depend, will again become prominent. The war period has already seen the adoption of a higher and national scale of salaries, which should make nursing an attractive profession financially. It has also seen a survey of the existing nursing manpower of the nation by means of registration; the regulation of the status of the "assistant nurse" by the Nurses Act of 1943; and, finally, an attempt to solve the problem of domestic work in hospitals—the nurses' bugbear—through the regulation of wages and conditions of work for domestic workers. Against this background a campaign for recruitment to the nursing profession has been carried out in recent months, and has achieved a certain measure of success. But so far nothing has been done to reorganise the early stages of a nurse's career, except financially, and to remove the chief obstacle to possible nursing recruits, which is generally known as "the gap"—the gap between the school-leaving age and the earliest age—18—at which most hospitals will accept student nurses. The Nursing Reconstruction Committee, under the chairmanship of Lord Horder, has now produced a report dealing with these two aspects. Its first section, on education and training, emphasises that the student nurse is a student and not a source of cheap labour for the hospital—as she is so often regarded by many hospitals which have had themselves recognised as training-schools solely for this purpose. In accordance with this principle, the Committee recommends that the state should implement the recommendation of the Athlone Committee that state grants should be made to all recognised training hospitals in respect of the national work done in the training of nurses. It also makes the more revolutionary recommendation that student nurses should be required to pay a fee for their training, though it emphasises that no good potential nurse should be debarred from payment by lack of means, which should be made good by liberal maintenance grants and scholarships. There is much to be said in favour of this proposal, especially from a long-term point of view. It would strengthen the probationer's position as pre-eminently that of a student and not as a performer of menial tasks, which would raise the status of nursing as a profession and help to attract a better type of recruit. On the other hand, so much emphasis has been laid on the fact that a nurse is paid during her training that a sudden reversal of the principle might prejudice the recruiting campaign just when nurses are badly needed. It is, therefore, a recommendation that may have to wait some years, until nursing is well established as an attractive profession in the eyes of the public, able to hold its own in competition with other careers and opportunities.

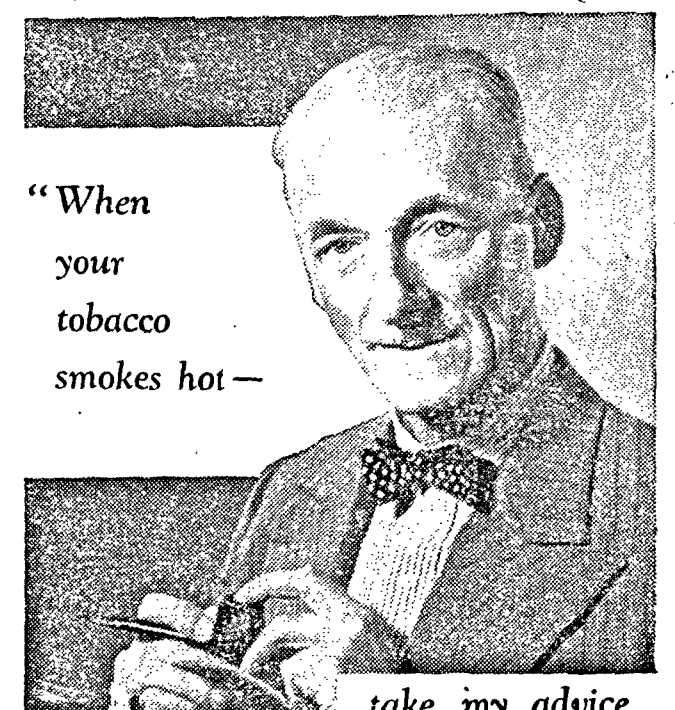
## Finding Recruits

The Nursing Reconstruction Committee nevertheless recognises that a considerable amount of a nurse's training should be practical and that she should not be "a mere peripatetic observer, with no share in the life of the hospital..." But it does not agree with the view that a nurse is primarily a skilled craftsman, who should not be concerned with theory or with the whys and wherefores of treatment. It considers that a good educational background is a first qualification for a recruit, and that her training should be a combination of theory and practice in the wards, as at present, but that the theoretical part should not be carried out, as it so often is at present, in off-duty time. It recommends, therefore, the adoption of the block system. Under this system, student nurses are relieved entirely of their hospital and nursing duties for varying periods during their training, during which they receive the greater part of their theoretical

instruction. From the point of view of hospitals, the block system is uneconomical, and again the Committee urges that the state should be prepared to make grants to meet the financial burden involved.

There can be no real reform in nursing education till each school of nursing has an income independent of the hospital to which it is attached.

But the organisation of the training of a nurse will be largely useless, unless a better type of recruit can be obtained. At present, there is a survival rate of only about 52 per cent, if the numbers successfully passing their final examinations are compared with the original numbers of recruits. Yet it will still not be possible to obtain all the recruits needed from the annual output of 40,000 girls from the secondary schools, though this output should eventually be considerably increased by the new reforms in secondary education. And, in spite of the raising of the school-leaving age to 15, "the gap" will still be there to prevent the intelligent elementary school-girl, who has to start earning money as soon as she leaves school, from taking up nursing as a career. It is here that the Board of Education's proposals for the provision of part-time education on technical and vocational lines for those aged 15 to 18 will be a step forward. But neither this nor the Committee's proposals for practical work in children's nurseries and, later, in health and rehabilitation centres, will entirely meet the problem until there are adequate maintenance grants so that a girl of 15 to 18 need not earn money while she is taking a vocational course. There is, finally, still an obstacle to be overcome in the form of the instinctive prejudice against nursing as a career. The Athlone proposals, the Rushcliffe proposals, and now the Horder proposals should go a long way towards breaking down this prejudice. But the difficulty is that, apart from the financial recommendations, they are dependent on a far larger supply of trained nurses—and ancillary staff—than at present exists. Consequently, the vicious circle—that there can be no major reforms in nursing until there are enough nurses, but that there will not be enough nurses until the major reforms are carried out—still exists. It can, however, gradually be broken



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if every opportunity for making a reform is seized, and especially if teachers and schoolgirls alike are brought to regard nursing as a useful, well-paid and interesting career, and not merely as a means of inculcating selflessness and self-sacrifice or as a step towards the higher life.

### Local Men

The Education Bill is only the first definite instalment of the heavy weight, financial and administrative, which many imminent and essential social reforms must throw on local authorities. The local authorities are not reluctant, but they are afraid. They welcome reforms in schooling, health, land planning and the rest; indeed, they clamour for them clear cut and decided. But they are deeply in the dark about how they will be able to do their work or pay their way. Very rightly, the Education Bill states an appointed day and suggests a timetable, though with some "get out" clauses. But for the local authorities it is, to begin with, a question of manpower. Have they the staffs to prepare and apply even the first educational reforms in their areas before April 1st, 1945? Some are already at wits end to find officials to list voters under the new electoral reforms, to draw up housing programmes, to make town or country plans, to revise health and nursing arrangements and to do wartime duties, including ARP and fire-watching. As more definite decisions and instructions on all these and other matters come gradually down from Parliament and Whitehall, these difficulties must multiply. The local authorities are caught at present between the devil and the blue sea. On the one hand they have little inkling of what or when the Government is likely to decide on policy, finance and administration over almost all the field of reform. On the other, they are hard put to do even the duties they know for certain. Earlier in the war there may have been a case for reducing local staffs to skeletons while the staffs of wartime Ministries swelled prodigiously. But now, in the final phase of the war, there is just as much need for competent men and women in sufficient numbers at centres of local administration as there will also be in the planning and preparing sections of Government departments. Unless local government work—never, except very narrowly, a reserved occupation—is now given a high claim on essential manpower, local government may well break down under the weight of work done and orders issued at a higher level.

### Local Money

Not even the recruitment of sufficient staffs, which need not in sum be very numerous, would relieve local authorities of their present anxieties. They have always in front of them, kept there by their councils as well as their consciences, the incalculable rate burden that will be accumulated as reconstruction proceeds. It is easy for an economist to show that, in real terms, reconstruction and social reform can be afforded by the nation. But, with the present distribution of money costs between rates and taxes, and the inequitable and inefficient character of the rating system, it is equally easy for ratepayers to prove that, whatever the nation as a whole may be able to afford, no individual local authority can stand more than a limited increase in the present level of rates. The result of this is that almost every social reform—since practically all must be administered locally, in part at least—is discussed on the basis not of its merits but of its effect on local rates. Up and down the country, local officials are faced with the vigilance of so-called Ratepayers' Associations, bodies with no policy except to keep rates down—and obviously misnamed, since the only legitimate representatives of ratepayers as a whole are the elected councils. The only solution is a radical redistribution of financial burdens between central and local funds.

### Leeway for Colonel Llewellyn

Few Ministers have ever moved into such seemingly smooth and sunny waters as Colonel Llewellyn when he took over the Ministry of Food from Lord Woolton, favourite of all who eat and most who cater. This is a remarkable tribute to rationing and to the Ministry's experts, for almost all foods have been short, and many merely legendary, for a very long time. Even so, there is

work here for a new broom. There is the large task of preparing public opinion and adapting the system of rationing and supply for continued shortage when the war is over and appetites are newly whetted—with the great added claim of starving Europe to be met from world food stocks. More immediately, wartime rationing, *pace* Lord Woolton, could still be bettered. Basic rations are probably arranged as well as may be. Special rations are still not satisfactory. A cold and sickly winter has already shown that old and ailing people need extra supplies of certain foods at least as much as mothers and children. And some outstanding production problems show that the provision of extra food for really heavy workers is still insufficient. The method of distribution is by canteens which cover very many people whose work is not heavy at all and exclude many of those who most need extra food. The prime example is, and always has been, coalmining. It is fantastic that, throughout the coal crisis, with every effort turned, in theory, to maintaining and increasing output per man, differential rations of meat, bacon and fats are still refused to pitmen.

### Miners' Wages

The miners still stand firm on their demands—for more Government control over wartime production and, most of all recently, for more wages. Draft by ballot is necessary because the labour supply of the coal industry cannot be kept up by voluntary recruitment. In the case of tin and iron ore mines, the Ministry of Supply ended the manpower crisis quickly by enforcing higher wages. It is doubtful, however, whether the flat rate increase sought by the miners would solve the problem either of recruitment or production in coalmining. The conditions and atmosphere of the industry are adverse and hostile. Even so, it is not too late for the unions, owners and Government to ask whether, for output's sake, pay should not be still more closely related to effort; at present, even the replacement of the district bonus for target production by a pit bonus is held up. There may even be something to learn from the Soviet wages system. Traditionally, the response of coalminers to increased wages is "heterodox"; above a certain level of earnings they are satisfied not to earn more by harder work. Increased wages should therefore not be granted as a flat rate. First, the ratio between day wages (for "non-productive" jobs) and hewing pay should be weighted much more in favour of the latter, which is more dangerous, less attractive and more productive. Secondly, according to the Soviet example, and contrary to the miners' own proposals, minimum wages should be left unchanged. Increases in time wages should be in the form of a combined attendance and productivity bonus, to form a substantial part of the total pay-package. Thirdly, increases in piece wages should be heavily weighted in favour of output above a certain minimum. Both time and piece wages should be made dependent on minimum attendance and minimum output. Should these fall below it, in the Soviet system, cumulative deductions are introduced. Thus the average wage of a miner would rise and fall substantially with output. These measures, while safeguarding the interests of the workers, might restore the incentives which have been destroyed by wartime policies and conditions. Whether British miners would for a moment consider taking the increase they seek in this way is another matter; but it is a tragedy that the close relation of pay and work, above a standard, has not been better studied by any of those responsible for producing Britain's coal.

### Select Committee

The Commons' Select Committee on National Expenditure, appointed to examine how the huge war outlays are spent, has devoted the first report of its 1943-44 session to the explanation of a number of changes in its own organisation and procedure. Hitherto the Committee, with Sir John Wardlaw-Milne as chairman, has worked through a number of sub-committees which carried out the actual work of investigating expenditure on the various war activities. Because the nature of the subjects calling for inquiry are continuously changing, the Committee decided to appoint a co-ordinating sub-committee to select subjects for investigations, to allocate them to the most appropriate of six investigating sub-committees, and to direct their work. Hitherto, each of the investigating sub-committees has

had one particular field of activity, but by the new and more flexible arrangement this functional delimitation of activities has been removed. The co-ordinating sub-committee consists of Sir John Wardlaw-Milne as chairman, the chairmen of the six investigating sub-committees—Sir Ralph Glyn, Sir Arnold Gridley, Sir George Schuster, Mr Silkin, Sir Herbert Williams and Mr Woodburn—and three other members, Mr Ammon, Sir Adam Maitland and Mr Graham White. Like Sir John Wardlaw-Milne, Sir Adam Maitland has been nominated a member of all sub-committees. The Select Committee, which must not be confused with the Committee of Public Accounts, has done much valuable work in drawing attention to waste and other defects, especially in munition production. Altogether, it has published some 80 reports and, as its 79th report showed, has continued to carry out a large number of special investigations during its session in 1942-43. Although the Committee of Public Accounts has long been a careful watchdog over wasteful expenditure, feared and respected by Government departments, it is concerned with the examination of the expenditure in preceding financial years.

### Shorter Notes

The influenza epidemic is apparently on the decline. The number of deaths in the 126 great towns of England and Wales was 1,109 in the week ended December 18th. This was a decrease of 39 on the previous week, which was itself seven below the peak reached in the 1937 epidemic.

During November, no detention orders were made under Regulation 18B. Fifty-six persons were released, including 20 persons of Italian origin, and on November 30th the total number of persons detained under the Regulation was 299.

## AMERICAN SURVEY

### Congress and the President

The summaries which conventionally follow the adjournment of Congress have seldom been more critical. With few exceptions, the press has censured Congress for its subservience to pressure groups and its "gross callousness to the public welfare." Most commentators are too cautious to echo Walter Lippmann's conclusion that the "past six days have shown conclusively that President Roosevelt's leadership is indispensable," but there is general anticipation of a vigorous Presidential counter-offensive. Reference by the President to the soldier's vote issue suggests that he will not acquiesce without a struggle in the disfranchisement of Servicemen, and it is predicted that he may veto a whole flock of Bills embodying the revolt of Congress against the anti-inflation programme, perhaps even including the Tax Bill. There is a pious hope that Congress may return chastened from its contact with the grass roots. Last summer's recess produced a startling Congressional change of heart on foreign policy, and it is thought that public opinion may work the same conversion on domestic issues. This appears a shade optimistic. Going back to their constituencies, Congressmen are in many cases returning to the fount of those pressure groups which they are castigated for yielding to. A farm Senator, after renewed contacts with his constituents, may well return to Washington more certain than ever of their support on farm prices and the subsidy issue. The session that is just past has undoubtedly provided the President with a magnificent opportunity of carrying his case to the country as the representative of the national, as opposed to sectional, interests. But on domestic concerns, in which they have an immediate interest, the voters themselves may prove less susceptible of persuasion than on grand issues of foreign policy, and in an election year Congress may feel that it can afford to turn a deaf ear to White House strictures.

### Ending the Strikes

Strikes in the steel and railway industries which would have done untold damage to the war effort have been narrowly averted by a combination of conciliation and force. Although President Roosevelt secured the consent of seventeen of the railroad unions to his arbitration, the recalcitrance of three operating unions made it necessary to order the Army to prepare to take over the railways. This was sufficient to persuade all the unions to call off the strike. Meanwhile President Roosevelt has announced his decision on wage increases for the two conciliatory operating unions. They are to have a 5 cents an hour increase to cover overtime pay, in addition to an earlier increase of 4 cents an hour, making a total of 9 cents an hour, and they have gained the

right to an annual week's holiday with pay. The non-operating unions have secured the agreement of the railway managements to overtime beyond 40, rather than 48, hours weekly. As for steel, the War Labour Board has been persuaded by the President to reverse its stand on making any pay increase retroactive, and the steel workers have returned to their jobs at the behest of President Murray, who can now boast that he obtained for them the same concessions that John L. Lewis secured for the coalminers. It was of the first importance that both these strikes should be averted, for either could have had a disastrous effect upon the American, and indeed the whole United Nations' war effort. Only second to this consideration is the effect which the President's solutions will have upon the stabilisation programmes. The seizure of the railways, and references to the applicability of the anti-strike law cannot conceal the fact that concessions were wrested from the Government under pressure and that Mr Roosevelt was unable to give unqualified support to earlier decisions of his own agencies, the War Labour Board and the Stabilisation Office. It is unfortunate that, if the concessions were inevitable, and the failure to pay overtime to railwaymen did indeed constitute such an obvious injustice, a more conciliatory attitude was not adopted earlier. The unions can hardly avoid feeling that their just grievances were only remedied at the pistol-point, and there has been considerable exacerbation of public feeling, which at first was less critical of the railwaymen than it had been of the miners. This renewed demonstration of Mr Roosevelt's indispensability as a negotiator, and the failure of the appropriate agencies to reach a solution under law, is the cause of some dissatisfaction, particularly in anti-Administration circles.

### End of the New Deal?

A recent visitor to the White House has reported that the President would like to see the name "The New Deal" abandoned in favour of some such phrase as "Win the War and Peace," and President Roosevelt has drawn a sharp contrast between the doctor needed to cure the nation's peacetime ills and the surgeon called in to mend the broken bones of war. There are disillusioned liberals who consider this only a belated recognition of the fact that the President has long since thrown his social programme overboard in order to win the war. In some respects this appears to be true, though not in all. But it is unlikely that after the war the nation will embark on a career of perpetual good health. The New Deal is dormant, not dead. The best testimony to the impression the New Deal has made on American political thinking is the violence of the attacks still made, not only on its author, but on those Republicans who sympathise with his social aims. Nobody bothers to kick a dead donkey or a dead Deal. Thinking Republicans, as well as Democrats, know that it will need

only a post-war slump to revive the demand of the under-dog for a return to the progressive policies of the thirties. Much, of course, will depend upon which party is in power when the threat of post-war depression materialises, as it inevitably will. There will be a natural tendency to blame those who are in power in the next bout of hard times, and if this proves to be Mr Roosevelt, or a Democrat of his choosing, then the New Deal, as such, may never be resurrected under its own name, although the Republicans would probably have to invent something like it. But if it is a Republican regime that is caught in the blizzard, there would be an overwhelming demand for a return to Roosevelt methods. Like Mr Lloyd George in the last war, the President has been forced to abandon social reform for a policy of winning the war and peace. Both leaders made many concessions to the Right. Like Mr Lloyd George, Mr Roosevelt is bewailed as the lost leader. But Mr Roosevelt, unlike Mr Lloyd George, is not the prisoner of the Conservatives and has not broken his party. So long as he lives he will exercise an unchallenged supremacy in the Democratic Party, and when the war is over he will be free, if he chooses, to forge it anew as an instrument of social reform. Nothing in his Fabian strategy during the war makes that impossible. The least that can be said is that the new view of governmental responsibilities and opportunities embodied in the early legislation of the Roosevelt Administration has become a permanent part of American political thinking. It can never be wholly erased; it may be revived sooner than the Old Guard—of both parties—likes to believe.

### Republican Futures

At a time when the Republicans are jubilantly counting the unhatched chickens of 1944, a new study of "American Political Parties" recently published in the United States by Dr Wilfred E. Binkley, urges caution on the revellers. Dr Binkley raises the question whether one more Republican victory may not be the party's last, the rally of the patient before the end. The argument, which at first sight looks preposterous, in view of the Republican cast of the political scene for eighty years past, and Republican gains in the last elections, is based on a close analysis of recent returns. Democratic victories in the wards have been notably correlated with average rents paid, and therefore with income. There are no signs as yet that the Republicans, once conspicuously a labour party, have been able—or indeed have seriously tried—to win back the lower-income groups. The facts of the birth-rate handicap the Republicans in a country where party loyalty looms large. As Dr Binkley points out, there are more Republican than Democratic families in the United States, but the latter are bigger.

The older stocks inhabiting the poorer soils of the back country and traditionally inclined to Democracy... are scarcely less prolific than the newer stocks of the great cities. The New England Irish long ago overwhelmed the native Yankees by big families rather than by continuous immigration. "Out of Ritzy Humboldt Park they get two voters to a family," said a Polish ward politician of Buffalo. "I get six out of my house. I got neighbours who gave me eight."

It is Dr Binkley's contention that the Republicans have lost their own most prolific ethnic group, the negroes, whose loyalty was too long taken for granted. The results of the recent Kentucky election make this less than certain, but a striking statement by the editor of one of the largest Negro papers in Pennsylvania in 1932 may yet hold good. Supporting Mr Roosevelt, he said:

My friends, go turn Lincoln's picture to the wall. That debt has been paid in full.

The comparative weakness of the Republicans with young voters is another straw in the wind. Dr Binkley argues, further, that the Republicans have failed to build up a combination of group interests as a substitute for the earlier geographical basis of politics, and that in recent years their leadership has been of a kind suitable to a static and prosperous society, rather than the dynamic reality. They have, consequently, become purely a party of opposition. It is the book's thesis that, if the Republicans wish to survive, they must outbid the Democrats for lower and middle-class support. This is the line Mr Willie has espoused with his call for a New Deal within the party. Under the influence of war prosperity and war irritations

the Old Guard may be able to flout his advice. The post-war period may drive the moral home.

### Planning for Jobs

A businessmen's organisation to save the system of free enterprise by good works is now in full swing: The Committee for Economic Development, with a membership including some of the greatest names in American big business, is making an ambitious effort to forestall Government action on unemployment by proving that Business, unaided, can provide the jobs. The lesson of the thirties has not been lost. The cornerstone of CED thinking is the fundamental necessity of providing work, and hence a high level of productivity, if business is to face and survive the life and death test of the post-war period. As one of its regional managers has said:

Unless business provides jobs, we are going to have some form of collectivism. We want a completely competitive business economy, with no restrictions on competition.

The Committee has now been in existence for some time, and from the elaborate and even glossy publicity it has issued, an outline of the methods by which it hopes to avoid post-war unemployment and save business from government regulation is now beginning to take shape. The Committee has established organisations, not only in regions corresponding to the twelve Federal Reserve districts, but in each state and hundreds of smaller communities. Case studies are being distributed illustrating what is being done by individual companies and business groups in cities like Peoria (Illinois) and Memphis (Tennessee) to estimate the probable demand for work after the war and outline ways in which production can be increased to provide the jobs necessary to avoid the disillusioning experience with doles and bread-lines. Businessmen are urged to set their sights high, to keep in mind war-time levels of national income rather than the relatively low pre-war income. Each community is being urged to look after its own, to absorb the total local labour force, enlarged as this well may be by the normal increase, the retention of some war workers not normally employed, and the returned Servicemen. There may be some reasonable doubt about whether this approach can solve an income-maintenance problem of the magnitude which the United States may face, and whether even if successful it will bring about the most effective use of the nation's labour force. There are hardened cynics, indeed, who suggest that some of the support of the Committee comes from Roosevelt-haters who are more impressed by its potentialities as a political instrument than by its job-creating powers. But many thousands of businessmen are sincere in their desire to expand production and employment. As the Committee's Chairman has said, "When you get a businessman into a tight enough corner he reluctantly starts to think his way out." The rapid progress of the Committee is a sign that this desirable process has begun, although it is too soon to say where it will end.

### Global Suckers

The spirit of the Five Senators goes marching on. While disclaiming any thought of being anti-British, Senator Ralph Brewster, of Maine, one of the ablest of the party, in a recent article in *Collier's Weekly*, brings out, fully orchestrated, the grand theme of the tourists that "The British are out-maneuvring and out-trading us." He goes on to say:

If, on the political and economic war fronts, British interests are better looked after than ours, don't blame the British. Blame us for being global suckers. We have practised hard-headedness at home. Our Government has practised soft-headedness abroad.

Senator Brewster insists that he is hammering this home purely in order to avoid disillusionment with the British after the war. But aside from the facts of the case—which might be interpreted very differently—the fact remains that this reiterated argument in journals of wide circulation that Britain is outwitting simple Uncle Sam is making many honest Americans exceedingly suspicious of everything British. A climate of public opinion is being created which is far from propitious to the delicate and difficult post-war settlements. It will be hard indeed for American political leaders and officials to negotiate any arrangements if the public to which they are responsible is firmly convinced that the British will get the best of every bargain.

## THE WORLD OVERSEAS

### Protection for Minorities

(By a Correspondent)

IT is a mere truism that the political dissatisfaction of the European minorities provided in the past and may again provide in the future, a powerful explosive capable, in combination with other factors, of wrecking any peace settlement. At every stage of his conquest of Europe, Hitler was able to use this explosive material to his advantage. He exploited the grievances of the German and Slovak minorities in order to wreck Czechoslovakia in 1938. In 1939, the Polish Republic succumbed, not only to the impact of Hitler's panzer divisions, but also to the hostility of its own German and Ukrainian minorities. In his campaigns in Western Europe, Hitler could not exploit antagonisms of the same order. But when his armies wheeled back to the south and south-east of Europe, they could again reap a rich harvest sown in old feuds. The Croats and the Bulgarian-Macedonians were played off against the Serbs, the Hungarians against the Rumanians. After the occupation of Eastern Poland in 1941, the Ukrainians, Byelo-Russians and Lithuanians were used against the Poles.

In the first years of this war, a partly organised and partly spasmodic vengeance was taken by minorities throughout Europe. The crumbling of the states set up at Versailles was the signal for revenge. Serbs were slaughtered by Croat Ustashe, Poles by Ukrainians and Lithuanians, Roumanians by Hungarians, Russians by Roumanians, and Jews—themselves a minority—by each and all of them, as well as by the Germans. This outbreak of vengeance might not have been possible had it not been prepared by the oppressive policies of the majorities during the inter-war period. In the twenties and in the early thirties, the minorities everywhere looked for protection to the League of Nations. In domestic politics, the leaders of the minorities coalesced with the liberal and Left parties of the majorities. But the protection which the League of Nations was able to give them was very inadequate. Indeed, not infrequently, Great Powers used their influence at Geneva to shield oppressing majorities against the protests of their victims. Croats and Macedonians found their petitions to the League shelved, because French diplomacy was anxious to avoid any steps that might hurt its Pan-Serb allies. Ukrainian protests against punitive expeditions by the Polish police were suppressed, or their consideration was delayed, with the support of Japan, seeking in return Polish support in the Manchurian dispute. When finally, in 1934, Colonel Beck unilaterally denounced the Treaty on Minorities, the League was in no position to counter the challenge.

The tide of nationalism, which after the Great Depression swept nearly all the countries in Central, Eastern and Southern Europe, powerfully affected the political outlook of the minorities. In their ranks, too, extreme and terrorist forms of nationalism for a time gained the upper hand. The blocs formed between the minorities and the liberal and Left parties of the majorities woke up. The ground was prepared for more or less open alliances between some sections of the resentful minorities and Nazism and Fascism.

### Minorities in Revolt

But now, in the course of this war, the ephemeral nature of that alliance has become obvious. Some of the minorities have turned very sharply against the Germans. The Croats and the Slovenes form the bulk of General Tito's partisans; Pavelitch's Ustashe are now an isolated fraction. The Ukrainian nationalists in Poland, who in their fight against both the Russians and the Poles looked for help to Berlin, have now entered into the struggle against the Germans. The Polish-Ukrainian auxiliary police, which was formed and armed by the Germans, has now en masse joined the pro-Soviet guerrillas in Eastern Poland. But even in the struggle against the Germans the old antagon-

isms reassert themselves. The Croats still hate the Serbs; and the Ukrainians fight against Poles as well as Germans.

The dangers with which the present position is fraught are only too clear. The victory of the Allies may again become the signal for bitter revenge. This time it may be the revenge of majorities on the disloyal minorities. The mood which prevails among many European peoples threatens to create a vicious circle of revenge and counter-revenge. The lesson which most continental politicians have apparently drawn from their experience in the inter-war period is that, in future, the screws on minorities must be tightened. On the twenty-fifth anniversary of Czechoslovakia, Dr Benes frankly stated that a rebuilt Czechoslovakia will grant the Slovaks less autonomy than before. The evolution of Yugoslav official policy from reluctant semi-federalism to undisguised pan-Serbian centralisation reflects the same trend. Similarly, many Poles still think of their future relations with the Ukrainians and the White Russians in terms of old "pacifications." It is significant that no representatives of nationalities which accounted for nearly one-third of Poland's pre-war population have been included in the Polish Government or in the Polish National Council.

The problem has, in addition, been gravely complicated by recent changes in the economic background. Forced transfers of property and downright expropriations have been carried out on a very large scale in most occupied and in many satellite countries. In very many cases, the beneficiaries have been not only—and not even mainly—Germans. Croats took possession of the property of Serbs who had been expelled from Croatia. Hungarians enriched themselves at the expense of Roumanians in Transylvania. While Germans grabbed the estates of Poles, Poles inherited the houses and shops of slaughtered or deported Jews. "Aryanisation," in particular, has radically changed the economic structure of Eastern Europe, because of the prominent rôle which the Jews used to play in East European trade. In Poland and in the Baltic states, thousands and tens of thousands of Poles and Balts have sprung into the economic gaps created by the massacre of Jews. Everywhere, new and powerful vested interests have arisen which will stubbornly oppose or obstruct every attempt at restitution.

### Restitution of Property

Restitution of stolen property will, of course, have to be enforced as an elementary recognition of justice. But it will hardly be possible to apply the principle of restitution without any exceptions. In some instances, the substance of the expropriated capital may be destroyed or consumed, when its rightful owner reappears to claim it. In other cases, restitution of large-scale productive property, such as, say, mines or plant, to impoverished owners without sufficient capital to work them may entail industrial stagnation and unemployment—a danger which induces some Allied Governments to plan along the lines of some degree of state control or state ownership. As for the former Jewish property, few of the owners are likely to survive to put in a claim. The extent of restitution itself will also depend on the social climate in each of the liberated countries. If the war is followed by a strong movement for land reform in Eastern and Southern Europe—as it probably will be—it will be very difficult to restore semi-feudal estates to their former owners no matter whether the land has in the meantime been distributed to peasants of the same nationality or of some other one.

Whatever the social and political conditions, a programme for the restitution of property must be agreed upon. Small and medium-sized property should be unconditionally and



Immediately restored to the rightful owners. In the case of larger properties, where capital is required to secure use and employment, different methods may be needed; but property rights should be fully recognised, and compensated accordingly. A special demand is that such Jews as may survive should be given back their property, subject only to the general conditions imposed on the restitution of property to non-Jews. This demand will almost certainly meet with strong opposition from those who have, in the meantime, "inherited" Jewish houses or shops. The attitude of the various exiled Governments is by no means uniform. The Czechs, for instance, leave no doubt about their intention to do justice to Jews. Polish policy remains undefined; and very influential elements in the Polish Government still persist in Colonel Beck's old search for a colonial territory to which the remnants of the Jews from Poland can be transferred.

### Collective Security

These are only some of the minority issues which emerge from the fog of war. They will lead to the conclusion that the need for some arrangements for the protection of the European minorities will be much more pressing this time than it was after the last war. The protection of minorities under the Versailles settlement was a failure. What guarantee is there that new arrangements would work better? The "failure" of the old Minority Treaties was, however, not so definite or absolute as it is often suggested. In spite of the weakness of the League of Nations, the mere existence of the Treaties and the opportunity of minorities to put their grievances before the Council of the League was a fairly substantial brake upon oppressive policies. The position might have been far worse without the formal guarantees established at Versailles. The eventual failure of those guarantees was an inevitable by-product of the general crumbling of the whole structure of the League. Any new protective arrangements for the minorities will, therefore, be effective to the same extent as the new framework of international security is effective.

An objection raised in 1919 and later was that Minority Treaties are an "intolerable infringement" on the sovereignty of national states. This objection applies, however, to the setting up of any international authority, economic or political. Finally, there is the objection that the small states cannot accept any obligations which are not at the same time accepted by the Great Powers. In the past, this meant that, whenever a minority lodged a petition with the League of Nations, the Serb, the Roumanian or the Polish press resorted, say, to "revelations" about British rule in India.

The Minority Treaties of 1919 were a British invention. Over a number of years they helped to humanise the relations between the different ethnic, national and religious groups in Europe. They also maintained and strengthened the reputation of Britain as the guardian of civil liberties. The time has, perhaps, not yet come to elaborate the specific forms which the protection of minorities ought to take. Such forms are secondary to the general principles of the peace settlement; and they can only be evolved from them. But it is certainly not too early to approach the problem, and to re-state the right of the European minorities to international protection.

## Island Outpost

[BY A CORRESPONDENT]

THE 716 square miles of Mauritius contain a relatively dense population, estimated in 1938 at 415,462 (including a small number on the surrounding islands), of whom 268,885 were Indians and the remainder Africans, Chinese, Europeans and of mixed blood. But these people comprise, according to Major Orde Browne in his report on labour conditions in the colony,

a poorly paid, undernourished, sickly population, capable only of such a limited output of work that an increase of wages offers little promise of improved performance.

This indictment of British colonial rule, coming from the Labour Adviser to the Colonial Office, shows that Mauritius is another of those colonial distressed areas of which the British public remains in ignorance until they are forced on its attention by the outbreak of labour disturbances and riots.

Nor are the basic causes of Mauritian troubles much different from those in, say, the West Indies. The island

suffers from the usual effects of a single crop economy; sugar represents about 96 per cent of the total exports, and the plains are now almost entirely a vast sugar plantation, affecting the lives of every person on the island and providing employment, directly or indirectly, for the majority. In 1940, of 182,041 cultivated acres, 150,845 were under sugar cane, and another 20,000 acres were used for aloe production, leaving only a very small acreage devoted to food production. Moreover, the dominance of sugar extends from the economic into the political life of the island. It is the sugar interests which discuss the Colony's affairs in the Legislative Council. A high property qualification restricts the electorate to about 10,000 in a population approaching half a million. There has been no general election for a number of years in spite of a popular demand for one; yet it is difficult to see that the people would benefit if an election were held, unless some constitutional reform and widening of the franchise were carried out first.

### Widespread Unemployment

The characteristics of sugar production are such that full employment can exist only during the harvest period, which lasts approximately four months; at other times, unemployment is widespread. Nor does this seasonal variation affect only the agricultural worker, for the workers in allied industries, especially the transport services, are likewise affected. Again, the droughts and cyclones which periodically visit the island, often with disastrous results to the sugar crop, add a further hazard. Secondary industries scarcely exist except in an experimental form, apart from those auxiliary to the sugar industry and consequently subject to the same fluctuations. Tea, tobacco, the manufacture of aloe fibre and of matches provide regular employment unaffected by seasonal variations, but their demand for labour is too small appreciably to diminish unemployment among the workers on the sugar estates. In the towns, before the extraordinary demands of the present time upon labour resources, there was much unemployment among the artisan and clerical classes. The evils of excessive apprenticeship had appeared, the employers frequently discharging their "apprentices" after a number of years of very low wages. Moreover, the only provision made for the unemployed is a system of poor relief. A Social Insurance Committee, reporting in 1940, made far-reaching proposals which, however, cannot be brought into operation until essential statistical information concerning the life of the colony is available.

Wage rates, as Major Orde Browne found, are low. He states in his report that in the sugar industry "able-bodied" labourers receive 66 cents for a day of eight hours' work during the inter-crop season and Rs.1.25 during the crop season. Less efficient workers receive 50 cents for a seven-hour day. The eight-hour day has only recently been introduced. Formerly, labourers had to work for long hours on the sugar estates during the crop season with no overtime payment at all, and even to-day the hourly rate is not increased for time worked over eight hours, the argument being that the present purchase price of sugar under the Government agreement makes such extra labour costs intolerable for the industry.

Malaria, hookworm, avitaminosis and anaemia are very prevalent. All these should be dealt with on a preventive rather than curative basis, but the anti-malaria campaign in particular has been seriously handicapped in the past by the opposition of owners of land adjoining mosquito-breeding areas to clearance schemes affecting their property. There is a widespread ignorance in the island of proper sanitary arrangements, and there has as yet been no proper education campaign by the Health Department. Hopes expressed in the colony that a grant will be made after the war under the Colonial Development and Welfare Act, to enable malaria and hookworm to be finally eradicated, nurses and midwives to be trained, and an improved water supply to be provided, will be disappointed unless Mauritius reforms its trade union legislation to bring it up to the minimum required by the Act.

The majority of manual workers are at present particularly susceptible to disease, because their meagre diet, based upon over-polished rice, has led to almost universal under-nourishment, particularly since 1937, when employers ceased to issue basic rations as part of wages. Sugar dominates agricultural production to such an extent that almost the whole of the food supply has to be imported. Yet a considerable proportion could be produced locally with much advantage to health and finance. At present, the cumulative effect of disease, malnutrition and bad environment generally means that, in spite of the low wage rates, the island's manual

workers are expensive. Their output is now considerably smaller than it was twenty-five or thirty years ago, and many find it physically impossible to perform more than six hours' work a day for five days a week.

### Labour Troubles

Industrial relations have been steadily worsening. Although the organisation of trade unions is legally possible, employers have victimised union members, and the Government appears to have assisted the employers in their resistance to combination. Demands for higher wages have met with refusal. At the end of September, 1943, a series of strikes culminated in riots which, suppressed by the police with military help, resulted in the death of three persons and 33 other casualties. Stimulated, perhaps, by these events, and by the recommendations of the Orde Browne Report, the Government has now appointed a Conciliation Board, a Minimum Wages Board and a Labour Advisory Board. But for the relief of post-war unemployment, a problem demanding immediate attention, there appear to be no plans. Since the war there has been something approaching a labour shortage in the colony, and wages have risen, although they have not by any means kept pace with the rising cost of living. Rice is now unobtainable, and the prices of other foods are at unprecedented levels. The Government, by means of price control and the subsidy of basic foodstuffs such as flour, has gone some way towards the prevention of distress. Nevertheless, the possibility of famine conditions in Mauritius in the not distant future is very real, particularly as the new and unfamiliar foodstuffs have not met with general approval among a population conservative in its diet, in spite of energetic efforts on the part of the Government to popularise them.

These problems could more easily have been solved had the possibilities of a local food supply been explored earlier. Climate and soil are favourable for the production of food crops in sufficient quantities to satisfy local demand. It is essential, too, to create some alternative means of employment which cannot be provided by the very limited secondary industries. Unfortunately, conditions are not suitable for rice production, but maize, soya beans, potatoes and a greater amount of fruit could be grown to take the place of imported foodstuffs. Local fishing might be encouraged, to provide fresh fish instead of the imported salt and tinned varieties. New irrigation schemes, though not yet nearing completion, are making large areas of land available in the north-west of the island, which, if the one-crop outlook can be changed, will facilitate subsistence agriculture. A determined educational campaign would be needed to break down the prejudice in favour of a monotonous rice diet. Once this is done, the effect upon health and upon the island's economy would be very beneficial. A combination of subsistence agriculture and periodical labour on the sugar estates during the crop season would provide one solution of the growing unemployment problem, while at the same time it would secure the colony's main industry against an increased burden of labour costs which it cannot easily bear.

## Sweden's Economic Problems

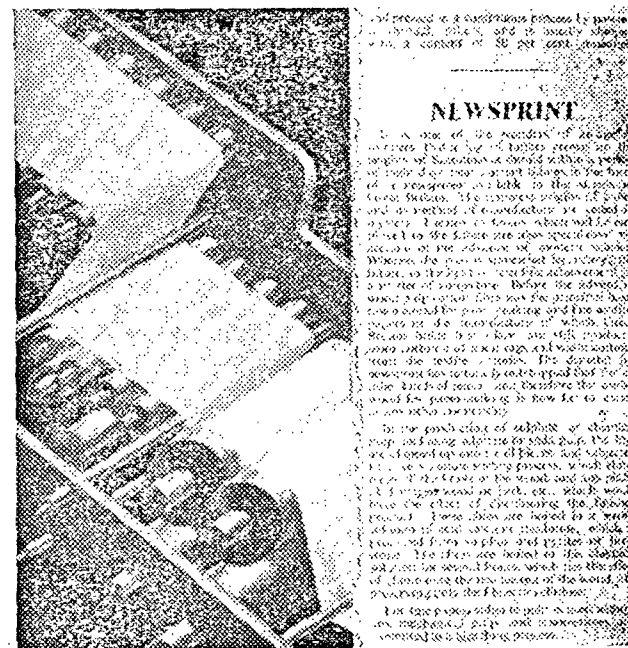
[BY A CORRESPONDENT]

December 21st

At the end of October, Germany withdrew, for the second time this year, permission for Swedish ships to use the Skagerrak in the limited overseas trade to which both Great Britain and Germany had consented. This year's period for overseas trade lasted only from May 25th to the end of October, and the supplies of cotton, wool, hides, oilseeds, petrol and coffee which have reached Sweden must have been small. The seasonal decline of industrial activity has been accentuated this autumn. The index of industrial production began to fall in the summer, at a time when there was a special call-up for military service. During the autumn, certain non-recurrent work of the defence programme ended which, together with the release of soldiers, caused the unemployed some difficulty in finding new work.

The unemployment figures, expressed as percentages of

## DAILY PAPER



THE growing shortage of newsprint from overseas has caused your daily paper to shrink. Compare the one you buy today with the same paper of 1940, let alone 1939. The difference in size and bulk is astonishing. The Press as well as the individual must save every scrap of paper. The fact that you are still well served with papers and magazines is a tribute to the efficiency of the newspaper industry and to the paper-makers. They have shown how with care and resource a little may be made to go a very long way. But behind their efforts stands the skill of the research chemist and the strength of the British chemical industry. The chemist has not only improved the yield of paper from such normal raw material as is still available, but has discovered highly satisfactory methods of recovering new paper from old. The greatly increased use of re-fashioned paper brings with it a host of subsidiary problems, such as the provision of suitable printing-inks, sizing material, and "loaders." These are all matters demanding skilled chemical research, often of a surprisingly intricate kind. Colour-printing sets even stiffer tasks, which the British chemical industry has solved by the production of remarkable new pigments with a wide flexibility. Shortage of tin and other metals needed for printers' type is another poser for the chemist. You can rely upon him finding a satisfactory answer to this as to the other problems inseparable from the regular appearance of your daily paper in time of War.



No. 3 in the "Services of an Industry" series  
issued by

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the membership of trade unions, reached their lowest point in August, with 3.9 per cent, against 4.0 per cent in August, 1942, and 7.5 per cent in August, 1941. The monthly average was 11.8 per cent in 1940, 11.3 per cent in 1941 and 7.5 per cent in 1942, which indicates that the armament and substitute production programme did not reach its full extent before 1942. During the spring and summer of 1943, however, Sweden was obviously more concerned with the period of economic transition after the war. A plan for this period of transition has been set up for discussing fully employment policy, the stabilisation of the currency, import and export trade, the building industry, and so on. The Government has decided to take part in relief measures, and a kind of lend-lease policy for the northern countries has been suggested.

After the fall of France, Sweden, whose exports amounted to roughly one-quarter of its industrial production, was cut off from overseas countries and became, for the maintenance of its industry, dependent on German supplies of coal and steel. The country's large cellulose exports dwindled and are at present probably less than 50 per cent of the pre-war amount. The decline in the export of iron ore was less marked and was as follows:—

|      | (in '000 tons) |      |       |
|------|----------------|------|-------|
| 1939 | 13,650         | 1941 | 9,540 |
| 1940 | 10,140         | 1942 | 8,630 |

Practically the whole of these exports have been shipped to Germany since 1940. The Graengesberg concern, which accounts for the greater part of them, has lost during the war period 14 ships of a total of 111,000 gross tons. One of the three large loading quays at Narvik has been fully repaired, but the greater part of the exports seem to be shipped from Lulea, the northern port in the Gulf of Bothnia.

Sweden, like other countries, has been trying to utilise and develop indigenous resources regardless of the cost of production. Hydro-electric power and the forests presented an opportunity of replacing imported commodities. The generation of hydro-electric power increased by 30 per cent from 1939 to 1942 and will be almost 150 per cent of

## Vitamins in chocolate for liberated Europe

The British Government, having examined all the ways in which sufficient vitamins could be provided to the under-nourished children of liberated Europe, have arrived at the conclusion—as Rowntrees did in 1938—that chocolate offers one of the best vehicles for carrying added vitamins. In chocolate, the vitamins retain practically all their potency.

Before the war, Rowntrees pioneered the addition of vitamins to cocoa and chocolate. Their object was to enhance the protective value of these already highly nutritious foods.

Today, when the Allied Governments are faced with the enormous problem of rehabilitating each occupied territory as it is freed, Rowntree's experience of fortifying cocoa and chocolate with vitamins on a large scale is proving of great value. When the war is won, this experience will again be used for the benefit of the British public.

**ROWNTREES**

the 1939 output at the end of 1944. Great improvements have been made in the industrial utilisation of wood, which is used for making cellulose for feed, generator fuel and cellwool, and from the wood tar produced by carbonisation a satisfactory lubricant has been developed. At present, 73,000 motor vehicles are run on generator gas, out of a total of 250,000 motor vehicles on the road before the war. In addition, 10,000 tractors have been converted to the use of generator gas. The charcoal for generators is now being produced on an industrial scale, and the period of experiment, during which small manufacturers supplied the market with very varied models of generators, has passed.

The most important expansion has, however, been achieved in the machine building industry because of the extensive rearmament programme. This made it necessary for the iron and steel industry and the base metal and light metal production to be expanded at the same time. The Boliden-Gruben concern hopes to reach in 1943 a copper output amounting to 15,000 tons, against 7,000 tons in 1939. Low grade manganese ore is mined, and lead and zinc production has also been increased. Yet copper output is still less than 50 per cent of pre-war consumption. The aluminium capacity will reach some 4,000 tons. It is produced from andalusite, which requires a more difficult working process than the imported bauxite. Great difficulties have been encountered in the production of synthetic rubber, but a small plant will soon begin operations. Supplies of civilian commodities seem to have been satisfactory during the first two years of the war. Standardisation of clothing and shoes, thought to be sufficient at first, was finally made more effective by the rationing of clothing in January, 1942, and of footwear in April, 1943.

### Prices, Wages and Rations

From the beginning of the war to the middle of 1943, the wholesale price index increased by 80 per cent and the cost of living index by 43 per cent. There was, however, no corresponding increase in wages, which were stopped when a price stop was introduced. Several methods had been tried to arrest the rise in prices. First, there was a system of price equalisation. In November, 1942, a temporary price stop was decreed, which excluded foodstuffs and a number of manufactured articles. The price stop is now, however, comprehensive, and the price indices have been practically stable since the beginning of 1943. The inevitable reduction in the standard of living is more clearly shown in the food rations, which are comparatively small for the normal consumer, although the categories of heavy workers are comparatively well supplied. The greatest hardship seems to be the shortage of coffee, which is even more important in the national diet than tea in Great Britain.

Sweden's wartime trade relations are based on trade with Germany. Before the war, Germany supplied roughly one-fifth of Sweden's imports, and one-sixth of Swedish exports went to Germany. Detailed figures for the first quarter of 1943 show that Germany supplied 53.4 per cent of imports and took 37.8 per cent of exports. The value of the foreign trade was as follows:—

|                 | (In million Kronor) | Imports | Exports |
|-----------------|---------------------|---------|---------|
| 1939            | 2,498               | 1,889   |         |
| 1940            | 1,999               | 1,337   |         |
| 1941            | 1,672               | 1,345   |         |
| 1942            | 1,770               | 1,313   |         |
| 1943 (6 months) | 883                 | 589.5   |         |

On the basis of the price indices, the figures suggest that the volume of Sweden's foreign trade is perhaps only half what it was before the war. The decline in imports continued to the end of 1942. During the first six months of 1943, there was an increase because of greater German deliveries. There seems to be no doubt that Germany made every endeavour to supply the promised quantities of coal, coke and steel. During these first six months, Sweden imported 2.1 million tons of coal and coke, against 1.2 million tons during the same period of 1942. Five million tons have been promised for the whole year. Steel, potash and sodium deliveries were also higher than in 1942, and small quantities of Buna rubber have been promised. As long as Sweden is cut off from overseas sources, German supplies are absolutely necessary for Swedish industries, the armament industries included. Germany, on the other hand, depends on Swedish iron ore and specialised industrial manufactures. Both sides have, therefore, been trying to maintain their trade with the other.

# THE BUSINESS WORLD

## Government in the City

THE growth of financial controls during the war and the probability of their extension, for a time at least, into the post-war period puts the problem of authority in the City in an altogether new light. Until 1939 the City and its financial markets were, in large degree, left to run themselves. Under the guidance and leadership of the Bank of England this self-government achieved admirable cohesion. The tradition of the City was one of discipline achieved by voluntary co-operation, and the advice of the authorities seldom went beyond the bounds of moral suasion. That was true even of the period of the 1914-18 war, and remained true of the 1932-39 period during which the first experiments in financial control were made. The ban on foreign issues imposed at various periods before 1939 and the control of new trustee loans were achieved with no legal sanctions and purely through the voluntary co-operation of the responsible markets and institutions of the City. The domination of Bank rate over the whole interest-rate structure of this country was in no way the product of legislative enactment; but it was none the less effective for that. This wholly informal method of control was admirably suited to the days of *laissez faire*. The slight wagging of a monitory finger here—a hint there—in serious crises, the discreet and dignified passing of the hat to save some great name—those were initiatives which the Bank of England took admirably and for which no better instrument or technique could have been devised.

But if the controls are to become more formal and to demand a stream of directives, if advice is for any length of time to give way to dictation, this informal representation of "authority" in the City may be found wanting. There are indications that the adaptation of the old mechanism to the situation created by wartime financial controls has already created some friction. In two instances which directly affect the Stock Exchange—the retention of minimum prices for gilt-edged securities and the withholding of permission to deal in securities whose issue has been authorised—a strong body of opinion in that market feels that its views have not received adequate hearing from the ultimate source of executive authority at the Treasury. Without going into the pros and cons of each case, it can be said that the Stock Exchange view on such issues, which is that of maintaining a real market in the securities in which it deals, may at some points conflict both with the banking view, which is primarily concerned with the valuation of assets and of the collateral securing assets, and also with the Treasury view, which is "no competition with Government loans."

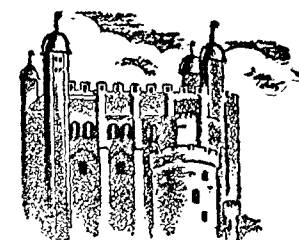
It is, of course, open to any individual or organisation to approach the Chancellor of the Exchequer direct on any matter of public concern. But for any institution in the City to make such direct approach to the Government without informing the Bank of England and without prior discussion with that institution would be regarded both by the Bank and by the Treasury as indecorous, and would for that reason prejudice the case of the plaintiff. In any case, such direct approach would merely change the order of procedure. The Treasury would immediately send the whole matter back to its principal financial adviser, the Bank of England. The Bank has, from the moment it became conscious of its rôle and responsibilities as a central bank, been the recognised channel of approach and communication between the Government and the financial markets. There are many weighty arguments in favour of this state of affairs. The interests of tidiness are best served by it; it makes for cohesion in policy and execution which might otherwise be jeopardised; it has even been argued that the interests of the City will be best served when pleaded by the Bank, which speaks in the tones to which the Treasury is accustomed, and that the rougher merchants and adventurers might get short shrift if they presented their case themselves.

In matters pertaining to currency and banking there can be no serious quarrel with this rôle of the Bank of England and even with the vesting of considerable authority in its hands. It is when the Bank pretends to act as the voice of authority in matters that lie rather outside the direct sphere of currency and credit that difficulties may appear. All will be well so long as the Bank, in such matters as concern the Stock Exchange, investment trusts, issuing houses or insurance companies, acts as a real go-between and does not set itself up as tribunal. On these matters the Bank of England may be extremely well advised, but it will not have the direct knowledge that comes of day-to-day experience of the markets concerned. Even on questions of routine joint-stock banking, the Bank of England may have no more than a very well-placed outsider's view and in discussions of the relevant problems with the Treasury direct participation of the joint-stock banks might be valuable.

The technique of a new method of contact between the Government and the financial markets of the City is already being worked out. The Foreign Transactions Advisory Committee was the prototype of the new mechanism—a committee on which the Bank of England, the Stock Exchange, the joint-stock banks, the investment trusts and industry have from its inception been represented. The Committee changed its functions with the beginning of the war and became known as the Capital Issues Committee. It is now the recognised instrument for authorising capital issues otherwise banned by the Defence Regulations and by agreement with the Stock Exchange, it also gives rulings on such matters as "permission to deal." Its independent chairman, Lord Kennet, may be regarded as the spokesman for the Treasury, which, otherwise, is not represented on it. This committee has perhaps suffered from the fact that from its inception it has been necessarily a negative instrument. Its duty has been to say "No" in all cases of doubt. Before the war it was "No" to foreign issues or repatriations of shares from abroad which would strain an already taxed sterling exchange position; since the war it has been "No" to domestic issues which might conceivably compete with Government loans. This negative bias has inevitably coloured the approach of its members to all problems put before it, and the results of its deliberations should not, therefore, be regarded as a typical product of the new technique.

A rather more constructive example is the standing foreign exchange committee which devises the various

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orders and notices through which the control of foreign exchange is operated. The broad lines of exchange policy are settled between the Treasury and the Bank of England, but this committee, on which the Treasury, the Bank and the joint-stock banks are represented, translates these broad directives into detailed instructions to banks. It has done excellent work, and has proved a valuable and essential link between the ultimate control authorities and the exchange bankers, whose task it is to apply the regulations, and to see to it that they interfere as little as possible with genuine trade requirements. Until now the committee has been working within the somewhat restrictive and negative framework of war-time controls. After the war, when the time for exchange control relaxations arrives, the scope for its activities should be widely extended, and its experience of co-operative working between Treasury officials and representatives of the Bank and of the exchange market should stand it in very good stead.

This device of a joint committee may well be extended after the war. One possible direction has already been hinted at, namely, the establishment of more direct contact between the Treasury and the joint-stock banks. If some control of investment is to remain after the war—and it is almost certain to be extended to the transition years—it will perforce have to apply to the advance policy of the banks. At present the banks work to an essential negative formula: no loans except those that directly help the war effort. With the coming of peace the formula will become positive and immensely complicated. The objective will no longer be simple; the priority ranking will call for constant review and interpretation, for consideration of special cases and for a host of other tasks for which the machinery does not exist to-day. A strong committee on which the Treasury, the Bank and the joint-stock banks were represented would seem to be the obvious device for tackling this task of co-

ordinating the joint-stock banks' loan policy within the broad lines of the Government's investment policy. Similar machinery should be devised—and is perhaps already designed—for dealing with the special problems of building societies after the war. In all such cases control of the institutions concerned demands fairly close and permanent contact between them and the Treasury whence the statutory orders will originate. The Treasury should have the direct expert advice of the institutions in question, and should not have to depend exclusively on second-hand, though no doubt highly expert, information and advice from the Bank of England.

It is, however, to be hoped that the new technique will not exclude the informality and the personal relationship which have always been the feature of Government in the City. Much would be lost if this flexible system, depending largely on the willing co-operation of all the parties concerned, were put into the strait-jacket of statutory codification. "In England," wrote Walter Bagehot, "we can often effect by the indirect compulsion of public opinion what other countries must effect by the direct compulsion of Government." The present Governor of the Bank of England quoted these words at the Centenary Luncheon of *The Economist* last September, and added the comment that "it is an advantage which we should be slow to sacrifice." It is also to be hoped that financial interests, great and small, will continue to take their problems and difficulties to the Bank of England, for friendly discussion of these problems solve nine-tenths of them without the formality of an approach to the Government. But, given the extension of financial controls, it is clear that contact between the Treasury, where most of the authority must be exercised, and the various institutions and markets concerned will have to be diversified and rendered rather more representative than is to-day.

## Business Notes

### Lend-Lease Changes

Reports from Washington have officially confirmed rumours previously circulating in the American press that a number of goods hitherto delivered by the United States to Great Britain on lend-lease terms will henceforth be paid for in cash. The articles in question are durable capital goods, including machine tools, and industrial equipment of all kinds. There are suggestions, as yet unofficial, that the list is likely to be extended and that it will soon cover textile exports to the Middle East sterling area. It is impossible to divorce these decisions from the highly charged political atmosphere which now surrounds the lend-lease question in the US. They may be regarded as a form of appeasement of the opposition to Mr Roosevelt which has already shown remarkable aptitude in serving its own political end by attacking the administration of Lend-Lease. There is, however, a simpler and more obvious angle to these changes: it is the considerable improvement which has, of late, occurred in the British Treasury's dollar position. That improvement is in large measure a reflection of the personal expenditure of considerable numbers of US troops now stationed in this country—the wartime variant of that important British invisible export, the tourist trade. If the principle underlying the grant of US lend-lease aid to Great Britain is, in effect, that this country must empty its pockets of dollars before it is entitled to lend-lease assistance, then the answer to the recent improvement of British dollar balances must be either to shift goods from the lend-lease to the cash list, or else to increase Britain's own deliveries on "reverse Lend-Lease." Actually it would appear that both methods are being used, since, in addition to the changes now announced, the recent British White Paper on Mutual Aid announced that raw materials from the Empire, for which the United States had hitherto been paying cash, were now to be supplied on Mutual Aid terms. The effect of these changes will be large, and it is to be hoped that the adjustment is not being overdone under political pressure. In the Canadian case, Britain pays as long as it has Canadian dollars at its disposal, but deliveries are not made in any way conditional on the availability of such balances, and anything that cannot be paid for is then given freely. The "empty pocket" principle, it should be noted, does not apply to the whole

of the US lend-lease operations. Lend-lease aid to Brazil, for example, has been given in abundance, while at the same time Brazilian dollar assets have accumulated and have been converted into gold which has subsequently been exported from the US to Brazil.

### Ordinary Shares

With the close of the year stock markets have become very quiet but quite firm. In this respect the market is passing through a repetition of the experience of 1942, but the net movement in prices in 1943 bears a closer resemblance to that of 1941. The steady but moderate improvement in equities during that year was only interrupted towards the close by the entry of Japan into the war. That caused a fall which continued into March, 1942, and from then on there was a steady rise, with only one reverse, until at the close of that year the index of Industrial ordinary shares, compiled by *The Financial News*, showed a net appreciation of 14 points. Last year and in 1941 the net improvement was a trifle over 9 points, the proportionate increase being, of course, heavier in the earlier year. The existing position is that half the relapse of mid-October to mid-November has been made good; and there is no evidence at the moment to suggest any very definite movement either way in the general body of British industrial equities. There is, however, combined with a general appearance of stability and a very faint upward trend, an extreme sensitiveness of individual prices to any development which appears to throw light on the existing position or future prospects of any company or industry. This results, probably, from the paucity of opportunities for speculation, now that all the frankly speculative shares have been run up to high levels. Thus, rubber shares have improved in the year by some 15 per cent and most other commodity shares are able to show rises ranging from 7 to 10 per cent. The net effect of the rises of the past three years has been to wipe out over two-thirds of the maximum fall during the years of war and preparation for it. Thus, the index of British industrial ordinary shares touched a peak of 124.9 (July 1, 1935=100) on November 18, 1936. On June 26, 1940, it was down to 49.4 and it is now back to 103.0.

### Rubber Control

In an announcement issued this week the Colonial Office drew attention to the fact that the present international rubber regulation agreement—it came into force at the beginning of 1939—was due to expire on Friday. The operation of the regulation scheme has been in abeyance for some time, for Japan now controls the Far-Eastern countries that contributed nine-tenths of world production before the war, and production in the areas still accessible to the United Nations had to be increased as much as possible, without reference to pre-war arrangements. The remaining countries which were parties to the old agreement—the United Kingdom, Holland and India—are desirous of maintaining international collaboration and anxious to retain machinery for consultation on future international action; but, in their opinion, the International Rubber Regulation Committee, in its present form and with its restricted membership, is not an appropriate means for planning the future regulation of the rubber-growing industry. They have been considering the possibility of forming a new and more widely representative committee for consultation and the collection of information and, as representatives of "natural" rubber-producing countries, they have wisely expressed the hope that all other countries with a substantial interest in natural and synthetic rubber, whether producers or consumers, will join the proposed committee. To gain the necessary time they have decided to extend the existing agreement for a short final period of four months. The proposed committee is to be a purely consultative one. In the view of the three Governments

it should have no powers of regulation of exports, production or planting, and membership of it would involve no obligations to restrict production or planting.

It is merely designed to pave the way for a plan which will secure the long-term interests of rubber producers and consumers alike.

in conformity with such principles for international commodity schemes as may be generally accepted after the war.

Before the war the chief rubber consuming country, the United States, was not also a producing country; after the war it will be both the largest producer—of synthetic rubber—and consumer. The solution of the "natural" rubber problem will have to be found within a context radically different from pre-war conditions.

\* \* \*

### Primary Products

There is a great deal to be said for an attempt at evening out excessive fluctuations in the prices of primary products—especially when they are produced by large numbers of small farmers, planters or miners—for they make for instability of incomes, which is as great a scourge in primary producing countries as recurring mass-unemployment is in industrial countries. But just as a successful employment policy should be a policy which not merely assures jobs to willing workers but jobs in the most productive occupations, so a successful price stabilisation policy should be a policy designed to keep prices as low as possible to the consumer and not one that is based on restriction by a combination of producers. A successful employment policy in industrial countries would itself tend to bring greater stability to the demand for, and the prices of, primary products. Obviously, plans for primary products cannot be postponed, pending the achievement of full employment in industrial countries. They should form part and parcel of the scheme of post-war international reconstruction, and, indeed, part of the ground has already been surveyed at Hot Springs and at other conferences. There are two principles which should guide the formulation of any regulation schemes for individual commodities. First, they should not be mere producers' cartels, designed to maintain prices by the restriction of production. Secondly, and this follows from the first principle, they should be controlled by Governments, not by private agencies, though this does not mean, of course, that they need be operated by Governments. Any proposals should be submitted to these two tests.

\* \* \*

### Help for Lombard Street

Preparations for the year-end ordeal have again monopolised the activities of the money market during the week. The prospect has been eased by the decision of the Treasury

not to request any Treasury Deposit Receipt money from the banks this week. As the current week's effective TDR maturities amount to about £20,000,000 some relief has been obtained from a quarter which, by contrast, has in recent weeks persistently drained market resources. The effect has been to reduce the amount of money which the banks have had to call from the market at the turn of the year. It might be contended that the actual volume of such calling should have left the discount market unconcerned, since the gap thus made in its resources can almost automatically be made good by selling bills at the open market rate to official quarters. This, however, leaves out of account the important difference in the effect of these two alternatives on the appearance of the discount houses' end-of-year balance-sheets. The efforts made to show a reasonably orthodox ratio between the holdings of bills and investments might be seriously jeopardised if previous to the turn of the year the market had to make more than usually large sales of bills to the Bank of England agents. That contingency has been avoided by relieving the banks of TDR payments and thus enabling them to keep their normal quota of short money in the market over the turn of the year. Despite this relief, official assistance has been provided on a fair scale, and the Bank return showing the position on December 29th already reveals the inflation of bank cash over the turn of the year in a rise of £65,235,000 to £234,274,000 in bankers' deposits. The counterpart to the expansion in this item and in the note circulation and public deposits is a rise of £81,659,000 in Government securities, which reflects the assistance which the market had by then already taken from official quarters. These figures illustrate the paradox of extreme ease in credit conditions preceding the moment of greatest stress, which is always in evidence during the last week of the year. The money market has at its disposal the additional resources being created by window-dressing operations, but the bulk of that additional credit is "bad money," on the retention of which over the turn of the year the market cannot count.



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## Cotton Trade Profits

The recent strength of cotton textile shares has received a slight stimulus from the increased margins granted for cotton yarn and cloth from December 22nd. So far as it is possible to calculate an average, the rise is about 4 per cent, and the bulk of this will be absorbed by the higher labour costs imposed upon both spinners and manufacturers. A slightly increased margin per unit of output is likely to remain, and there will be no lack of demand for any goods which can be produced, there having recently been a further increase in orders. Unfortunately, lack of labour and increased absenteeism threaten, for the present, to reduce turnover. Absenteeism is largely involuntary, and with the passing of the present outbreak of sickness, production may be restored. Meanwhile the results of the smaller Lancashire cotton spinning and weaving mills for 1943, so far as available, show a familiar pattern. Profits of 62 spinning mills average £7,959 for 1943, against £8,078 for a slightly larger sample for 1942, but 102 spinning mills paid an average dividend of 10.68 per cent, against 10.22 per cent, while twelve firms, combining spinning and weaving, paid 6.98 per cent compared with 6.87 per cent in 1942. So far as these figures can be considered a good guide to the total result, there has been a very moderate fall in profits and an increase in distributions. For industry as a whole, recent figures of *The Economist* show a modest rise in distributable profits and an increase in the proportion distributed in ordinary dividends at the cost of reduced allocations, absolute or relative, to reserves. Despite the heavier proportion paid in dividend by these mills, there is an improvement in credit balances shown, but it is so slight as to suggest that a more conservative policy might be beneficial.

## Future Difficulties

The story of cotton-mill results for 1943 is, thus, satisfactory, and there is promise of much better things to come. But, so far as the large cotton companies are concerned it may be doubted whether there is anything in the outlook which would justify a long term investment in cotton shares at existing prices, which give an average yield of some 3½ per cent, unless the buyer had reason to believe that the company chosen was among the lowest cost producers in the industry and was capable of maintaining that position. Everybody is agreed that the potential post-war demand for cotton goods will exceed anything yet known. But that will not last for ever. There can be little doubt that more and more countries will wish to produce for themselves the standard lines which make up the bulk of both export and home demand. It may very well be that, once the bare essentials have been met, restocking with imported goods will be damped down with the object of leaving exchange available for the import of capital goods, including textile machinery. Against this, it is possible that for a time the competitive power of Japan will be greatly reduced. But it must not be forgotten that if Japan is barred from the possession of an armaments industry there will be all the more resources available for competition in those activities which are permitted. By and large, there appears to be very little doubt that, within a short period of years and on any assumption, Lancashire will have to face a further curtailment of overseas demand for staple products. It is even possible that, given full employment and a real rise in the standard of living at home, the domestic demand for some types of cotton textiles will also fall away. Whether this will be the case or not must depend in large measure upon the cost and excellence of the new textiles. Probably, their future and that of the cotton trade proper depends upon co-operation between the old and the new and the evolution of new fabrics. A good deal has been done on these lines already, but more should be. Success on these lines may, however, demand fresh plant and a radical overhaul of methods and this may mean further scrapping of existing equipment on a considerable scale. This will call for larger appropriations from profits and it is not even certain that the Government will remove EPT at the conclusion of hostilities.

## Raw Cotton

The international raw cotton position appears to have reached a new stage. Consumption in the United States appears to have passed this season's peak, while in certain

other countries, such as the United Kingdom, it is rising. If, as is possible, the two opposite trends cancel each other, world consumption during the season ending July 31st this year may again reach the previous season's total of 24,800,000 bales. This figure compares with 28,507,000 bales consumed in 1938-39. World production this season may be slightly lower than in 1942-43, although the decline will not be a material one. The "preliminary final" United States estimate, at 11,478,000 bales, is 1,346,000 bales below last season's final harvest figure, but at least part of this decline, it appears, will be made up by an increase in the combined "outside growths," that is crops outside the United States. During the 1942-43 season, world cotton production amounted to 26,625,000 bales; this season it may again be somewhat in excess of consumption. The world's carry-over of raw cotton into this season amounted to about 23,600,000 bales. This is 10 per cent more than at the end of the last pre-war season and the highest world carry-over ever recorded. Well over half of this total, some 12,300,000 bales, consisted of "outside growths," although in the last pre-war season the carry-over of American cotton was nearly twice as large as that of cotton from other producing countries. The large surpluses of outside growths will prove an important factor in the immediate post-war markets. A considerable part of these supplies has been subsidised by the Governments of the producing countries, but they may possibly be offered at prices below the high prices for the heavily subsidised United States cotton. As the purchasing power in the majority of war-torn areas will be rather low immediately after the war, such a price differential would assure producers outside the United States a substantial demand, although some time may pass before they can fully regain their strong pre-war position. Many countries, which have found it difficult to obtain raw cotton or cotton goods during the war, have relied increasingly on other textiles. A recent study of the post-war cotton outlook, prepared by the United States Bureau of Agricultural Economics, indeed, comes to the conclusion that the upturn in world cotton consumption after the war may be fairly low. If this view proves correct, the raw cotton supply position will not cause much difficulty after the war.

## Disposal of Tramps

The stupendous output of cargo ships by American shipyards and the success of the measures taken against the U-boat have largely solved the shipping problem of the United Nations. After the war there is likely to be a surplus rather than a deficiency of big cargo ships, and most of them will be owned by Governments, that is chiefly the American Government. The *Shipping World* of December 22nd sees the position as follows:

| ESTIMATED TRAMP TONNAGE<br>(Vessels of 6,000 deadweight and over) |            |
|-------------------------------------------------------------------|------------|
|                                                                   | Gross tons |
| World Tonnage before the war.....                                 | 10,000,000 |
| World Tonnage at end of war.....                                  | 21,000,000 |
| Of which                                                          |            |
| Privately owned.....                                              | 5,000,000  |
| Government owned:                                                 |            |
| American Liberty fleet (incl. coastal ships)                      | 12,000,000 |
| Canada.....                                                       | 2,000,000  |
| United Kingdom.....                                               | 1,500,000  |
| Continental Governments.....                                      | 500,000    |
| Total Government owned....                                        | 16,000,000 |

The post-war figures are conjecture, but they serve to illustrate the change in the position since 1939 and the kind of problems that will have to be faced. Significantly, the *Shipping World* suggests that large-scale sales of tramp ships by Governments to private owners would push the bottom out of the freight market as effectively as would an attempt by the Governments to keep the vessels in operation. The surplus, it suggests, would, therefore, have to be withdrawn by the Governments. The ships owned by Governments might be let to private managers in such volume as would ensure minimum freight rates; simultaneously they would offer ships for sale on the world market at prices corresponding to the minimum rates. This scheme is a variation of one outlined in *The Economist* on July 24, 1943, though by itself it would scarcely ensure the restoration of a large and efficient British merchant fleet.

## Statisticians Enter the Factory

The striving for both quality and quantity in the manufacture of munitions, for the highest possible yield per man-machine hour, has led to many innovations and improvements in methods of production. Not the least important of these innovations has been the introduction of quality control, charts based on samples, one of the statistician's contributions to the war effort. Quality control is not only reducing waste in production by diminishing the proportion of rejects, it is also a means of raising the average quality of the products to which it is applied. Erratic behaviour in the operator and the machine can be detected by the repeated presence of points outside the control limits indicated on the chart; lack of uniformity due to the quality and age of the machine is shown by an excessive average range in the dimensions of the sample; faulty tool setting is disclosed when the average size of the sample differs too much from the dimension on the drawing. Quality control has been recognised by the Ministry of Supply as an important means of improving the efficiency of production, especially in engineering, and its use has been gradually extended during the past two years. In order to speed up the adoption of quality control, the Ministry has recently published "A First Guide to Quality Control for Engineers," describing, by way of example, how it can be applied. Quality control in the factory has become a new occupation for statisticians, for in future no reputable engineering firm will be able to dispense with it.

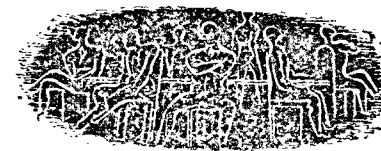
## Bolivian Tin

Formerly the territories occupied by Japan produced some two-thirds of the world's tin supplies; the loss of those supplies necessitated the expansion of output in other countries to the limit of their capacity. In the Belgian Congo and Nigeria efforts to increase output have been successful; but in Bolivia, the world's third largest supplier, they appear to have failed. In 1929, when Bolivia's output of tin ore reached its highest level, the metal content of shipments was 46,338 tons; the highest figure since then was 42,319 tons recorded in 1941. In 1942, shipments, instead of increasing, fell to 38,294 tons. There was little improvement last year, for shipments during the first nine months, at 29,941 tons, were only 486 tons higher than during the corresponding period in 1942. The main difficulty appears to be a shortage in the supply of labour which cannot easily be made good by the transfer of workers from other districts or countries because of unfavourable climatic conditions. Nor can a speed-up in mechanisation yield immediate results because, in contrast to other countries whose tin can be dredged, Bolivian ore has to be mined in lodes as it occurs. The attempt to encourage expansion in output by the offer of high prices has, therefore, met with little success. Since January, 1942, the price paid by the United States and the United Kingdom has been at the rate of 60 cents per lb. of metal, f.o.b. South American west coast ports, equivalent to £333 10s. per ton. Although this price was exceeded in this country for short periods after the last war, it compares with an average London price of £189 10s. in 1938, and with the current price of £275 per ton, delivered to consumers' premises. Yet, Bolivian interests are apparently anxious to secure a further increase in prices to 70 cents a lb. and are reported to have refused an offer of 63½ cents a lb., made by the United States Board of Economic Warfare. It is doubtful, however, whether a further substantial and general advance in the price of Bolivian tin will lead to an expansion in shipments. Nor is it possible, at this stage, to assess the effect of the recent *coup d'état* on the shipments. If it is technically possible to speed up output in the near future, and if a special inducement is needed to secure it, it might be preferable to offer Bolivia a premium on, say, any excess in shipments over last year's total, rather than to concede another general advance.

## Nitrate Problems

The report of the Lautaro Nitrate Company for the year to June 30, 1943, shows a substantial fall in total sales of Chile nitrate, from 1,371,284 tons to 1,243,040 tons, of which the company's share was 420,828, against 464,245 tons. The improvement in iodine sales of the company was proportionately greater from 327,435 kilos to 376,954 kilos and there was a modest improvement in profit, while the amount available is further increased by the fact that renewals reserve took only £156,326, compared with

## AND WHEN THE WAR IS WON?



Back to the old trade antagonisms or . . .



"friends in fact, in spirit and in purpose"?

Out of the Teheran Conference has come the greatest pledge of a just and durable peace the world has ever known.

The three great signatories seek the active co-operation of all nations, large and small . . . not as dependants upon a powerful but benevolent triumvirate, but as sharers in the responsibility for the future of mankind.

Part of this responsibility must be borne by industry, which will be called upon to build a new world prosperity for this new "world family of democratic nations." The choice of the Nations is between world-anarchy and world-order. The choice of industry is between blind self-sufficiency and intelligent participation . . . between the old destructive trade rivalries and the new constructive economic collaboration . . . between peace, progress and prosperity on one hand and World War 3, chaos and extinction on the other.

This Statement is issued in support of the principle of continued industrial collaboration between the United Nations after the war. Announcements by the International Nickel Company of Canada, having the same purpose, are appearing in Canada and the U.S.A.

Published by  
THE MOND NICKEL COMPANY LTD  
Grosvenor House Park Lane London W1



£171,672. The result is a rather higher dividend on the ordinary capital, announced at the end of November, and a more marked acceleration of funded debt redemption. The directors were unable to give an idea of the results of the current year, since they will depend primarily upon the amount of shipping available. The company and the other Chilean nitrate producers have benefited little from the war, since increased demand from some markets has been pretty well offset by the closing of others. As a producer of iodine, however, it has been able to reap some benefit for the average sales of the four war years have been more than 30 per cent above those of the corresponding pre-war years. Unfortunately, it is probable that the demand for this product will fall off, once hostilities cease, almost as rapidly as it rose, and the future of the company is wrapped up with sales of Chile nitrate. The demand for fertilisers after the war must be very large indeed for some years, both because it will be necessary to produce larger amounts of food-stuffs and because some of the synthetic plant will be destroyed, while labour and materials will be required for the production of materials for which there is no alternative available. Once this period of three or four years is over, the outlook is obscure. Unless there is a differential rise in wage costs in the manufacturing countries, it would be reasonable to suppose that the relative costs of producing the synthetic material would tend to fall and those of extracting the natural one to rise, with a further deterioration in the profits of the oficinas.

### Co-operative Trading

The turnover in the dry goods departments of the Co-operative Wholesale Society continued to decline during the first nine months of 1943; the returns for the last thirteen weeks, however, suggest slackening in the rate of decline, which has encouraged the belief among the directors that those sections have reached a fairly stable level. They are renewing their objection to the Purchase Tax—particularly on goods subject to price controls and on those made to Board of Trade specifications of type or quality. The turnover of all branches of the CWS for the 39 weeks ended October 9, 1943, was £120,675,122, an increase of £6,281,453 compared with the corresponding period of 1942. Supplies from the society's own productive works were £36,367,235. Grocery and provisions, at £90,284,258, were responsible for three-fourths of the sales. Half the business was done through the Manchester headquarters, with the London branch steadily expanding to a turnover above £40 million. Sales to the Ministry of Food totalled £5,014,363; and the supplies of meat and milk to the retail co-operative societies during the nine months were £9,697,913 and £9,188,274 respectively. The amalgamation of retail societies has resulted in the closing of fourteen accounts with the CWS Bank, in which 859 societies have accounts, along with 10,521 trade union branches. The combined total of deposits and withdrawals of the bank from January to October, 1943, were £795,054,477, an increase of £54,940,038, reflecting, at least in part, the closer association between the co-operative and trade union movements.

### Coal Tribunal Awards

The outstanding result of the appointment of an independent tribunal under the National Conciliation Scheme has been the substitution of national for district negotiation and agreements. The first of the awards of the Porter Tribunal gave the juveniles in the coalmining industry a national minimum wage scale; the second granted the application of the Mineworkers' Federation for a national holiday-with-pay agreement; and the third conceded the miners their claim for a national agreement for the regulation of payment for overtime and week-end work. In regard to holidays-with-pay the miners asked for (1) a minimum of twelve holiday days per annum, six of them to be taken consecutively, and to be regarded as the annual holiday, (2) an allowance for the annual holiday of £6 a week to adult workmen and others with dependants, and of £3 per week to youths under eighteen, (3) an allowance in respect of each of the six additional statutory and customary holidays of £1 per day to adults and 10s. to youths, and (4) the cost of the holidays not to be treated as an admissible charge against the wages ascertained. There was no dispute over the principle of a national agreement, and the employers agreed that six days with pay was not unreasonable; as a matter of fact, holidays-with-pay agreements on a district basis were already in operation in most of the coalfields.

The Tribunal has refused to grant the specific allowances for which the men applied, and has decided also that holiday pay must be regarded as an admissible charge under the joint audits, but for the provision of funds to meet the cost of the holiday week it has recommended the following formula:

(a) The total sum earned as wages in the calendar year prior to that for which holiday payments are to be made, shall be ascertained; (b) from this total there shall be deducted the sum actually paid during that period under any holidays-with-pay agreements; (c) the resultant figures shall be divided by 50. This figure, after the deduction of (b), and after taking into account the existence of six unpaid holidays, will give an average week's wage for the whole industry. The sum so arrived at is to form a pool, and this pool is to be divided amongst the miners in such manner and in such proportions as the Mining Association and Mineworkers' Federation shall mutually agree.

The employers' and the workmen's representatives are now discussing this problem, but in the event of a failure to agree the intervention of the Tribunal will again become necessary. In regard to the overtime award, discussions by the National Negotiating Committee over the terms of the national agreement are in progress. The concession of the claim that the new overtime rates should be calculated not on standard earnings, but on the normal gross earnings, is a considerable gain to the workmen; hitherto in many districts the overtime payments have been calculated on standard wages. It should be pointed out, however, that because of the statutory limitations on working hours, overtime wages in the coalmining industry do not represent on the average more than 5 per cent or 6 per cent of total wages.

### Gold Export Licences

The procedure to be followed when exporting gold coin and bullion from this country is to be simplified on January 15th next. From that date it will no longer be necessary to obtain an export licence for such exports, except in the case of gold coin more than 75 years old which, as collectors' pieces, might command a value greater than that of their gold content. The removal of other coins and of gold bullion from the export licence list does not mean that such gold will in future leave the country without restriction. The Defence Finance Regulations still prohibit such exports except under due authorisation of the Treasury; such authorisation will still have to be obtained before gold can be sent out of the country. The export licence on gold had, in large measure, been a duplication of the Treasury control, and it is for that reason that it has been dispensed with. In the case of gold coin having special collectors' value, the licence is still required because the Defence Regulations are only concerned with the bullion value of coin and might, therefore, sanction an export of gold of greater value than that represented by the gold contents of such coins.

### Books Received

- Regulation of Wages and Other Problems of Industrial Labour in India.* By D. R. Gadgil. (Poona) Gokhale Institute of Politics and Economics. Rs. 5 or 10s. net.
- The Solicitors' Act, 1941.* By T. G. Lund. (London) Butterworth. 136 pages. 15s. net.
- The World Coffee Economy with Special Reference to Control Schemes.* By V. D. Wickizer. (Stanford, Cal.) Food Research Institute, Stanford University. 258 pages. \$3.00 net.
- Plantation Life in the Florida Parishes of Louisiana 1836-1846 as Reflected in the Diary of Bennet H. Barrow.* By E. A. Davis. (London) H. Milford. 457 pages. 33s. 6d. net.
- Iron and Steel in Britain 1870-1930.* By T. H. Burnham and G. O. Hoskins. (London) Allen and Unwin. 352 pages. 25s. net.
- The Making of Modern Britain.* By J. B. Brebner and Allan Nevins. (London) Allen and Unwin. 241 pages. 7s. 6d. net.
- Financial Burden of the War on India.* By C. N. Vakil. (Bombay) N. M. Tripathi and Co. 140 pages. Rs. 4 net.
- Fire Protection and ARP Year Book, 1943-44.* (London) Lomax, Erskine and Co., Aldwych House, W.C.2. 276 pages. 7s. 6d. net.
- Swedish Economic Policy During the War.* By K. Koch. (Manchester) Manchester Statistical Society. 12 pages. No price stated.

### COMPANY MEETINGS

#### RHOKANA CORPORATION, LIMITED

##### SATISFACTORY PRODUCTION OF COPPER AND COBALT

The twenty-first annual ordinary general meeting of Rhokana Corporation, Ltd., was held on the 22nd ultimo at 11, Old Jewry, London, E.C., the Rt. Hon. The Lord Geddes, G.C.M.G., K.C.B. (chairman of company), presiding.

The directors' report issued with the accounts was as follows:—

The directors submit their report and statement of accounts for the year ended the 30th June, 1943.

The production of copper and cobalt at the mine has proceeded satisfactorily throughout the year.

No change has taken place in the authorised or issued capital of the Corporation. The debenture debt was reduced from £184,450 to £163,450 by the drawing for redemption as at December 31, 1942, of £21,000 debentures, in accordance with the provisions of the Trust Deed. On August 26, 1943, notice was given to pay off at par on November 30, 1943, the whole of the Debentures then remaining outstanding.

##### ACCOUNTS

The balance of the profit and loss account for the year ended June 30, 1943, which has been carried to an appropriation account, was £2,187,252.

The balance brought forward from the year ended June 30, 1942, was £254,628.

Making a total of £2,441,880.

Against this the directors have made appropriations as follows:—

Taxation, £753,833.

Preference Shares Redemption Fund, £7,500.

General Reserve Account, £500,000.

Dividends on Preference Shares paid on December 31, 1942, and June 30, 1943, £82,500.

Interim Dividend of 10 per cent. (2s. per unit of Stock) on the Ordinary and "A" stock was paid on August 13, 1943, in respect of the year ended June 30, 1943, £250,000.

The Directors now recommend the payment of a final dividend of 15 per cent. (3s. per unit of Stock) on the Ordinary and "A" Stock, in respect of the year ended June 30, 1943, £375,000.

Under 84(D) of the Articles of Association, the Directors are entitled to additional remuneration of £31,250.

Making a total of £2,000,083.

Leaving a balance to be carried forward of £441,797.

The appropriation for taxation consists of the total amount of taxation accrued on the profits to June 30, 1943, estimated in accordance with the present known regulations and rates.

If the necessary resolution approving the dividend is passed, the warrants will be posted immediately after the meeting.

The rates of tax deducted from the dividends are as follows:—

Preference Shares.

December 31, 1942, and June 30, 1943: 5s. in the £ (10s. United Kingdom Income Tax, less provisional Dominion Income Tax Relief at 5s.).

Ordinary and "A" Stock.

Interim: 5s. in the £ (10s. United Kingdom Tax, less provisional Dominion Income Tax Relief at 5s.).

Final: 5s. 9d. in the £ (10s. United Kingdom Income Tax, less provisional Dominion Income Tax Relief at 4s. 3d.).

#### MUFULIRA COPPER MINES, LIMITED

Since the date of the balance sheet, the Corporation's holding in Mufulira Copper Mines, Ltd., has been reduced to 1,300,000 shares as the result of the sale of 279,270

shares, of which the members were advised in a notice dated August 16, 1943.

The directors' report and accounts of Mufulira Copper Mines, Ltd., for the year ended June 30, 1943, have not been issued.

#### NCHANGA CONSOLIDATED COPPER MINES, LIMITED

The Corporation's holding in this Company has, since the date of the balance sheet, been reduced by the sale of £260,000 of Ordinary Stock, of which the members were advised in the notice referred to above, and by the sale of a further £63,150 stock on the open market. The Corporation's holding is now, therefore, £2,000,000 Stock.

The Operating and Profit and Loss Account of that Company for the year ending March 31, 1943, was £336,691. After deducting the balance brought forward from the year ending March 31, 1942, and providing £21,666 for taxation and £137,061 for depreciation reserve account, a credit balance of £59,000 was carried to the balance sheet.

##### STAFF

The directors wish to place on record their appreciation of the services rendered to the Corporation by the general manager, his staff and employees in Northern Rhodesia, and the staff in London. They also wish to express their thanks to the Anglo-American Corporation of South Africa, Ltd., the Consulting Engineers and Geologists, and Managers in South Africa.

The report and accounts were unanimously adopted and the dividends as recommended were approved.

The retiring directors, The Lord Geddes, Mr. J. N. Buchanan and Mr. F. L. Gibbs, were re-elected; and the auditors, Messrs. Deloitte, Plender, Griffiths and Co., having been reappointed, the proceedings terminated.

#### IDEAL BUILDING AND LAND COMPANY, LIMITED

##### A SUCCESSFUL YEAR

The ninth ordinary general meeting of this company was held, on the 21st ultimo, in London, Sir Thomas Keens, D.L., the chairman, presiding.

The following is an extract from the chairman's circulated statement:—

The consolidated profit and loss account shows a trading profit of £132,599, as compared with £86,218 last year. The directors recommend the transfer to general reserve of £40,000 and a dividend of 4 per cent., less tax, on the ordinary shares.

The house purchase side of the business has not been active during the year, though small sales have taken place and activity in the current year has been somewhat greater. The rents of our considerable housing estates have enabled our subsidiary, New Ideal Homesteads, Limited, to show a profit which is considered satisfactory. Our main contracting subsidiary, Kent and Sussex Contractors, Limited, continues to be concerned almost entirely with carrying out building and civil engineering work, and the year under review has been one of great achievement. To carry out this work the directors' borrowing limit for general purposes has been exceeded, although total borrowing has been kept within the authorised limit. Resolutions will be submitted at meetings following the annual general meeting to obtain ratification of past borrowing and a variation of borrowing powers.

The results for the first six months of the present year are not unfavourable and the volume of work in hand, although lower than at this time last year, indicates that the results of the year should not be unsatisfactory.

The report and accounts were adopted and the resolutions dealing with the board's borrowing powers were passed.

The report and accounts were unanimously adopted.

#### BRAZILIAN WARRANT COMPANY, LIMITED

##### RESULTS AGAIN SATISFACTORY

The annual general meeting of the Brazilian Warrant Company, Limited, was held, on the 29th ultimo, in London.

The following is an extract from the speech of the chairman (Mr Arthur Whitworth) circulated with the accounts: A year ago this company presented a report and accounts which in their showing were an improvement on any of the results of recent years. We are in the fortunate position this year of presenting you with results no less satisfactory. The gratuity up to £17,500, which in fact amounted to £17,042, which you specially authorised last year in connexion with the Centenary of our principal subsidiary, E. Johnston and Company, Limited, was charged against the profit of the year, and accounts in the main for the reduction in the operating profits from £88,125 in 1941 to £76,312 in the year under review. Whereas last year we proposed a final dividend of 6 per cent with a bonus of 2.3 per cent in connexion with the Centenary of E. Johnston and Company, we this year feel justified in consolidating that bonus with the dividend. If you will accept this recommendation, the accounts show that there will be carried forward to 1943 a sum of £112,448, against £91,118 brought into the accounts from 1941.

##### WHOLLY OWNED SUBSIDIARIES

We are on this occasion presenting for the first time a consolidated balance sheet which gives the names of all the subsidiary companies wholly owned by this company. Of these the Atlas Coffee Company, Limited, and the Anglo-Brazilian Cotton Syndicate, Limited, both domiciled in London, are of little importance. The others should be known to all of you who are acquainted with this company's operations, with the possible exception of the Sociedade Agricola Macacu, Ltda., which is technically a subsidiary of E. Johnston and Company, Limited. This is the fazenda which was purchased in 1937. The development has cost us more than we anticipated, and we had hoped that by this time the orange plantations would have been productive, but not only have there been setbacks in their growth, but the whole of the export trade in oranges from Brazil has been terminated by war conditions.

In other directions the business of this company and its subsidiaries was active and profitable and continued to be so. Particularly would I mention the success of our branch at Sao Paulo, where we have established a definite and respected position in the cotton trade of that State. Our operations in coffee, while curtailed under war conditions, are continuous, exports being confined until recently to the U.S.A. At the end of November the Ministry of Food announced the purchase by them of 100,000 bags of Brazilian coffee.

##### POST-WAR OUTLOOK

The two principal Brazilian commodities in which this company is interested are, so far as the export trade is concerned, under Government control. As the war continues, not only will the export trade of Brazil flourish, but her local industrial position will improve as she endeavours to fill her own needs by manufacturing what was previously imported.

With the vast natural resources and the enterprise of her citizens, great progress is being made, and no doubt the lessons learned in the years following the last war will not be forgotten. So far as coffee is concerned, nature has come to her aid. With a severe frost and drought in 1942, followed by another frost this year, the production of coffee has been sufficiently curtailed to stop compulsory purchases by the Government. It remains to be seen whether equilibrium between supply and demand can be established.

The report and accounts were unanimously adopted.



## S. SMITH AND SONS (MOTOR ACCESSORIES) LIMITED

### LARGER TRADING PROFITS

The twenty-ninth ordinary general meeting of S. Smith and Sons (Motor Accessories), Limited, was held, on 30th ultimo, in London.

Mr W. Henderson-Cleland, M.C. (the chairman) said that the net profit for the year amounted to £103,081, compared with £103,439 last year. In the balance sheet fixed assets showed a decrease of £44,000, of which £10,000 was due to the amount written off patents last year and the remainder to the excess of their depreciation over additions.

There had been no variations in the investments in subsidiary companies during the year under review, and it was interesting to note that the net assets of the subsidiary companies, after excluding all intangible assets, exceeded the cost. The total floating assets exceeded the total liabilities by £398,000, or £360,000 after the proposed dividends had been paid.

The trading profit at £657,446 had increased by just over £50,000 compared with the previous year and interest by over £3,000, the greater part of that increase being due to interest received on Tax Reserve Certificates.

He would conclude his remarks by saying that as far as was possible, without affecting war production in any way, the directors were making plans for the utilisation of the company's large facilities for the production of peace-time equipment to come into effect immediately hostilities ceased.

He would not wish the occasion to pass.

without expressing to Sir Allan Gordon-Smith, their managing director, their good wishes and thanks.

The report was unanimously adopted. A final dividend of 10½ per cent., making 17½ per cent. for the year on the preferred ordinary shares and a dividend equal to 37½ per cent. on the deferred ordinary shares were approved.

## THE INDUSTRIAL CREDIT COMPANY, LIMITED

At the tenth ordinary general meeting held in Dublin, on the 14th ultimo, the chairman (Mr. J. P. Colbert) said:—

The total portfolio of investments appears in the balance sheet at £658,746. These investments comprise almost exclusively stocks and shares of companies whose issues we had underwritten, or, alternatively, shares subscribed to in cases where a public issue was not feasible initially. As regards those shares which are not quoted on the Stock Exchange, your directors are satisfied that, taken as a whole, they are worth considerably more than the figure at which they stand in our books. By far the greater part of our investment portfolio is comprised by stocks and shares which are quoted on the Dublin Stock Exchange, and the total present market value of these is very substantially in excess of the net cost to the company, before deducting reserves.

The gross profit for the year is £57,184, as compared with £40,090 in the preceding year. Administrative and general expenses show a decline of £638 to £7,592. The net profit is £49,591, being an increase of £17,732. Income Tax and Corporation Profits Tax absorb £21,310. Your directors recommend the payment of a dividend of

2½ per cent., less tax, on the paid-up capital, which will absorb £12,695, and a transfer of £15,000 to investment and other reserves, leaving £2,795 to be carried forward to the next account.

The new industries which we sponsored to the public during the ten years of our existence have proved themselves in all cases to be efficient producers. It is gratifying to be able to say also that these new companies have amply justified the confidence reposed in them by Irish investors. The total number of applications to the various issues of an industrial character which have been offered to the public since we commenced business is 33,754. The overall average amount allotted in respect of these applications is only £246, showing that the stocks and shares are, in general, in the hands of the small investor.

As regards the issues sponsored by the Industrial Credit Company, if an investor had put an equal amount into each security at the issue price his total investment in Debenture Stocks would show as at October 31st last an appreciation of 8.6 per cent. according to market values, in Preference Shares an appreciation of 11.1 per cent., and in Equity Shares an appreciation of 22.8 per cent., the overall appreciation being 16.9 per cent. On his total investment he would have received during the year to October 31st last a gross dividend of 5.65 per cent., subject in a great many cases to a 20 per cent. income tax rebate.

As regards the financial results, your company is to-day in a stronger position than it has been at any time. The total net profit earned during the 10-year period is £342,693, of which the company has paid £118,920 in taxation and £52,642 (net) in dividends, including the dividend proposed in the present report.

The report and accounts were adopted.

January 1, 1944

## FLOATING DEBT (£ millions)

| Treasury Bills | Tender | Tap    | Ways and Means Advances |                 | Treasury Deposits by Banks | Total Floating Debt |
|----------------|--------|--------|-------------------------|-----------------|----------------------------|---------------------|
|                |        |        | Public Depts.           | Bank of England |                            |                     |
| 1              | 1045-0 |        |                         | Not available   |                            |                     |
| 2              | 1170-0 |        |                         | Not available   |                            |                     |
| 3              | 1170-0 | 1892-4 | 313-2                   | "               | 1045-0                     | 4420-6              |
| 4              | 1170-0 |        |                         | Not available   |                            |                     |
| 5              | 1170-0 |        |                         | "               |                            |                     |
| 6              | 1170-0 |        |                         | "               |                            |                     |
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| 68             | 1170-0 |        |                         | "               |                            |                     |
| 69             | 1170-0 |        |                         | "               |                            |                     |
| 70             | 1170-0 |        |                         | "               |                            |                     |
| 71             | 1170-0 |        |                         | "               |                            |                     |
| 72             | 1170-0 |        |                         | "               |                            |                     |
| 73             | 1170-0 |        |                         | "               |                            |                     |
| 74             | 1170-0 |        |                         | "               |                            |                     |
| 75             | 1170-0 |        |                         | "               |                            |                     |
| 76             | 1170-0 |        |                         | "               |                            |                     |
| 77             | 1170-0 |        |                         | "               |                            |                     |
| 78             | 1170-0 |        |                         | "               |                            |                     |
| 79             | 1170-0 |        |                         | "               |                            |                     |
| 80             | 1170-0 |        |                         | "               |                            |                     |
| 81             | 1170-0 |        |                         | "               |                            |                     |
| 82             | 1170-0 |        |                         | "               |                            |                     |
| 83             | 1170-0 |        |                         | "               |                            |                     |
| 84             | 1170-0 |        |                         | "               |                            |                     |
| 85             | 1170-0 |        |                         | "               |                            |                     |
| 86             | 1170-0 |        |                         | "               |                            |                     |
| 87             | 1170-0 |        |                         | "               |                            |                     |
| 88             | 1170-0 |        |                         | "               |                            |                     |
| 89             | 1170-0 |        |                         | "               |                            |                     |
| 90             | 1170-0 |        |                         | "               |                            |                     |
| 91             | 1170-0 |        |                         | "               |                            |                     |
| 92             | 1170-0 |        |                         | "               |                            |                     |
| 93             | 1170-0 |        |                         | "               |                            |                     |
| 94             | 1170-0 |        |                         | "               |                            |                     |
| 95             | 1170-0 |        |                         | "               |                            |                     |
| 96             | 1170-0 |        |                         | "               |                            |                     |
| 97             | 1170-0 |        |                         | "               |                            |                     |
| 98             | 1170-0 |        |                         | "               |                            |                     |
| 99             | 1170-0 |        |                         | "               |                            |                     |
| 100            | 1170-0 |        |                         | "               |                            |                     |

## TREASURY BILLS (£ millions)

| of | er    | Amount  |             |          | Average Rate of Allotment % | Per Cent. Allotted at Min. Rate |
|----|-------|---------|-------------|----------|-----------------------------|---------------------------------|
|    |       | Offered | Applied for | Allotted |                             |                                 |
| 2  | 75-0  | 144-8   | 75-0        | 20       | 1-25                        | 29                              |
| 3  | 90-0  | 200-4   | 90-0        | 20       | 2-40                        | 26                              |
| 4  | 90-0  | 193-3   | 90-0        | 20       | 2-57                        | 29                              |
| 5  | 90-0  | 183-6   | 90-0        | 19       | 11-10                       | 41                              |
| 6  | 90-0  | 188-8   | 90-0        | 19       | 10-97                       | 37                              |
| 7  | 90-0  | 190-2   | 90-0        | 19       | 11-98                       | 28                              |
| 8  | 100-0 | 199-8   | 100-0       | 20       | 0-36                        | 35                              |
| 9  | 100-0 | 196-3   | 100-0       | 19       | 11-95                       | 32                              |
| 10 | 100-0 | 181-8   | 100-0       | 20       | 0-62                        | 41                              |
| 11 | 100-0 | 193-4   | 100-0       | 20       | 0-48                        | 35                              |
| 12 | 90-0  | 215-1   | 90-0        | 20       | 0-04                        | 23                              |
| 13 | 90-0  | 197-5   | 90-0        | 20       | 0-29                        | 27                              |
| 14 | 90-0  | 190-4   | 90-0        | 20       | 0-23                        | 29                              |
| 15 | 90-0  | 197-1   | 90-0        | 20       | 2-93                        | 30                              |
| 16 | 90-0  | 201-0   | 90-0        | 20       | 2-19                        | 23                              |
| 17 | 90-0  | 197-2   | 90-0        | 20       | 2-54                        | 28                              |
| 18 | 90-0  | 198-2   | 90-0        | 20       | 1-68                        | 17                              |
| 19 | 90-0  | 183-2   | 90-0        | 20       | 2-10                        | 26                              |

Dec. 24th applications at 99 14s. 11d. per £100 to be paid for on Tuesday, Wednesday, Thursday and Friday of following week were accepted about 26 per cent. of the amount applied for, at prices at higher prices in full. £90 millions of Treasury Bills are being offered on Dec. 31st. For the ending Jan. 1st, the banks will be asked for sury deposits.

## NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BOND SUBSCRIPTIONS

| ask led | N.S.C. |       |       |        | 3% Defence Bonds |       |       |       | 3% Savings Bonds |       |       |        | 2½% War Bonds 1932-54 |       |       |        |
|---------|--------|-------|-------|--------|------------------|-------|-------|-------|------------------|-------|-------|--------|-----------------------|-------|-------|--------|
|         | £      | 10s.  | 5s.   | 1s.    | £                | 10s.  | 5s.   | 1s.   | £                | 10s.  | 5s.   | 1s.    | £                     | 10s.  | 5s.   | 1s.    |
| 1943    | 5,055  | 1,518 | 4,161 | 9,785  | 5,017            | 1,594 | 6,918 | 6,421 | 4,767            | 1,562 | 4,493 | 11,553 | 5,147                 | 1,861 | 5,690 | 23,049 |
| 1942    | 5,013  | 2,029 | 5,606 | 9,872  | 4,459            | 1,897 | 5,512 | 6,383 | 4,534            | 1,663 | 3,314 | 12,108 | 4,683                 | 1,697 | 4,134 | 4,490  |
| 1941    | 4,115  | 1,555 | 3,482 | 13,913 | 3,537            | 1,362 | 3,770 | 5,493 | ...              | ...   | 2,785 | 3,977  | ...                   | ...   | ...   | ...    |

date... 989,165\* 648,435\* 1426,363\* 168,404\*  
5 weeks. † 156 weeks. ‡ 17 weeks.  
\* Including all Series.

£ free loans received by the Treasury up to £100 million to a total value of £62,262,883. Nov. 27th, principal of Savings Certificates to unit of £132,272,000 has been repaid.

## GOLD AND SILVER

Bank of England's official buying price for gold at 168s. 0d. per fine ounce throughout the London silver market prices per standard ounce 23s. 4d. for cash and for two months. York market price of fine silver remained in per ounce throughout the week. Bombay prices were as follows:—

| Date | Gold      |                | Silver    |                |
|------|-----------|----------------|-----------|----------------|
|      | Fine Tola | 100 Fine Tolas | Fine Tola | 100 Fine Tolas |
| 23   | 71        | 6              | 114       | 6              |
| 24   | 71        | 1              | 113       | 8              |
| 25   | 71        | 3              | 114       | 0              |
| 26   | 71        | 2              | 114       | 14             |

THE ECONOMIST

## BANK OF ENGLAND RETURNS

DECEMBER 29, 1943

### ISSUE DEPARTMENT

| Notes Issued : £        |              | Govt. Debt : £                                  |              |
|-------------------------|--------------|-------------------------------------------------|--------------|
| In Circuln. ...         | 1088,681,948 | Govt. Debt ...                                  | 11,015,100   |
| In Bank, Department ... | 11,559,770   | Other Govt. Securities ...                      | 1088,288,603 |
|                         |              | Other Secs. ...                                 | 686,141      |
|                         |              | Silver Coin ...                                 | 10,156       |
|                         |              |                                                 |              |
|                         |              | Am't. of Fid. Issue ...                         | 1100,000,000 |
|                         |              | Gold Coin & Bullion (at 168s. per oz. fine) ... | 241,718      |
|                         |              |                                                 |              |
|                         |              |                                                 | 1100,241,718 |

### BANKING DEPARTMENT

| Props. Capital : £ |            | Govt. Secs. : £        |             |
|--------------------|------------|------------------------|-------------|
| Rest. ...          | 14,553,000 | Govt. Secs. ...        | 291,964,576 |
| Public Depts. ...  | 3,306,938  | Other Secs. ...        | 2,473,482   |
|                    |            | Advances ...           | 15,916,160  |
|                    |            |                        |             |
|                    |            | Notes ...              | 18,389,642  |
|                    |            | Gold & Silver Coin ... | 11,559,770  |
|                    |            |                        |             |
|                    |            |                        | 322,828,460 |

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

## COMPARATIVE ANALYSIS

|                                     | 1942    |         |         |         | 1943    |         |         |         |
|-------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|
|                                     | Dec. 30 | Dec. 15 | Dec. 22 | Dec. 29 | Dec. 30 | Dec. 15 | Dec. 22 | Dec. 29 |
| Issue Dept. :                       |         |         |         |         |         |         |         |         |
| Notes in circulation ...            | 923-4   | 1067-0  | 1081-0  | 1088-7  |         |         |         |         |
| Notes in banking department ...     | 26-8    | 33-3    | 19-2    | 11-6    |         |         |         |         |
| Government debt and securities ...  | 947-9   | 1099-3  | 1099-2  | 1099-3  |         |         |         |         |
| Other securities ...                | 1-3     | 0-7     | 0-7     | 0-7     |         |         |         |         |
| Silver Coin ...                     | 0-8     | 0-0     | 0-0     | 0-0     |         |         |         |         |
| Gold, valued at s. per fine oz. ... | 0-2     | 0-2     | 0-2     | 0-2     |         |         |         |         |
| Deposits ...                        | 9-0     | 9-0     | 7-3     | 10-3    |         |         |         |         |
| Bankers' ...                        | 223-4   | 161-2   | 169-0   | 234-3   |         |         |         |         |
| Others ...                          | 48-8    | 55-6    | 53-7    | 60-4    |         |         |         |         |
| Total ...                           | 281-2   | 225-8   | 230-0   | 305-0   |         |         |         |         |
| Banking Dept. Secs. :               |         |         |         |         |         |         |         |         |
| Government ...                      | 242-2   | 191-1   | 210-3   | 292-0   |         |         |         |         |
| Discounts, etc. ...                 | 3-5     | 2-0     | 1-8     | 2-5     |         |         |         |         |
| Other ...                           | 25-8    | 16-0    | 15-8    | 15-9    |         |         |         |         |
| Total ...                           | 271-5   | 209-1   | 227-7   | 310-4   |         |         |         |         |

(Continued from page 24)

-1½% Treasury Bills: 2 months, 1-1½%; 3 months, 1-1½%. Day-to-day call, 1-1½%. Short London, 1-1½%. Bank deposit rates 1%. Discount deposit call 1%; at notice 1½%.

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between Dec. 24th and Dec. 30th. (Figures in brackets are par of exchange.)

United States. \$ (4-86) 4-021-031; mail transfers 4-021-031. Canada. (4-86) 4-43-47; mail transfers 4-43-47. Switzerland. Francs (25-224) 30-40. Sweden. Krona (18-159) T.T. 18-85-95. Dutch West Indies. Guilder (12-11) 7-58-62. Portugal. Escudos (110) 99-80-100-20; mail transfers 1-80-100-30. Panama. \$ 4-02-04; mail transfers 4-02-04. Brazil. 83-64¢ cr. (buying). Uruguay. 7-69¢ p. (buying).

Fixed Rates for Payment at Bank of England for Clearing Offices. Spain. 166-20 (Official rate). Turkey. Liras 520. Italy. 11-25 lire.

Marked Rates.—The following rates remained unchanged between Dec. 24th and Dec. 30th.

Egypt. Pounds (77) 77-1/2. India. Rupee (18d. per rupee) 17-1/2-18-1/2. China. National \$ 3-3-1/2. Iran. Rl. 128-130.

Special Accounts are in force for Chile, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London. Rate for payment into Argentine special account: 16-03 pesos.

Forward Rates.—Forward rates for one month have remained unchanged as follows: United States, 1 cent pm-par. Canada, 1 cent pm-par. Switzerland, 5 cents pm-par. Sweden, 3 ore pm-par.

## NEW YORK EXCHANGE RATES

| New York on    | Dec. 22 | Dec. 23 | Dec. 24 | Dec. 25 | Dec. 27 | Dec. 28 | Dec. 29 |
|----------------|---------|---------|---------|---------|---------|---------|---------|
| Cables:—       |         |         |         |         |         |         |         |
| London.....    | 402 1/2 | 402 1/2 | 402 1/2 | 402 1/2 | 402 1/2 | 402 1/2 | 402 1/2 |
| Montreal.....  | 90 000  | 90 000  | 90 000  | 90 000  | 90 000  | 90 000  | 90 000  |
| Zurich.....    | 43 20   | 43 50   | 43 50   | 43 50   | 43 50   | 43 50   | 43 50   |
| B. Aires.....  | 25-12*  | 25-12*  | 25-10*  | 25-10*  | 25-10*  | 25-10*  | 25-10*  |
| Rio.....       | 5-16    | 5-16    | 5-16    | 5-16    | 5-16    | 5-16    | 5-16    |
| Lisbon.....    | 4-10    | 4-10    | 4-10    | 4-10    | 4-10    | 4-10    | 4-10    |
| Barcelona..... | 9-25    | 9-25    | 9-25    | 9-25    | 9-25    | 9-25    | 9-25    |
| Stockholm..... | 23-86   | 23-86   | 23-86   | 23-86   | 23-86   | 23-86   | 23-86   |

\* Official buying rate 29-78. † Free rate. ‡ Bid.

## INDUSTRY AND TRADE

"The Economist" Sensitive Price Index.—The index (1935=100) remained unchanged during the week to December 29th, and was as follows:—Crops, 122.9; raw materials, 182.3; complete index, 149.7.

Oils and Oilseeds.—The latest return of the Ministry of

(Continued on page 28)

## BRITISH WHOLESALE PRICES

|                                               | Dec. 21, 1943 | Dec. 28, 1943 |  | Dec. 21, 1943                       | Dec. 28, 1943 |            | Dec. 21, 1943 | Dec. 28, 1943 |
|-----------------------------------------------|---------------|---------------|--|-------------------------------------|---------------|------------|---------------|---------------|
| <b>GRAIN, etc.</b>                            |               |               |  | <b>TEXTILES—continued</b>           |               |            |               |               |
| Wheat                                         | s. d.         | s. d.         |  | Cotton, continued                   |               |            |               |               |
| No. 1 N.Mt. 496 lb. f.o.b. St. J.             | 50 9          | 50 9          |  | Cloth, Overall Cloth, 38 1/2 in.    | s. d.         | s. d.      |               |               |
| Flour, 40 lb. bag, av. per cwt. (2)           | 14 11         | 14 11         |  | 52 x 50, 22's & 16's                | 51 0          | 53 3       |               |               |
| Barley, 40 lb. bag, av. per cwt. (2)          | 28 7          | 28 7          |  | Drill, 30 in., 80 x 46, 12's & 10's | 73 10         | 77 1       |               |               |
| Oats (s)                                      | 15 7          | 15 5          |  | FLAX (per ton)—                     | £ s.          | £ s.       |               |               |
| Maize, Argentine, per ton                     | 10/0/0        | 10/0/0        |  | Livonian 2K                         | Nom.          | Nom.       |               |               |
| MEAT—Beef, per 8 lb.—                         |               |               |  | Pernau HD                           | Nom.          | Nom.       |               |               |
| English long sides                            | 5 4           | 5 4           |  | HEMP (per ton)—Manilla, spot        | Nom.          | Nom.       |               |               |
| Imported hinds                                | 6 0           | 6 0           |  | " 12"                               | Nom.          | Nom.       |               |               |
| Mutton, per 8 lb.—English                     | 8 0 1/2       | 8 0 1/2       |  | JUTE (per ton)—                     |               |            |               |               |
| Imported                                      | 5 2           | 5 2           |  | Daisee 2/3 c. and f. Dundee         | 37/0/0        | 36/0/0     |               |               |
| Pork, English, per 8 lb.                      | 8 0           | 8 0           |  | Common 8 lb. cops. (per spindle)    | 4 10 1/2      | 4 10 1/2   |               |               |
| BACON (per cwt.)—Wills, cut side              | 142 0         | 142 0         |  | 10 1/4 Hessians, per yd.            | 0 6-75        | 0 6-75     |               |               |
| BACON (per cwt.)—Green                        | 147 0         | 147 0         |  | 8 1/4 Hessians, per yd.             | 0 5-20        | 0 5-20     |               |               |
| <b>OTHER FOODS</b>                            |               |               |  | 10 1/4 Calcutta Hessians, spot.     | 50 1          | 50 1       |               |               |
| BUTTER (per cwt.)—All Grades, 1st and 2nd     | 151 4         | 151 4         |  | Dundee, 100 yds.                    | 38 6          | 38 6       |               |               |
| CHEESE (per cwt.)—                            |               |               |  | Sisal (per ton)—African, spot       | 38 0          | 38 0       |               |               |
| Cheddar, 1st                                  | 99 2          | 99 2          |  | No. 1 delivered                     | 38 0          | 38 0       |               |               |
| Imported                                      | 99 2          | 99 2          |  | WOOL (per lb.)—                     |               |            |               |               |
| SOGGA (per cwt.)—                             |               |               |  | Lincoln wethers, washed             | 19 1/2        | 19 1/2     |               |               |
| Acacia, f.i.                                  | 45 0          | 45 0          |  | Selected blackface, greasy          | 14 1/4        | 14 1/4     |               |               |
| Green, 2nd fine                               | 81 0          | 81 0          |  | Australian scrd. fleece 70's        | 37 3/4        | 37 3/4     |               |               |
| ECFEE (per cwt.)—                             |               |               |  | Cape scrd. average snow white       | 29 1/2        | 29 1/2     |               |               |
| Santos, supr. c. & f.                         | Nom.          | Nom.          |  | N.Z. scrd. 2nd pieces, 50-56's      | 24 1/4        | 24 1/4     |               |               |
| Costa Rica, medium to good                    | 200 0         | 200 0         |  | TOPS—                               |               |            |               |               |
| EGGS (per 120)—English                        | 14 9          | 14 9          |  | 6 1/2 warp                          | 45 45         | 45 45      |               |               |
| LARD (per cwt.)—Imported                      | 64 0          | 64 0          |  | 6 1/2 super carded                  | 39 39         | 39 39      |               |               |
| POTATOES (per cwt.)—                          |               |               |  | 48's average carded                 | 31 31         | 31 31      |               |               |
| English                                       | 5 0           | 5 0           |  | 44's prepared                       | 29 1/2        | 29 1/2     |               |               |
| SUGAR (per cwt.)—                             |               |               |  | <b>MINERALS</b>                     |               |            |               |               |
| Centrifugal, 96%, prpt. shipm.                |               |               |  | COAL (per ton)—                     | s. d.         | s. d.      |               |               |
| c.i.f. U.K. (con)                             |               |               |  | Welsh, best Admiralty               | 37 9          | 37 9       |               |               |
| REFINED LONDON—                               |               |               |  | Durham, best gas, f.o.b. Tyne       | 31 7 1/2      | 31 7 1/2   |               |               |
| Granulated, 2 cwt. bags                       | 49 10         | 49 10         |  |                                     | 32 7 1/2      | 32 7 1/2   |               |               |
| Granulated, 2 cwt. bags, domestic consumption | 30 11         | 30 11         |  | <b>IRON AND STEEL (per ton)</b>     |               |            |               |               |
| West India Crystallised                       | 47 6          | 47 6          |  | Pig, Cleveland No. 3, d/d           | 128 0         | 128 0      |               |               |
| TOBACCO (per lb.)—                            |               |               |  | Barry, Middlebrook                  | 312 6         | 312 6      |               |               |
| Indian stemmed and unstemmed                  | 0 10          | 0 10          |  | Steel rails, heavy                  | 29 6          | 29 6       |               |               |
| Rhodesian, stemmed and unstemmed              | 1 6           | 1 6           |  | Timpanis (home i.c. 14 x 20)        | 29 9          | 29 9       |               |               |
| stemmed                                       | 3 3           | 3 3           |  | <b>NON-FERROUS METALS (per ton)</b> |               |            |               |               |
| <b>TEXTILES</b>                               |               |               |  | Copper (c)—Electrolytic             | 62/0/0        | 62/0/0     |               |               |
| COTTON (per lb.)—                             | d.            | d.            |  | Tin—Standard cash                   | 275/0/0(f)    | 275/0/0(f) |               |               |
| Raw, Mid-American                             | 7-80          | 7-80          |  | Lead (d)—Soft, foreign, cash        | 25/0/0        | 25/0/0     |               |               |
| Giza, F.G.F.                                  | 10-55         | 10-55         |  | Spelter (d)—G.O.B., spot            | 25/15/0       | 25/15/0    |               |               |
| Yarns, 36's Ring Beams                        | 18-09         | 18-03         |  | Aluminium, ingots and bars          | 110/0/0       | 110/0/0    |               |               |
| 42's Cop Welt                                 | 17-80         | 18-31         |  | Nickel, home delivery               | 190/0/0       | 190/0/0    |               |               |
| 60's Twist (Egyptian)                         | 26-50         | 28-00         |  | Antimony, English, 99%              | 120/0/0       | 120/0/0    |               |               |
| Cloth, per 100 yards—                         | s. d.         | s. d.         |  | Wolfram, Empire, per unit           | 5/0/0         | 5/0/0      |               |               |
| 31 in. Printer, 64 x 64, 36's & 4's           | 35 11         | 37 8          |  | Platinum, refined, per oz.          | 9/0/0         | 9/0/0      |               |               |
| 72 in. C. 24's & 24's                         | 47 2          | 49 2          |  | Quicksilver, per 76 lb.             | 68/10/0       | 68/10/0    |               |               |

(\*) & 7s. per cwt. of paper bags, jute sacks charged 1s 9d., credited 1s 6d. on return. (b) Higher Pool prices in some zones. (c) Price at buyer's premises. (d) Average for weeks ended Dec. 18 and Dec. 25. (e) Price at which Ministry of Supply supplies consumers delivered.

## AMERICAN WHOLESALE PRICES

|                                                         | Dec. 21, 1943 | Dec. 28, 1943 |  | Dec. 21, 1943 | Dec. 28, 1943 |
|---------------------------------------------------------|---------------|---------------|--|---------------|---------------|
| <b>GRAINS (per bushel)</b>                              |               |               |  |               |               |
| Wheat, Chicago, May                                     | 155 1/2       | 155 1/2       |  |               |               |
| Winnipeg, Dec.                                          | 101           | 101           |  |               |               |
| Oats, Chicago, May                                      | 79 1/2        | 78 1/2        |  |               |               |
| Rye, Chicago, May                                       | 124 1/2       | 124 1/2       |  |               |               |
| Barley, Winnipeg, Dec.                                  | 64 1/2        | 64 1/2        |  |               |               |
| <b>METALS (per lb.)</b>                                 |               |               |  |               |               |
| Copper, Connecticut                                     | 12-00         | 12-00         |  |               |               |
| Tin, N.Y., Straits, spot                                | 52-00         | 52-00         |  |               |               |
| Lead, N.Y., spot                                        | 6-50          | 6-50          |  |               |               |
| Spelter, East St. Louis, spot                           | 8-25          | 8-25          |  |               |               |
| <b>MISCELLANEOUS (per lb.)</b>                          |               |               |  |               |               |
| Cocoa, N.Y., Accra, July                                | 8-81          | 8-81          |  |               |               |
| Coffee, N.Y., cash—                                     |               |               |  |               |               |
| Rio, N. 7                                               | 9 1/2         | 9 1/2         |  |               |               |
| Santos, No. 4                                           | 13 1/2        | 13 1/2        |  |               |               |
| Cotton, N.Y., Am. mid, spot                             | 20-27         | 20-36         |  |               |               |
| " Am. mid, Jan.                                         | 19-38         | 19-49         |  |               |               |
| Cotton Oil, N.Y., Oct.                                  | 14-25         | 14-25         |  |               |               |
| Lard, Chicago, Jan.                                     | 13-55         | 13-55         |  |               |               |
| Petroleum, Mid-cont. crude, per barrel                  | 117           | 117           |  |               |               |
| <b>MISCELLANEOUS (per lb.)—cont.</b>                    |               |               |  |               |               |
| Rubber, N.Y., smkd. sheet spot                          | †             | †             |  |               |               |
| " Jan-Mar.                                              | †             | †             |  |               |               |
| Sugar, N.Y., Cuban Cents, 96 deg. spot                  | 3-74 1/2      | 3-74 1/2      |  |               |               |
| Sugar, N.Y., 96 deg., No. 4, f.o.b. Cuba, Mar.          | †             | †             |  |               |               |
| Moody's Index of staple commodities, Dec. 31, 1931=100. | 246-8         | 246-8         |  |               |               |

† Trading suspended.

† Nominal.

## LONDON ACTIVE SECURITY PRICES AND YIELDS

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

| Prices,<br>Year 1942       |          | Prices,<br>Year 1943 |          | Name of Security            | Price,<br>Dec.<br>21,<br>1943 | Price,<br>Dec.<br>28,<br>1943 | Yield,<br>Dec.<br>28,<br>1943 | Prices,<br>Year 1943 |           | Last two<br>Dividends |          | Name of Security            | Price,<br>Dec.<br>21,<br>1943 | Price,<br>Dec.<br>28,<br>1943 | Yield,<br>Dec.<br>28,<br>1943 |
|----------------------------|----------|----------------------|----------|-----------------------------|-------------------------------|-------------------------------|-------------------------------|----------------------|-----------|-----------------------|----------|-----------------------------|-------------------------------|-------------------------------|-------------------------------|
| High                       | Low      |                      | Low      |                             |                               |                               |                               | High                 | Low       | (a)                   | (b)      |                             |                               |                               |                               |
| <b>British Funds</b>       |          |                      |          |                             |                               |                               |                               |                      |           |                       |          |                             |                               |                               |                               |
| 83 1/2                     | 81       | 83 1/2               | 78 1/2   | Consols 2 1/2%              | 79 1/2                        | 79 1/2                        | 3 1/2                         | 51 1/2               | 46 7/8    | 7 b                   | 4 a      | <b>Iron, Coal and Steel</b> | 47 9                          | 48 1/2                        | 4 11 9                        |
| 113 1/2                    | 109 1/2  | 112 1/2              | 109 1/2  | Consols 4% (after 1957)     | 111 1/2                       | 109 1/2                       | 3 1/2                         | 31 1/2               | 24 1/2    | 11 b                  | 13 a     | Babcock & Wilcox (1)        | 49 1/2                        | 49 1/2                        | 6 2 9                         |
| 100 1/2                    | 99 1/2   | 100 1/2              | 100 1/2  | Conv. 2% 1943-45            | 100 1/2                       | 100 1/2                       | 1 19 11/16                    | 26 1/2               | 21 1/2    | 6 b                   | 3 a      | Bolton Colliery Ord. (1)    | 24 6                          | 25 1/2                        | 7 0 0                         |
| 101 1/2                    | 99 1/2   | 100 1/2              | 100 1/2  | Conv. 2 1/2% 1944-49        | 102                           | 102                           | 2 9 6                         | 32 1/2               | 21 1/2    | 5 b                   | 3 a      | Brown (John) Ord. 10/-      | 22 9                          | 22 9                          | 5 12 9                        |
| 103 1/2                    | 101 1/2  | 102 1/2              | 102 1/2  | Conv. 3% 1948-53            | 103 1/2                       | 103 1/2                       | 2 7 5                         | 35 1/2               | 24 1/2    | 10 b                  | 6 a      | Colvilles Ord. (1)          | 32 9                          | 32 9                          | 6 0 0                         |
| 108 1/2                    | 105 1/2  | 104 1/2              | 104 1/2  | Conv. 3 1/2% (after 1951)   | 108 1/2                       | 108 1/2                       | 3 7 0                         | 38 1/2               | 29 1/2    | 15 b                  | 14 a     | Dorman Long Ord. (1)        | 30 1/2                        | 30 1/2                        | 7 8 6                         |
| 106 1/2                    | 104 1/2  | 104 1/2              | 104 1/2  | Conv. 5% 1944-64            | 106 1/2                       | 106 1/2                       | 0 18 0                        | 54 1/2               | 49 1/2    | 12 b                  | 11 a     | Guest Keen & Co. Ord. (1)   | 48 9                          | 48 9                          | 2 11 0                        |
| 96 1/2                     | 93 1/2   | 97 1/2               | 95 1/2   | Funding 2 1/2% 1956-61      | 96 1/2                        | 96 1/2                        | 2 14 6                        | 54 1/2               | 50 1/2    | 12 1/2 c              | 12 1/2 c | Hadfields Ord. 10/-         | 32 1/2                        | 32 1/2                        | 4 5 9                         |
| 101 1/2                    | 98 1/2   | 101 1/2              | 99 1/2   | Funding 2 1/2% 1952-57      | 100 1/2                       | 100 1/2                       | 2 14 0                        | 39 1/2               | 33 1/2    | 6 b                   | 4 a      | Staveley Coal Ord. (1)      | 24 6                          | 24 6                          | 6 10 0                        |
| 102 1/2                    | 99 1/2   | 102 1/2              | 99 1/2   | Funding 3% 1959-69          | 100 1/2                       | 100 1/2                       | 2 18 0                        | 11 1/2               | 8 1/2     | 5 b                   | 3 a      | Swan, Hunter Ord. (1)       | 47 1/2                        | 47 1/2                        | 3 14 0                        |
| 116 1/2                    | 113 1/2  | 112 1/2              | 112 1/2  | Funding 4% 1960-90          | 113 1/2                       | 113 1/2                       | 2 19 9                        | 27 1/2               | 24 1/2    | 23 a                  | 10 c     | Thomas (Richard) Ord. 6/8   | 24 6                          | 24 6                          | 6 10 0                        |
| 102 1/2                    | 100 1/2  | 101 1/2              | 101 1/2  | Nat. Def. 2 1/2% 1944-48    | 101 1/2                       | 101 1/2                       | 2 2 0                         | 20 1/2               | 17 1/2    | 6 b                   | 4 a      | United Steel Ord. (1)       | 17 6                          | 17 6                          | 5 14 0                        |
| 102 1/2                    | 100 1/2  | 101 1/2              | 101 1/2  | Nat. Def. 3% 1954-58        | 102 1/2                       | 102 1/2                       | 1 19 10                       | 23 1/2               | 14 1/2    | Nil c                 | Nil c    | Vickers Ord. 10/-           | 22 1/2                        | 22 1/2                        | Nil                           |
| 101 1/2                    | 98 1/2   | 101 1/2              | 99 1/2   | War Bonds 2 1/2% 1945-47    | 102 1/2                       | 102 1/2                       | 1 19 9                        | 36 1/2               | 15 9      | Nil c                 | Nil c    | Bradford Dymers Ord. (1)    | 27 9                          | 27 9                          | Nil                           |
| 101 1/2                    | 98 1/2   | 101 1/2              | 99 1/2   | War Bonds 2 1/2% 1946-48    | 102 1/2                       | 102 1/2                       | 2 18 6                        | 49 1/2               | 41 1/2    | 5 b                   | 3 a      | British Celanese Ord. 10/-  | 47 1/2                        | 47 1/2                        | 3 14 0                        |
| 101 1/2                    | 100 1/2  | 101 1/2              | 99 1/2   | Savings Bds. 3% 1955-65     | 101 1/2                       | 101 1/2                       | 2 17 6                        | 24 9                 | 15 3      | 3 c                   | 2 1/2 c  | Coats, J. & P. Ord. (1)     | 22 9                          | 22 9                          | 2 16 0                        |
| 111 1/2                    | 112 1/2  | 111 1/2              | 112 1/2  | Victory Bonds 4%            | 113 1/2                       | 113 1/2                       | 2 19 6                        | 56 1/2               | 45 1/2    | 5 b                   | 2 1/2 c  | Courtaulds Ord. (1)         | 35 9                          | 35 9                          | 4 4 0                         |
| 103 1/2                    | 100 1/2  | 103 1/2              | 100 1/2  | War Loan 3% 1955-59         | 101 1/2                       | 101 1/2                       | 2 17 6                        | 24 9                 | 15 3      | 3 c                   | 2 1/2 c  | Fine Cotton Spinners (1)    | 47 1/2                        | 47 1/2                        | 3 18 0                        |
| 106 1/2                    | 103 1/2  | 106 1/2              | 102 1/2  | War Loan 3 1/2% aft. 1952   | 103 1/2                       | 103 1/2                       | 3 7 9                         | 37 1/2               | 31 1/2    | 7 1/2 c               | 7 1/2 c  | General Electric Ord. (1)   | 89 6                          | 88 6                          | 3 18 0                        |
| 97 1/2                     | 95 1/2   | 98 1/2               | 96 1/2   | Local Loans 3%              | 98 1/2                        | 98 1/2                        | 3 1 0                         | 103 1/2              | 76 3/4    | 5 a                   | 15 b     | Gas and Electricity         | 40 6                          | 41 1/2                        | 3 18 0                        |
| 101 1/2                    | 98 1/2   | 101 1/2              | 97 1/2   | Redemption 3 1/2% 1956-96   | 101 1/2                       | 101 1/2                       | 2 17 8                        | 85 1/2               | 70 1/2    | 15 b                  | 10 c     | Gas Light & Coke Ord. (1)   | 18 9                          | 18 9                          | 2 13 4 1/2                    |
| 102 1/2                    | 101 1/2  | 102 1/2              | 101 1/2  | Austria 3% 1953-53          | 102 1/2                       | 102 1/2                       | 2 17 8                        | 85 1/2               | 70 1/2    | 17 1/2 c              | 17 1/2 c | North-East Electric (1)     | 32 6                          | 32 6                          | 4 6 0                         |
| 102 1/2                    | 101 1/2  | 103 1/2              | 101 1/2  | Dom. & Col. Govts.          | 102 1/2                       | 102 1/2                       | 3 15 10                       | 91 1/2               | 44 6      | 10 a                  | 10 a     | Scottish Power Ord. (1)     | 38 6                          | 38 6                          | 4 8 3                         |
| 103 1/2                    | 100 1/2  | 103 1/2              | 102 1/2  | New Zealand 5% 1946         | 103 1/2                       | 103 1/2                       | 3 18 5                        | 101 1/2              | 44 6      | 10 a                  | 10 a     | Yorkshire Electric (1)      | 42 6                          | 42 6                          | 3 15 9                        |
| 111 1/2                    | 106 1/2  | 112 1/2              | 110      | Nigeria 5% 1950-60          | 112 1/2                       | 112 1/2                       | 3 4 5                         | 20 1/2               | 16 3/4    | 3 a                   | 1 1/2 a  | Motor and Aircraft          | 25 1/2                        | 25 1/2                        | 1 18 0                        |
| <b>Corporation Stocks</b>  |          |                      |          |                             |                               |                               |                               |                      |           |                       |          |                             |                               |                               |                               |
| 108 1/2                    | 105 1/2  | 108 1/2              | 105 1/2  | Birmingham 5% 1946-56       | 106 1/2                       | 106 1/2                       | 2 14 2                        | 35 1/2               | 31 1/2    | 4 1/2 b               | 1 1/2 a  | Austin 'A' Ord. 5/-         | 23 1/2                        | 23 1/2                        | 6 10 0                        |
| 97 1/2                     | 93 1/2   | 98 1/2               | 92       | L.C.C. 3%                   | 93 1/2                        | 93 1/2                        | 3 4 6                         | 42 1/2               | 37 1/2    | 5 1/2 b               | 3 a      | Birmingham S.S. (1)         | 15 3                          | 15 6                          | 6 9 0                         |
| 100 1/2                    | 98 1/2   | 100 1/2              | 99       | Liverpool 3% 1954-64        | 99 1/2                        | 99 1/2                        | 3 1 4                         | 42 9                 | 39 3/4    | 5 b                   | 3 a      | Fairey Aviation Ord. 10/-   | 16 9                          | 16 6                          | 4 15 0                        |
| 106 1/2                    | 104 1/2  | 106 1/2              | 104      | Middlesex 3 1/2% 1957-62    | 104 1/2                       | 104 1/2                       | 5 2 10                        |                      |           |                       |          | Ford Motors Ord. (1)        | 33 6                          | 33 6                          | 5 11 9                        |
| <b>Foreign Governments</b> |          |                      |          |                             |                               |                               |                               |                      |           |                       |          |                             |                               |                               |                               |
| 102 1/2                    | 97 1/2   | 102 1/2              | 99 1/2   | Argentina 4 1/2% Stg. Bds.  | 101 1/2                       | 101 1/2                       | 4 8 6                         | 28 1/2               | 19 7/8    | 10 c                  | 10 c     | Hawker Siddeley 5/-         | 17 1/2                        | 17 3/4                        | 3 19 6                        |
| 64 1/2                     | 46 1/2   | 68 1/2               | 56 1/2   | Brazil 5% Funding 1914      | 58 1/2                        | 58 1/2                        | 5 16 0                        | 18 1/2               | 16 3/4    | 18 c                  | 18 c     | Lucas (Joseph) Ord. (1)     | 40 6                          | 40 9                          | 2 2 9                         |
| 34 1/2                     | 28 1/2   | 36 1/2               | 28 1/2   | Chile 5% 1929               | 28 1/2                        | 28 1/2                        | 5 16 0                        | 18 1/2               | 16 3/4    | 18 c                  | 18 c     | Morris Motors 5/- Ord.      | 105 1/2                       | 105 1/2                       | 3 16 0                        |
| 103 1/2                    | 76 1/2   | 100 1/2              | 100      | Egypt Unified 4%            | 100 1/2                       | 100 1/2                       | 3 19 7                        | 35 10 1/2            | 30 1/2    | 6 c                   | 6 c      | Rolls-Royce Ord. (1)        | 20 c                          | 20 c                          |                               |
| 92 1/2                     | 70 1/2   | 97 1/2               | 88 1/2   | Portuguese 3%               | 94 1/2                        | 94 1/2                        | 3 10 10                       | 19 10 1/2            | 15 9      | 15 a                  | 17 1/2 b | Shipping                    | 23 1/2                        | 23 1/2                        | 2 3 6                         |
| 61 1/2                     | 33 1/2   | 76 1/2               | 56 1/2   | Spanish 4%                  | 66 1/2                        | 66 1/2                        | 6 1 3                         | 79 3/4               | 68 9      | 21 a                  | 21 a     | Cunard Ord. (1)             | 22 6                          | 22 6                          | 5 6 6                         |
| <b>Shipping</b>            |          |                      |          |                             |                               |                               |                               |                      |           |                       |          |                             |                               |                               |                               |
| 17 1/2                     | 9 1/2    | 17 1/2               | 9 1/2    | B.A. Gt. Stn. Ord. Stk.     | 14 1/2                        | 14 1/2                        | 1 5 11                        | 23 10 1/2            | 18 9      | Nil c                 | 20 c     | Furness, Withy Ord. (1)     | 33 1/2                        | 33 1/2                        | 4 17 9                        |
| 118 1/2                    | 113 1/2  | 118 1/2              | 113 1/2  | Can. Pacific Com. \$25.     | 116 1/2                       | 116 1/2                       | 5 11 11                       | 26 1/2               | 22 6      | 6 c                   | 6 c      | Royal Mail Lines Ord. (1)   | 22 1/2                        | 22 1/2                        | 5 16 0                        |
| 65 1/2                     | 57 1/2   | 65 1/2               | 57 1/2   | Great Western Ord. Stk.     | 61 1/2                        | 62 1/2                        | 7 5 2                         | 13 1/2               | 7 1/2     | 4 c                   | 2 c      | Union Castle Ord. (1)       | 17 1/2                        | 17 1/2                        | 5 16 0                        |
| 20 1/2                     | 108 1/2  | 24 1/2               | 2 1/2    | G.W. 5% Cons. Pref. Stk.    | 117 1/2                       | 117 1/2                       | 6 11 2                        | 38 1/2               | 31 6      | 2 a                   | 2 a      | Tea and Rubber              | 10 1/2                        | 10 1/2                        | Nil                           |
| 66 1/2                     | 58 1/2   | 66 1/2               | 58 1/2   | L.N.E.R. 4% Ist. Pref. Stk. | 62 1/2                        | 62 1/2                        | 7 8 3                         | 2 1/2                | 1 1/2     | 6 b                   | Nil c    | Allied Sumatra (1)          | 15 3                          | 15 3                          | Nil                           |
| 66 1/2                     | 58 1/2   | 66 1/2               | 58 1/2   | L.M.S. Ord. Stk.            | 62 1/2                        | 62 1/2                        | 6 9 0                         | 20 9                 | 14 10 1/2 | 3 c                   | Nil c    | Anglo-Dutch of Java (1)     | 36 1/2                        | 36 1/2                        | 5 11 0                        |
| 72 1/2                     | 53 1/2   | 72 1/2               | 53 1/2   | L.M.S. 4% Pref. 1925        | 61 1/2                        | 62 1/2                        | 6 9 0                         | 20 9                 | 14 10 1/2 | 3 c                   | Nil c    | Jokal (Assam) Tea (1)       | 2 1/2                         | 2 1/2                         | Nil                           |
| 26 1/2                     | 80 1/2   | 26 1/2               | 80 1/2   | London Transport 'C' Stk.   | 24 1/2                        | 25 1/2                        | 6 17 3                        | 117 6                | 78 1/2    | 15 b                  | 5 a      | London Asiatic Rbr. 2/-     | 17 9                          | 17 9                          | Nil                           |
| 80 1/2                     | 72 1/2   | 80 1/2               | 72 1/2   | Southern Def. Stock         | 76 1/2                        | 76 1/2                        | 6 11 7                        | 117 6                | 78 1/2    | 15 b                  | 5 a      | Rubber Pls. Trust (1)       | 1 9                           | 1 9                           | Nil                           |
| 81 1/2                     | 73 1/2   | 81 1/2               | 73 1/2   | Southern 5% Pref. Ord.      | 76 1/2                        | 76 1/2                        | 6 11 7                        | 117 6                | 78 1/2    | 15 b                  | 5 a      | United Serdang Rbr. 2/-     | 115 7/8                       | 116 3/8                       | 2 16 6                        |
| 71 1/2                     | 58 1/2   | 71 1/2               | 58 1/2   | Banks and Discount          | 80 6                          | 81 1/2                        | 4 6 6                         | 82 7/8               | 72 1/2    | 10 b                  | 2 1/2 b  | Oil                         | 78 1/2                        | 80 1/2                        | 3 2 6                         |
| 38 1/2                     | 36 1/2   | 38 1/2               | 36 1/2   | Alexanders £2, £1 pd.       | 61 1/2                        | 61 1/2                        | 4 16 0                        | 85 7/8               | 72 1/2    | 10 b                  | 2 1/2 b  | Shell Transport Ord. (1)    | 76 3                          | 78 1/2                        | 1 5 3                         |
| 42 1/2                     | 37 1/2   | 42 1/2               | 37 1/2   | Bank of Australasia (5)     | 36 1/2                        | 36 1/2                        | 3 5 9                         | 68 4/4               | 55 1/2    | 6 1/2 b               | 2 1/2 a  | Trinidad Leaseholds (1)     | 85 1/2                        | 87 1/2                        | 3 8 0                         |
| 28 1/2                     | 27 1/2   | 28 1/2               | 27 1/2   | Bank of England Stock       | 43 1/2                        | 43 1/2                        | 3 16 9                        | 68 4/4               | 55 1/2    | 10 c                  | 24 c     | Miscellaneous               | 63 9                          | 63 9                          | 2 16 6                        |
| 79 9/16                    | 72 6/16  | 79 9/16              | 72 6/16  | Bank of Montreal \$100      | 63 1/2                        | 63 1/2                        | 3 16 9                        | 68 4/4               | 55 1/2    | 10 c                  | 24 c     | Assoc. P. Cement Ord. (1)   | 61 10 1/2                     | 61 10 1/2                     | 3 3 0                         |
| 10 1/2                     | 7 1/2    | 10 1/2               | 7 1/2    | Bank of New Zealand (1)     | 76 7/8                        | 76 7/8                        | 3 12 6                        | 60 6/8               | 38 1/4    | 14 c                  | 20 c     | Barker (John) Ord. (1)      | 41 3/4                        | 41 3/4                        | 2 18 3                        |
| 68 1/2                     | 62 1/2   | 68 1/2               | 62 1/2   | Barclays Bank 'B' (1)       | 97 1/2                        | 97 1/2                        | 2 10 6                        | 61 1/2               | 7 1/2     | 7 b                   | 7 b      | Britannium (1)              | 47 1/2                        | 47 1/2                        | 4 4 0                         |
| 60 7/16                    | 56 3/16  | 60 7/16              | 56 3/16  | Chartered of India (5)      | 59 1/2                        | 60 1/2                        | 3 9 0                         | 82 7/8               | 75 1/2    | 4 c                   | 4 c      | Brit-Am. Tobacco (1)        | 105 1/2                       | 105 1/2                       | 1 18 0                        |
| 48 1/2                     | 46 1/2   | 48 1/2               | 46 1/2   | Hongkong and S. \$125.      | 48 1/2                        | 48 1/2                        | 3 15 6                        | 61 1/2               | 7 1/2     | 7 b                   | 7 b      | British Oxygen Ord. (1)     | 78 6                          | 79 1/2                        | 3 15 9                        |
| 93 3/8                     | 84 6/8   | 93 3/8               | 84 6/8   | Lloyds 'A' (5, £1 paid)     | 91 6                          | 91 6                          | 4 9 0                         | 82 7/8               | 75 1/2    | 4 c                   | 4 c      | Cable & Wir. Hdq. Stk.      | 76 1/2                        | 77 1/2                        | 5 4 0                         |
| 6 1/2                      | 5 1/2    | 6 1/2                | 5 1/2    | Midland (1, fully paid)     | 62 1/2                        | 62 1/2                        | 3 15 6                        | 61 1/2               | 7 1/2     | 7 b                   | 7 b      | Carreras 'A' Ord. (1)       | 137 6                         | 137 6                         | 4 7 6                         |
| 75 6/8                     | 70 6/8   | 75 6/8               | 70 6/8   | Nat. Dis. £2, fully paid    | 74 1/2                        | 75 1/2                        | 3 10 6                        | 28 1/2               | 20 1/2    | 6 c                   | 8 c      | Dunlop Rubber Ord. (1)      | 39 9                          | 40 1/2                        | 4 7 6                         |
| 46 1/2                     | 44 1/2   | 46 1/2               | 44 1/2   | Royal Bank of Scotland      | 48 1/2                        | 48 1/2                        | 3 10 6                        | 28 1/2               | 20 1/2    | 6 c                   | 8 c      | Elec. & Mus. Ind. 10/-      | 32 6                          | 32 6                          | 2 18 0                        |
| 56 3/8                     | 49 11/16 | 56 3/8               | 49 11/16 | Union Discount (1)          | 54 1/2                        | 54 1/2                        | 3 13 6                        | 37 6                 | 28 3/4    | 12 1/2 b              | 12 1/2 b | Imperial Chemical Ord. (1)  | 75 1/2                        | 75 1/2                        | 2 13 3                        |
| 91 6                       | 85 1/2   | 91 6                 | 85 1/2   | Westminster £4, £1 paid     | 90 1/2                        | 91 1/2                        | 3 19 0                        | 39 9/8               | 37 1/2    | 10 a                  | 10 a     | Imperial Tobacco Ord. (1)   | 38 6                          | 38 9                          | 4 5 3                         |
| <b>Insurance</b>           |          |                      |          |                             |                               |                               |                               |                      |           |                       |          |                             |                               |                               |                               |
| 27 1/2                     | 23 1/2   | 27 1/2               | 23 1/2   | Alliance (1, fully paid)    | 27 1/2                        | 27 1/2                        | 5 5 0                         | 55 1/2               | 33 1/2    | 10 b                  | 10 b     | Imperial Tobacco Ord. (1)   | 72 1/2                        | 72 1/2                        | 2 4 0                         |
| 13 1/2                     | 11 1/2   | 13 1/2               | 11 1/2   | Atlas £5, £1 paid           | 13 1/2                        | 13 1/2                        | 3 18 0                        | 38 3/4               | 33 1/2    | 5 c                   | 5 c      | International Nickel n.p.   | 33 9                          | 33 9                          | 5 3 0                         |
| 110 1/2                    | 96 3/8   | 110 1/2              | 96 3/8   | Gen. Accdt. £1, 12/6 pd.    | 105 1/2                       | 105 1/2                       | 3 16 0                        | 64 7/8               | 51 9      | 10 c                  | 10 c     | Lever & Unilever Ord. (1)   | 34 9                          | 34 9                          | 2 18 6                        |
| 23 1/2                     | 25 1/2   | 23 1/2               | 25 1/2   | Lon. & Lancs. £5, £3 pd.    | 28 1/2                        | 28 1/2                        | 3 10 2                        | 60 6/8               | 44 7/8    | 20 b                  | 15 a     | London Brick Ord. (1)       | 63 3/4                        | 63 3/4                        | 3 3 0                         |
| 16 1/2                     | 14 1/2   | 16 1/2               | 14 1/2   | Pearl £1, fully paid        | 16 1/2                        | 16 1/2                        | 3 15 3                        | 110 7/8              | 93 1/2    | 7 1/2 b               | 12 1/2 b | Marl's & Spencer 'A' 5/-    | 99 4/4                        | 100 1/4                       | 4 0 0                         |
| 24 1/2                     | 20 1/2   | 24 1/2               | 20 1/2   | Phoenix (1, fully paid)     | 23 1/2                        | 23 1/2                        | 2 11 0                        | 68 9                 | 63 1/2    | 12 1/2 b              | 21 a     | Pinchin Johnson Ord. (1)    | 34 1/2                        | 34 1/2                        | 2 10 0                        |
| 9 1/2                      | 8 1/2    | 9 1/2                | 8 1/2    | Royal Exchange (1)          | 8 1/2                         | 8 1/2                         | 3 8 6                         | 72 1/2               | 66 1/2    | 10 c                  | 10 c     | Spillers Ord. (1)           | 67 6                          | 67 6                          | 4 8 9                         |
| 9 1/2                      | 8 1/2    | 9 1/2                | 8 1/2    | Royal £1, 12/6 paid         | 9 1/2                         | 9 1/2                         | 3 10 3                        | 4                    |           |                       |          |                             |                               |                               |                               |

(Continued from page 26.)

Agriculture in Argentina indicates an estimated outturn of linseed of 1,796,000 tons which, if realised, will be 271,000 tons, or 17.1 per cent., more than actually harvested last season. The new seed is now on the market, some part of which is being absorbed on home production of linseed oil and part earmarked for fuel oil. There is also some demand for early shipment for account of the United Nations. In the United States next season's linseed goal is 5,895,000 acres, a reduction of 394,000 acres, equal to 6.2 per cent. Canada also is contemplating a reduced acreage. Arrivals of linseed and other oilseeds in Great Britain continue of fair volume and for the completed 12 months are about at the same level as in 1942, and have enabled the Government to supply and to be supplied and the paint and allied industries to receive good deliveries of linseed oil and other drying oils used in products required by the war effort. Prices have again advanced. Linseed oil, for example, the monthly average of which (controlled) is £48 16s. 7d. a ton, against £44 8s. 4d. per ton naked, ex mill, in 1942. Crude cotton oil (controlled) has advanced during the year from £39 2s. 6d.

to £52 2s. 6d. per ton ex mill; other oils also are dearer, in accordance with increased prices of oilseeds.

#### COST OF LIVING INDEX July, 1914=100

| First Day of Month | Food | Rent | Clothing | Fuel and Light | Other Items | Total |
|--------------------|------|------|----------|----------------|-------------|-------|
| Sept., 1939.....   | 138  | 162  | 205 210  | 180-185        | 180         | 155   |
| " 1940.....        | 166  | 164  | 295      | 212            | 219         | 187   |
| " 1941.....        | 166  | 164  | 380-385  | 228            | 230         | 199   |
| " 1942.....        | 160  | 164  | 395-400  | 240            | 265         | 200   |
| " 1943.....        | 166  | 164  | 345      | 244            | 291         | 198   |
| Oct., 1942.....    | 162  | 164  | 390      | 241            | 266         | 200   |
| Nov., ".....       | 163  | 164  | 385      | 241            | 267         | 200   |
| Oct., 1943.....    | 168  | 164  | 340-345  | 244            | 291         | 199   |
| Nov., ".....       | 168  | 164  | 340-345  | 244            | 291         | 199   |
| Dec., ".....       | 168  | ...  | ...      | ...            | ...         | 199   |

Source: Ministry of Labour Gazette.

### THE CHARTERED BANK OF INDIA AUSTRALIA AND CHINA

(Incorporated by Royal Charter 1853)

CAPITAL (PAID UP) - £3,000,000  
RESERVE FUND - £3,000,000

Branches and Agencies throughout INDIA and the EAST  
AFFILIATED BANK IN INDIA

THE ALLAHABAD BANK LTD., with 15 Branches & 30 Sub-Agencies  
The Bank offers a complete Banking Service and provides exceptional facilities for financing every description of trade with the East.

Deposits for Fixed Periods or repayable at call or at short notice are received at rates which may be ascertained on application. The Bank also undertakes Trusteeships and Executorships.

Head Office: 38, BISHOPSGATE, LONDON, E.C.2

West End Branch:

28, CHARLES II STREET, HAYMARKET, S.W.1

Manchester Branch: 52, MOSLEY STREET

New York Agency: 65, BROADWAY, NEW YORK CITY

### THE HONGKONG AND SHANGHAI BANKING CORPORATION

CAPITAL ISSUED AND FULLY PAID UP \$20,000,000  
RESERVE FUNDS STERLING - £7,125,000  
RESERVE LIABILITY OF MEMBERS - \$20,000,000

Head Office (temporarily),

9, GRACECHURCH STREET, LONDON, E.C.3.

Chief Manager: A. MOSSA.

BRANCHES AND AGENCIES THROUGHOUT INDIA AND  
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# THE ECONOMIST

ESTABLISHED 1843

CXI.W No. 5237

REGISTERED AS  
A NEWSPAPER

JANUARY 8, 1944

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

Plea for Democracy - - - 29

The Approaching Budget - 34

Western Fringe - - - 30

French Government - - - 42

Balance of Payments - - - 32

Electricity Supply - - - 46

THIS WEEK - - - 35

LETTER TO THE EDITOR - - - 44

#### THE BUSINESS WORLD

BUSINESS NOTES - - - 48

SURVEY - - - 39

COMPANY MEETINGS - - - 54

on Thanksgiving; "Crime Against  
Pearl Harbour Doctrine; Discrimina-  
tion in Industry; The Brunt of Invasion;  
Shorter Notes.

Investors' Experience in 1943; Railways Look  
Skywards; Strains of Window-Dressing; How  
Many Houses? A New Estimate; Rights of  
Preference Shares; Chile Raids Sinking Funds;  
New Currency Candidates; Anti-Inflation Drives;  
Record Asbestos Earnings; Lancashire Cotton  
Earnings; Future of Clothing Industry; Burma  
Corporation Position; Recognition of Supervisors'  
Union; More Dollar-Sterling Parities; Tin Prices;  
Company Results.

THE WORLD OVERSEAS - - - 42

RECORDS AND STATISTICS - - - 56

The Government of Liberated France; Sweden's  
War Finances; Eire and Denmark—A Comparison.

THE ECONOMIST, BRETTEHAM HOUSE, LANCASTER PLACE, LONDON, W.C.2. TELE. TEMPLE BAR 3316. ANNUAL SUBSCRIPTION £3.

## Post-war Democracy

AN article on another page sets out some of the difficulties which face French representatives at Algiers arranging for the restoration of democratic government in France. The task before the French Consultative Assembly raises two issues: the resumption of normal political life in territories now occupied by the enemy; and the establishment in those countries of popular governments that will also be stable and efficient. The demand for popular government, after years of arbitrary alien rule, will be very great; and this will not be easy to establish and maintain against the background of frustration and lawlessness which resistance to invaders has inevitably brought with it. The need for stable government will be all the more acute; and, in modern economic and strategic conditions, the ability to provide efficient government will be decisive. The countries of Europe, even those formerly called democracies, cannot simply go back to their pre-war regimes. In some countries there was no kind of democracy. In others democracy did not work; it was neither stable nor efficient. Axis propagandists and others have drawn from them examples of the breakdown of democracy. Democratic governments were set up after the last war, they argue, in a conscious attempt to apply the principles of British parliamentary rule to all Europe, and the attempt has failed. This is quite untrue. While elaborate parliamentary constitutions were introduced after 18 into many European countries, including Germany,

parliamentary rule as we know it in this country was transplanted nowhere. What attempt there was to imitate the British system was mistaken; the law was sometimes copied but never the practice.

Low though the standard of political performance often fell before the war in this country, we have possessed even at the worst times governments more popular, more stable and more efficient than most other democracies. Mr Churchill is not a freak, but a representative British statesman, bred in the House of Commons and the Cabinet room. It is because post-war Europe needs popular, stable and efficient governments, and leadership that is both strong and democratic, that it is important for Europe as well as for us, to look at the realities of the British parliamentary system, to see how best its virtues can be kept and how aptly, or otherwise, they might fit European requirements. The British system of government has stood the test of fire.

What are the characteristics of the British system which other democracies missed in the inter-war years? They can be summarised as follows. British Governments are not prevented by Parliament from ruling. What they decide to do will normally be approved by both Parliament and the people. At an election, it is the Government that is chosen, with a Parliament to go with it, and although in theory Parliament is sovereign, and may become so in fact in a political crisis, the right of the Executive to make

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and apply policies, once a mandate has been given by the people, is accepted. It is not possible for Parliament continually to chop and change Governments with impunity. It is possible for British Governments to pursue consistent and continuous policies for sufficiently long and sufficiently boldly to get things done. Parliament retains, as it must, the right to dismiss the Government when it seems that the popular will has altered, but until its Members are willing to go to this length, which will throw them, as well as the Government, into the electoral melting pot, its power over the Executive from day to day is confined to criticism, questioning, complaint and suggestion. Governments can be displaced, but only on overwhelmingly important issues, not on every shifting side-wind in public opinion. The first function of Parliament is now the first power won by their predecessors in the fifteenth century, the right to call for the redress of grievances. The House of Commons is a sounding board for the expression of the people's views and opinions; and only occasionally do these noises off compel the Commons to take arms against the Government, and bring it down.

In countries like, say, pre-war France, on the other hand, parliamentary government did not work in this way at all. Governments rose and fell according to the shifting alignment of many parties in the Chamber and Senate, without any reference except at set intervals to the electors. It was impossible for any Government to rely on sufficient support, sufficiently continuously, to carry out the programmes of reform or defence that France needed. Governments were not the creations of the electorate, but the creatures of Parliament, made and unmade with startling frequency, until they had little or no connection with the men and measures for which the people had voted at the previous election. Governments tended to be powerless and Parliaments to be irresponsible.

Yet, on the face of it, all the features of parliamentary government were present. The Senate as well as the Chamber was elected; the Prime Minister and Cabinet were responsible to the people's elected representatives. Laws were made by Act of Parliament, and administered under parliamentary control by Ministers. All these features—representative assemblies, responsible Ministers, Cabinets and parliamentary legislation—are parts of British constitutional law and were present in the other newer democracies of Europe. Yet with the exception of countries like Sweden, which had a sound tradition of their own, the consequence was almost always the same—there was no consistent home or foreign policy, popularly approved and technically sound; no adequate measures for defence or economic development.

In large part, the difference in the results achieved by the British and these other systems of democratic government is the difference between the substance and the shadow of the parliamentary method. British policy, too, had outstanding failures in the inter-war period, in economic policy, defence and diplomacy; but they were due not to the British system of parliamentary government, but to the failure to work it properly, and they

were not disastrous. Government was often inefficient, but it was always stable, and usually popular. In other countries, the position was very different. They preserved the constitutional theory that Parliament is sovereign, and overlooked the political practice which in Britain, in modern conditions of government, has given sovereignty to the Executive. They failed to see that, of necessity, modern governments must have the power to legislate. They did not adopt the convention by which governments must either be supported or forced to take the electorate's opinion at the polls. In short, they missed precisely the things which have enabled parliamentary government to continue to work in this country. British parliamentary government itself worked worst during the inter-war period, when it ignored the practical conventions upon which it had come to be based: when programmes and policies changed without reference to the electorate; when the formation of National Governments all the real issues of policy were left blurred and unresolved; and when the Opposition, incapable of offering itself as an alternative Government with an alternative policy, became content with a merely guerrilla rôle.

It may be that, because of different national characteristics or different social and economic situations, it is impossible to export even a modified version of British practice. It may be that, for some countries, the Soviet system of rigidly centralised power, beyond criticism or control, set in the framework of a great number of representative but powerless bodies, will be more suitable. It may be that, in other cases, the American model of an elected Executive set in constant counterpoise against an elected Legislature may be more appropriate. But the Soviet system is not popular government in the British sense, for it leaves out civil liberties as well as free election and parliamentary support. And, in modern times, the American system has hardly provided the strong and efficient government which European democracies want, and need; Congress, too, is irresponsible; the Administration does not depend upon its support; and neither can force the other to take the opinion of the people. *Prima facie*, the British system has a special contribution to offer to the solution of Europe's post-war difficulties.

After the war, the nations of Europe will be seeking an alternative to authoritarian rule. British practice offers the possibility of continuous and consistent government, based on popular support and exposed to popular criticism; freedom of speech, opinion and the press, freedom of election and of Parliamentary criticism and inquiry, and the equality of citizens before the law are indispensable conditions; the existence of only a few political parties, representing distinct but broad groupings of opinion and interest, and each capable by its personnel and policies of being chosen by a majority to constitute the Government, is no less necessary. If, in their own ways, these other countries can combine a similar practice with these essential conditions, then it will be possible to say, for the first time, that parliamentary government as we know it is being tried abroad.

extremely vague. It is difficult to say what form of association he had in mind. He certainly did not suggest that the democracies of Western Europe should "join the British Empire," and what many of his critics seem to have forgotten is that in a number of ways a "western fringe" did in fact exist before the war. Common interests and policies already drew the nations of Western Europe towards each other. They were constitutional democracies. They were trading and maritime nations with economic interests all over the world. Britain, France, Holland and Belgium between them controlled most of the world's colonial territories. Up to a point this special relationship was expressed in more formal shape. All the Scandinavian countries adhered to the sterling bloc and had

made special trade agreements with Great Britain. The Oslo Agreements drew Scandinavia and the Low Countries together in their commercial policy. During the war it has been possible to arrange for a completely unified shipping pool. Years before the war the relations between Britain and France were in all but name a full alliance. The question is thus not whether a "western fringe" should be created but whether an existing complex of interests and sympathies—some political and some commercial—should be systematised into a more formal association.

There is much to be said for such a policy. The British Commonwealth provides the pattern of co-operation without subordination, the great virtue of Britain as the most powerful element in such an association is that it has abundantly proved its total unaggressiveness. Indeed, the pacific record of British policy was singled out by M. Van Kleeff's as a reason for hesitation.

When, therefore, General Smuts advises us to collaborate with England after the war, my answer will be: I can only think of this provided the British Empire and Britain in particular shows that it has no intentions of once more going the way towards large-scale disarmament.

It might be possible after the war to associate the Western democracies first of all at the level of strategy through a joint general staff or at least formal and regular consultations. Some measure of agreement on foreign policy could also be achieved through a regular meeting of the Foreign Ministers of the various states. In economic matters, common currency agreements have been made in the past. They could be made again together with agreements on shipping, freight rates, customs and similar matters. The test in each case would be the benefit of the proposed extension of collaboration to all the state members. The approach would be resolutely practical. In the colonial sphere, in particular, the closer association of the western states could be made into a real instrument of progress.

Any proposal for closer association would clearly require the most delicate psychological adjustment. Every Western nation is more rather than less nationalist as a result of the war. Any suggestion that they were being inveigled into the British Commonwealth would be resented and rejected. It was one of the misfortunes of General Smuts's speech that the substance of his proposals was put forward in unnecessarily wounding language; and one of the reasons for the tepid reception this passage received from the Allied Governments was obviously that they cannot be expected to be attracted by the suggestion if its only purpose is to strengthen the British hand at the Great Power table.

This fact should not lead to the assumption that only jealous nationalism keeps the western states from a greater readiness to accept the Smuts proposal. Their hesitations go deeper. They do not want to take part in

exclusive arrangements unless it is clearly seen that they form part of a larger whole. None of these western nations wishes its relations with Britain to exclude the closest possible links with the United States. Holland in particular, with the bulk of its colonial territory in the Pacific, is insistent upon the importance of American policy in shaping Holland's own. Norway, too, sees its interests in an Atlantic rather than a European framework. As one Norwegian spokesman put it,

The objection . . . to the European Federation is that it might create new barriers between the United States and Europe. This objection also applies to General Smuts's plan for a British-West European federation. . . . An Atlantic Regional Agreement would probably give us the maximum degree of security.

Speaking for Holland, M. Van Kleeff's also makes the point that, to feel secure, his people and their neighbours would need to feel behind them the weight not only of Britain but of the United States. Then it would be a security system in fact as well as name.

If things move in this direction, we would see a strong formation in the west with America, Canada and the other British dominions as the arsenal and vast reservoir of power, with England as the base, especially for air power, and the west of the European mainland . . . as the bridgehead. . . . It is difficult to imagine a stronger position for our country.

Thus the first outspoken reservation is the need to associate with a "western fringe" the full collaboration of the United States. It is not the only reservation. Most of the Allied spokesmen have shown themselves equally determined not to enter a bloc which might be hostile to the Soviet Union. They regard Germany as the menace now and for generations to come. M. Van Kleeff's demands that "the formidable western bloc" should "find its eastern counterpart in Russia." The Norwegians demand that they should "expand and strengthen" their good relations with Russia. It is obvious that any acceptance they might give to local regional arrangements—possibly on the model of the recent Russo-Czech Pact—would be dependent on the degree to which such arrangements were a part of an international security system and not a substitute for it.

These are the reservations of the smaller western powers. They are even more obvious and compelling in the case of France. The French naturally cling to sovereignty more fiercely than any other European state, for they are the greatest of the nations which were stripped of it. They would never take part in any arrangement that suggested the subordination of their military power and foreign policy or colonial responsibilities to those of Great Britain. This does not of course mean that they are irrevocably set on a policy of minimising British influence in Europe. On the contrary, the restraint of the Consultative Assembly in Algiers on the morrow of the Lebanon crisis and General Smuts's wounding comment on France shows the

## The Western Fringe

SOME weeks have passed since General Smuts made his suggestion that Britain should seek to bring up the standard of its power more nearly to the level of that of Russia and the United States by entering into closer relations with the Western democracies of Europe. Since that time there have been a number of official and unofficial reactions from the countries concerned, in particular from the Belgian, Dutch and Norwegian Governments. All of them desire closer relations with this country. It is obvious that all of them have completely rejected isolationism. But there is, on the whole, a big gap between the form taken by their desire for collaboration and the form proposed by General Smuts.

It is, of course, true that the General's proposals were



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strength of sympathy for Britain, particularly in occupied France. But it does mean that all the reservations made by the smaller nations about the form of association hold good, and that French diplomacy will in all probability seek to make its own arrangements with the other great power centres, the United States and Russia.

All these reservations need to be very carefully taken into account. But none of them is fatal to the proposal. They would, indeed, be fatal to any suggestion of a tightly-knit, mechanistic federation. But that would not, in any case, be the British way of going about the matter. The architects of the British Commonwealth of Nations are familiar with individual susceptibilities. The federalists and the constitution-mongers would be no more in place in designing a closer association in Western Europe than they were at the drafting of the Statute of Westminster. Moreover, the particular reservations that have been mentioned can be directly met. The sort of special relationship that exists between the members of the British Commonwealth does not prevent each of them from seeking the most intimate association with the United States. Moreover, though American policy has departed from isolation, it is unlikely to arrive at specific alliances with individual countries. It may very well be that the closest approach that the smaller West European democracies can obtain to that complete Atlantic Agreement which is their heart's desire (and Britain's), is to enter into a close association with Britain which, without any formal alliance, would, as a whole, concert its policies with those of the United States. A West European entente, so far from being inimical to good relations with America, could be so devised as to be the best means of securing them. Similarly with Russia. No nation has done more than

Britain to bring together the two worlds of Russia and America. Politically and militarily, the Anglo-Soviet Treaty is a guarantee that all local agreements are fully compatible with the wider object. Special relationships between Britain, Scandinavia and the Low Countries would be no more anti-Russian than the Russo-Czech Treaty is anti-British. British policy stands or falls by the attempt to build a world-wide system out of the existing local elements. By giving it their support and adhesion the countries of the western fringe would be advancing, not retarding, the growth of a universal association.

The Moscow and Teheran Conferences with their agreement on the necessity of post-war collaboration will have helped to dispel these uncertainties, but in any sound foreign policy there is always a maximum and a minimum approach. The policy which will best suit the interests of Britain and the western democracies will obviously be one of close military and economic collaboration between the Great Powers together with the regional organisations of geographical and cultural units such as Europe, supplemented by special arrangements between neighbouring states. But if by ill fortune or bad management the wider solutions fail to take shape, this is not in itself a compelling reason for abandoning all attempt at creating various forms of local understanding. Such an attitude would be as illogical as the behaviour of a man who, unable to insure with the best insurance company, refused to take out any policy at all. The western democracies, and Britain itself—are perfectly right to subordinate everything to the pursuit of the best and fullest settlement in which world-wide, regional and local organisations would all have their place. But they must also be ready to maintain any part of it, even if the wider plan should fail.

### The Principles of Trade—II

## The Balance of Payments

THE first article in this series, which appeared in *The Economist* last week, re-stated the basic argument in favour of the greatest possible expansion of international trade. But it reserved for further examination two objections, *prima facie* weighty, against a return after the war to comparative freedom of international trading. The first of these two objections, with which the present article is concerned (the second will be taken up in a later article), can be briefly stated. Has the British balance of payments been knocked so badly out of equilibrium by the war that it cannot be put right by the methods hitherto considered proper and orthodox? It is right and proper that British opinion should be concerned with the British balance of payments. But there is some danger lest that concern should lead to the belief that the embarrassments of the pound sterling are the chief obstacle to world-wide equilibrium. The British problem is indeed severe; but there is no reason to suppose that it is substantially worse than the problems that will face most of the invaded or occupied countries in reconstructing their international commerce. Some of them, it is true, will have much more ample gold reserves and exchange resources than are left to Britain after the process of "scraping the bottom of the barrel" has been concluded. But this does not mean that any of them will find it easy to set up a balance of payments whose current account will be in equilibrium. Moreover, there is the problem of the dollar. Two articles in *The Economist* of November 27th and December 4th, 1943, based on an official American report, reached the conclusion that, in the absence of special steps to prevent it, the post-war American international accounts would be out of equilibrium to the amount of probably between \$1 and \$2 billion a year. This will be a disequilibrium on the credit side, it is true, but it will be none the less disturbing for that.

It would, therefore, be a mistake to fall into the habit of regarding the British balance of payments as the "world's financial problem number one." The real ques-

tion is far wider. It is whether the world's chief trading nations are going to find themselves after the war with their international accounts so widely and intractably out of balance, either on the credit or debit side, that somewhat mild mechanisms for adjustment known as orthodox commerce will not avail to produce a tolerable equilibrium. Of this wider question, the facts of the present position must be taken as only one example.

Those facts are, by now, fairly well known. The British balance of payments, as it stood in the three years before the war broke out, was as follows:—

| BALANCE OF PAYMENTS OF THE UNITED KINGDOM, 1936-38 |     | (Figures are the average of the three years, in £ millions) |     |
|----------------------------------------------------|-----|-------------------------------------------------------------|-----|
| DEBIT                                              |     | CREDIT                                                      |     |
| Imports .....                                      | 930 | Exports .....                                               |     |
| Govt. payments .....                               | 10  | Investment income .....                                     |     |
|                                                    |     | Shipping earnings .....                                     |     |
|                                                    |     | Commissions, etc. ....                                      |     |
|                                                    |     | Other receipts .....                                        |     |
|                                                    |     | Deficit .....                                               |     |
|                                                    |     |                                                             | 940 |

The immediate effect of the war will be to reduce severely the "invisible" items on the credit side. If there were no other elements in the problem, it is probable that there would be a gap (including the pre-war deficit) of at least £200 million on the credit side.

But there are other elements on the problem. If there are to be no severer restrictions on trade than there were before the war—the condition of the problem that is under discussion in this article—it is probable that British imports will be higher than they were in 1936-38. In those years there were, on the average, 1,630,000 unemployed in this country. If reasonably full employment is attained, the volume of consumption will be higher and the volume of imports, if it is allowed to do so, will rise above the pre-war level. Moreover, the terms of trade have, during the war, shifted sharply in Britain's dis-

favour; imports now cost more, relatively to exports, and as long as the world market remains a seller's market, the relationship is perhaps unlikely to alter. And lastly, British exports are necessarily made with imported materials. Every increase in exports leads automatically to some increase in imports; the net gain is smaller than the gross. When all these facts are taken into consideration, the 50 or 60 per cent. increase in British exports which is generally mentioned in current discussion as a measure of what is necessary begins to look like an under-estimate.

This is a gigantic task. For three years now British exports have been neglected—more than neglected, for they have been deliberately restricted by the demands both of British mobilisation and of American policy. Yet the task is not merely to restore them to their pre-war volume, but to increase that volume by half or two-thirds, and to do so quickly. Can it be done?

It would be a mistake to ignore the fact that Britain will start with a number of advantages. The world will be crying out for goods of all kinds, and of the world's manufacturers, Britain has a good chance to get to the market first, without taking any unfair advantages. Most of the competitors—the European countries and Japan—will, in greater or less degree, be devastated and dislocated. The United States, it is already apparent, will be suffering from a very sharp rise in costs of production, almost certainly unaccompanied by any fall in the exchange value of the dollar. Moreover, there is a surfeit of pounds in the world and a shortage of dollars. There is hardly a country in the world that will not find it easier to buy—or at least to make payment—in Britain than in America, and not all those payments need be in reduction of British debts. There is no good reason why Britain should not enjoy a head start. But it would need a gigantic start to achieve, by this means alone, an increase of the proportions that are required.

Much will depend, after the start has been gained, upon whether British exporters are helped or hindered by financial policy. Some of the mistakes of last time will surely not be repeated. It is unlikely, for example, that there will be deliberate deflation at home, or a deliberate overvaluation of the pound sterling abroad. Indeed, the danger is lest public opinion, with too simple-minded a memory of 1931, should insist on putting too low a valuation on the pound. Devaluation of the pound can be of great value to Great Britain when trade is depressed and all the world trying to sell—though even then the advantage to Britain tends to be offset by disadvantages to other countries. But for several years after the war, the conditions will be the reverse—at least in the primary product markets the advantage will be with the sellers, and a devaluation of the pound might do more harm by making British imports expensive than good by making British exports attractively cheap. There are dangers to be avoided in currency policy—those of excessive or badly-timed overvaluation—but it is doubtful whether there is much positive advantage to the expansion of British exports to be gained from tinkering with exchange rates.

### Efficiency and Salesmanship

If the necessary increase in the volume of exports is to be secured it will not be by such mechanical devices, but by more laborious and familiar methods, by the energetic salesmanship of good products, designed to suit the customer and offered at low prices. And the greatest of these is low prices. The doctrine appears to be growing up, almost unawares, that British industry cannot hope to compete on an open basis with other countries. It is a curious doctrine, and is maintained with the utmost inconsistency against both low-wage and high-wage countries. Where we are not undercut by the low wages of the Japanese—so runs the argument—we are undercut by the high productivity of the Americans. This is pure defeatism. It would be just as true to argue that, with good management, we can out-compete any country in the world—the low-wage countries by the skilled use of complex machinery, and the high-wage countries by the cheaper cost at which our policy of importing food and raw materials enables us to sustain a high standard of living.

The real trouble is that too few British business men are trying to compete. In these days, to say that a firm has so increased its efficiency that it can sell at low prices is not to give praise for initiative and enterprise, but to criticise it for breaking the rules of "fair" trading and indulging in the ultimate sin of "cut-throat" competition. Countless examples could be given of this attitude. But perhaps the most striking is the wide acceptance of the ideas known as the World Trade Alliance, which can be briefly described as a proposal that the world market for all goods should be deliberately parcelled out by agreement, with a rather vague addendum that any surplus resulting from this method of distribution should be donated to the poorer countries. This order of ideas has not the slightest chance of acceptance, if only because the mere official proposal of it would be regarded as an unfriendly act in the United States, where private and official opinion is much more concerned with dissolving the existing international cartels than with creating new ones. But what is frightening is the extent to which these ideas have been accepted by British business and British labour. Their defects are obvious. In the first place, international cartellism would merely be a buttress for restrictionism and for the high-profits-and-low-turnover mentality at home. That is its intention, and that is its appeal to the trade unions. It would effectively prevent any interference from abroad with progressive inefficiency at home. Secondly, such a plan would, if it worked at all, stereotype the present pattern of trade for all time and prevent that buoyant development of new opportunities in which is the chief hope for rising world prosperity. And finally, how can an agreed sharing of the market possibly meet the requirements of a country that is forced to expand its exports by 50 or 60 per cent? The only possible basis for an agreed allocation is by reference to the past, or, if that basis is dropped, the "commercial antagonism"—whose replacement by "co-operation" is the chief emotional appeal of the plan—is not abolished at all, but merely transferred from the market-place to the boardroom. It is a phantasy to suppose that markets can for long be allocated by an agreement which ignores the facts of competitive relationships. As has been remarked in *The Economist* on an earlier occasion, "the producer who could extend his sales in open competition will be just as insistent on a larger share as the best-armed brigand at a robbers' share-out." If Britain is in a strong competitive position the World Trade Alliance is unnecessary. If Britain is in a weak competitive position, it would work, if at all, to our disadvantage. The popularity of such proposals shows how far the leaders of British industry and labour—or at least those of the older generation—are from realising their duty to the community.

### The Limits of Orthodoxy

It is thus difficult to give a clear answer to the question posed at the beginning of this article. If the competitive advantages and disadvantages of Britain's post-war position were objectively assessed, and if there were a determination on the part of Government, management and labour to remove the disadvantages, and to exploit the advantages with all possible vigour and resolution, then it might be reasonable to conclude that the British balance of payments could be brought back to equilibrium before very many years have passed, without any further restriction of imports. It might even be possible to hope for the restoration of a small favourable balance, so essential if the country's reserves are to be rebuilt. But it is clear that there would, even in the most favourable circumstances, be an interim period while this export drive was succeeding. Additional business measured in hundreds of millions of pounds cannot be secured overnight. And if the prevailing climate of opinion in the governing circles of British business is unchanged, the interim period may be of very long duration.

For as long as this interim period lasts, there are only two "orthodox" means of balancing the British accounts. The first is by borrowing; the second is by restricting British imports. The acceptance of comparatively small, short-term credits by Britain would be legitimate, though



hardly pleasant to contemplate. But borrowing on the scale and for the duration that might be needed would obviously be improper for a developed country with creditor habits. Restriction of imports, on the other hand, would be equally bad. Some sectional interests, it is true, would be overjoyed at the prospect, and many of the tears shed so frequently over the plight of the export trades are obviously of the crocodile variety. But for the community as a whole a sharp restriction of imports means (as the war has demonstrated) a sharp reduction of the standard of living. There are very few "unessentials" that can be cut out of the import list: in 1938, food, materials and oils amounted to 80 per cent of the total. And, in any case, the restriction of British imports, whether essential or unessential, would be a blow to international trade as a whole, which might well react in its turn on the prospects of exporting.

One is therefore forced to the conclusion that there are no means—at least for a long time to come—of balancing the British accounts that are both orthodox and non-restrictionist. In this particular case, a strict adherence

to the methods deemed orthodox by, for example, Mr Cordell Hull and his school of thought, would lead directly to a restriction, not to an expansion, of international trade. On this score, then, the case is made out for an exploration of the alternatives. There are, in substance, two alternatives. One can be called "unorthodox multi-lateralism"—that is, the search for hitherto untried methods of preserving the world-wide unity of international trade. The Keynes and White plans are attempts of this character. The other is bilateralism or regionalism—that is, in its extreme form, the reduction of international trade to two-sided barter, or, in a less extreme form, the creation of *blocs* or regional groupings, the members of which conduct trade among themselves on terms different to those they accord outsiders.

The next article in this series will examine the relationship between full employment policy and international trade, in the attempt to discover whether or not there is reason on this score also to conclude that the orthodox rules are inadequate. The series will then turn to the alternatives to orthodoxy.

## The Approaching Budget

THE main interest of the December 31st Exchequer return, which is summarised in the table at the foot of the page, lies in the evidence it provides of a flattening-out of the curve. Expenditure on Supply Services (which include almost everything except the service of the debt) was actually lower by £40 million in the fourth quarter of 1943 than in the fourth quarter of 1942. The figures of expenditure on Supply Services, by quarters, from January 1, 1940, are as follows (in £ million):

|                      | 1940  | 1941  | 1942  | 1943  |
|----------------------|-------|-------|-------|-------|
| January-March.....   | 913   | 1,137 | 1,238 | 1,505 |
| April-June.....      | 613   | 985   | 1,198 | 1,304 |
| July-September.....  | 875   | 1,111 | 1,229 | 1,305 |
| October-December.... | 1,012 | 1,168 | 1,364 | 1,324 |
| Year.....            | 3,413 | 4,401 | 5,029 | 5,438 |

These figures are not strictly comparable throughout. For example, the passage of the American Lend-Lease Act in March, 1941, led to a substantial reduction in British expenditure in the United States. Similarly, the introduction of the Canadian Mutual Aid scheme early in 1943 led to lower British expenditure in Canada. But Lend-Lease from America does not explain a decline in expenditure between 1942 and 1943, both of which were Lend-Lease years, and the effect of the Canadian transfer is not enough by itself to explain the trend of the British figures. The trend can best be seen by comparing each quarter with the same quarter of the previous year:

|                   | 1941 | 1942 | 1943 |
|-------------------|------|------|------|
| January-March.... | +224 | +101 | +267 |
| April-June.....   | +372 | +213 | +106 |
| July-September..  | +236 | +118 | +76  |
| October-December  | +156 | +196 | -40  |

Too much should not be deduced from a single quarter; but it looks as if the peak—or rather the plateau—of British war spending has been reached. The total ordinary expenditure for the full year, of which three months are still to come, looks like amounting to about £5,825 million, and it may be that the Chancellor of the Exchequer will not have

to budget for much more than £6,000 million for next year, even on the assumption of continued maximum fighting. For those who like their statistics in daily form, it can be said that the rate of total ordinary expenditure in 1943 was £15.9 million per day, and that the probable "plateau" rate will be about £16½ million a day. These figures presuppose that there is no further decline in the value of money in terms of the things on which the Government spends.

The revenue figures, as is usual in wartime, toil painfully in the rear of the expenditure. Nevertheless, it is apparent that the buoyancy of the revenue has once again been underestimated, though not so badly as in recent years. Income-tax was estimated to produce £168.2 million more in the full twelve months and, with the vital three months still to go, already shows an increase of £106.7 million. NDC and EPT show a combined increase of £105.3 million, compared with an estimated rise in the full year of £122.5 million. Customs receipts have already provided within £2 million of the expected increase, and Excise duties show an increase, in nine months, not far short of double the estimate for the whole year. This under-estimation, it should be remarked, is not to be ascribed to conservative budgeting, but, on the contrary, to over-optimism in assessing the extent to which public spending and consumption can be kept down. The increase in the total revenue, which was expected to be £87.7 million in the year, is already £70.7 million. It is more difficult to estimate a "plateau" of revenue than of expenditure. Total ordinary revenue this year may be about £2,950 million. There should be a further "natural" increase next year, without any changes in rates of taxation, of perhaps £200 million. The transition to "pay-as-you-earn" will increase the yield of income-tax by an amount that is difficult for the outsider to guess, but is probably at least £50 million. In very rough and round figures, the "plateau" of total war is represented by tax revenue of £3,200 million and Government expenditure of £6,000 million, against a net national income which may be in the neighbourhood of £8,500 to £9,000 million.

|                      | REVENUE (£ millions) |                   |                                |                       |                  |                      |
|----------------------|----------------------|-------------------|--------------------------------|-----------------------|------------------|----------------------|
|                      | Year's Receipts      |                   |                                | Nine Months' Receipts |                  |                      |
|                      | Actual 1942-43       | Estimated 1943-44 | Estimated Inc. (+) or Dec. (-) | To Dec. 31, 1942      | To Dec. 31, 1943 | Inc. (+) or Dec. (-) |
| Income Tax.....      | 1,005.8              | 1,175.0           | +169.2                         | 407.5                 | 514.2            | +106.7               |
| Surtax.....          | 75.4                 | 89.0              | +13.6                          | 21.2                  | 20.4             | -0.8                 |
| Estate, etc., Duties | 93.3                 | 100.0             | +6.7                           | 68.9                  | 71.9             | +3.0                 |
| Stamps.....          | 15.3                 | 17.0              | +1.7                           | 10.5                  | 13.7             | +3.3                 |
| Nat. Defence Cont.   | 30.6                 | 30.6              | 0                              | 20.5                  | 23.0             | +2.5                 |
| Excess Profits Tax.. | 346.9                | 500.0             | +153.1                         | 253.0                 | 355.8            | +102.8               |
| Customs.....         | 459.5                | 525.3             | +65.8                          | 343.4                 | 407.3            | +63.8                |
| Excise.....          | 425.3                | 450.2             | +24.9                          | 317.1                 | 358.4            | +41.3                |
| Motor Duties.....    | 28.5                 | 25.0              | -3.5                           | 6.5                   | 5.5              | -1.0                 |
| Wireless Licences..  | 4.6                  | 4.7               | +0.1                           | 3.1                   | 3.2              | +0.1                 |
| Other Inland Rev..   | 0.9                  | 1.0               | +0.1                           | 0.3                   | 0.2              | -0.1                 |
| Total Tax Revenue    | 2,481.1              | 2,878.2           | +397.1                         | 1,452.0               | 1,773.6          | +321.5               |
| Canadian Gov. Con.   | 224.7                | 224.7             | 0                              | 224.7                 | 224.7            | 0                    |
| Other Non-Tax Rev.   | 108.0                | 29.3              | -78.7                          | 89.9                  | 63.8             | -26.1                |
| Total Ord. Revenue   | 2,813.8              | 2,907.5           | +83.7                          | 1,766.6               | 2,062.1          | +295.5               |

|                                             | EXPENDITURE (£ millions) |                   |                                |                     |                  |                      |
|---------------------------------------------|--------------------------|-------------------|--------------------------------|---------------------|------------------|----------------------|
|                                             | Year's Issues            |                   |                                | Nine Months' Issues |                  |                      |
|                                             | Actual 1942-43           | Estimated 1943-44 | Estimated Inc. (+) or Dec. (-) | To Dec. 31, 1942    | To Dec. 31, 1943 | Inc. (+) or Dec. (-) |
| Interest & Management of National Debt..... | 310.8                    | 375.0             | +64.2                          | 254.3               | 283.4            | +29.1                |
| Payments to N. Ireland Exchequer            | 9.2                      | 9.5               | +0.3                           | 5.6                 | 5.3              | -0.3                 |
| Other Consolidated Fund Services...         | 7.4                      | 7.5               | +0.1                           | 4.5                 | 4.3              | -0.2                 |
| Supply Services...                          | 5,295.8                  | 5,366.8           | +71.0                          | 3,791.1             | 3,933.1          | +142.0               |
| Total Ord. Expend.                          | 5,623.2                  | 5,758.8           | +135.6                         | 4,055.5             | 4,226.2          | +170.7               |
| Sinking Funds....                           | 14.2                     | ...               | -14.2                          | ...                 | ...              | ...                  |
| Self-balancing Rev. and Expenditure         | 102.5                    | 110.6             | +8.1                           | 79.4                | 82.3             | +2.9                 |

## NOTES OF THE WEEK

### From the Dnieper to the Dniester

The first week of the New Year has been a black week for the Wehrmacht. In the course of it Mannstein's armies have been dislodged from the outer fringe of the Kiev salient which still held in the last days of December; and Vatutin's, once, has assumed tremendous momentum. Three main thrusts by the Russians can be discerned so far. In the north they have swept forward from Korosten through Olevsk and Novograd Volynsk towards the old Polish frontier, which has now been crossed—presumably only by advance guards—at several points. In the centre they have retaken Zhitomir and spread westwards towards the important railway junction of Shepetovka, on the Russian side of the frontier, and southwards towards the Ilichev hedgehog, which has now fallen to the Russians. To the south of Kiev the Russians have captured Byelaya Tserkov, a key position, from which they have struck towards Vinnitza and the all-important Zhmerinka junction on the Lvov-Odessa railway in the south, and from which they may be able to unhinge the German army to the south-east, inside the Dnieper bend. Of the many blows, which have now thrown some of Mannstein's divisions into confusion, those converging on Vinnitza and Zhmerinka are of the greatest consequence for the whole campaign. If the Lvov-Odessa line is cut at Zhmerinka and, even more, if the Russians succeed in reaching Mogilev on the Dniester—only fifty miles away from Zhmerinka—then the German armies will have to pay a disastrous penalty for their stubborn and prolonged clinging to the Dnieper bend. At best, they will have to fight their way out, either by cutting the Russian ring somewhere to the north of the Dniester or else by trying to escape through the corridor between Odessa and the Carpathians into Roumania. An even greater disaster may befall them if, encircled on so gigantic a scale and spread over the distances from the Dniester to the Dnieper, they lose their coherence and capacity for orderly withdrawal.

But so far no signs have appeared of any radical disintegration in the German ranks. The possibility of a German counter-thrust from the upper Bug—where large German forces are reported to have been massed—cannot yet be ruled out. The repetition of a "battle of encirclement and annihilation" on the Stalingrad pattern may not seem very likely, if one considers the size of the German forces and the distances involved. On the Volga, the Russians encircled von Paulus with three hundred thousand men, left without any supply lines by rail or road. The encirclement of about a million men inside the Dnieper bend and in the Ukraine presents a vastly more difficult task, so long as the enemy does not suffer an irretrievable breakdown in morale. But all that Mannstein can now hope for is to stave off disaster, and to make a relatively orderly retreat from the Dnieper to the Dniester.

### South and North

While the fighting in the south has carried the Russians very far towards their objectives, no such spectacular results have been achieved in the north. The Nevel-Vitebsk wedge has not yet been driven deeply into the German defences which cover Latvia and Lithuania; and Vitebsk is still in German hands. The synchronised timing of offensive thrusts all along the front, such as the Russian High Command was able to achieve in the course of last year, can possibly no longer be expected. North and south are now separated by the wide stretches of the Pripiet Marshes, which make the shifting of massive forces from sector to sector very difficult, if not impossible. Faced with this natural obstacle to co-ordinated fighting all along the front, the Russians have so far concentrated on achieving decisive results in the south. There are probably economic as well as political reasons for this. White Russia in the north is poor in industry as well as in agriculture. Politically, victories in the south promise more important and more immediate gains than those which may be expected in the north. A Russian advance to the Carpathians is sure to throw the whole of

the Balkans into a state of confusion, and to bring into play pro-Russian sentiment among the Balkan peoples. The attitude of the Baltic nations towards the advancing Russians cannot be forecast with the same degree of confidence. On the other hand, the German defence there is likely to stiffen as the Germans approach their native soil in eastern Prussia, at least until the Second Front. The fact that the northern and the southern sectors of the front are now separated by the Pripiet Marshes makes the problem of relative strength in manpower even more important than it was before, since the Russians no longer possess the freedom to shift reserves on which the achievement of local superiority may often depend. General Dittmar, in his melancholy survey of 1943, spoke of the heavy casualties of both the Germans and the Russians; but he admitted that in spite of their allegedly heavier casualties, the Russian had maintained their superiority in total numbers. How wide the margin of that superiority may be now cannot be conjectured. The opening of a front in the west would widen it enormously.

### The Last Opportunity

On January 4th, the advance guards of Vatutin's army crossed the 1939 Polish frontier. Until the Soviet Ukraine proper has been cleared of the enemy no deep Russian penetration into Polish territory is probable. As yet the crossing of the frontier has political rather than strategic significance. It has brought the Polish-Soviet dispute back into the foreground. On January 5th, the Polish Government issued a declaration in which it stated its desire to resume relations with Russia. The statement did not make it clear whether the Polish Government still considers recognition by Russia of the territorial status of 1939 to be a condition for the

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resumption of relations. If this is the case, then the statement offers no prospect of the renewal of diplomatic contact between Poland and Russia. The official Polish press has interpreted the statement in a way which leaves no room for compromise; and in the light of this interpretation, the Polish Government's instruction to the underground movement to avoid conflicts with the Soviet army, and to co-operate with it only if and when relations between the Governments are resumed, assumes the highest significance. While the sincerity of the Polish Government's desire to avoid conflict cannot be questioned, an attitude of non-co-operation is almost certain to lead to an open clash. A state of "neither war nor peace" between Russians and Poles can hardly be maintained once the war against Germany is being fought by Russians on Polish soil. True, the possibility of a clash between the Polish underground and the pro-Soviet guerillas is not likely to arise very soon, since in Eastern Poland the pro-Soviet guerillas, now helped by and helping the Russian army, seem to be sole masters of the situation. But as soon as the Russian armies reach the heart of Poland, a very grave crisis may begin. The time between the crossing of the frontier by the Russians and their advance into central and western Poland provides perhaps the last opportunity to forestall disastrous consequences.

### Industrial Generalisations

The Conservative Sub-Committee's report on "Work: the Future of British Industry," which should not be confused with the unofficial publications of the Tory Reform Committee, is none the worse for being, both in origin and gist, a frankly party document. Largely the work of Mr Henry Brooke, M.P., the Sub-Committee's chairman, it sets out to do two things: to show the measure of agreement that nowadays exists about industrial and economic policy between Conservatives and progressive thought; and to prove the prior claims, in industrial and economic practice, of private initiative and individual enterprise. Inevitably, it is for the most part in very general terms—a "statement of principles": the small business is an essential part of national life; industry exists to serve the consumer; no country has a greater interest than Britain in overseas trade; the outlook for Britain's balance of payments is critical; efficiency and technical research and education are essential; every worker in industry should have a status and feel responsible; industrial management is all-important; trade unions are a part of the industrial structure, but workers should be free to join or not. Few but the most partisan could quarrel with these aphorisms; but they add up to an attitude rather than a policy. On the specific issue of the relations between industry and the state, one of the two most important passages in the report, the Sub-Committee's views are more clear cut. Except for control over industrial location to prevent extremes of local congestion or depression, they are opposed to direct state control, interference or ownership when the transition from war to peace has been accomplished. They regard nationalisation as necessarily inefficient, and public corporations as characteristically authoritarian, irresponsible and unenterprising: "Private enterprise best serves public purpose." There is no attempt to separate activities which, for social or other reasons, might best be publicly run from the majority which will be best left entirely in private hands—within the frame of public policy. Against such evidence, the possibility of private "unenterprise" is barely admitted, though inefficiency, lack of initiative, waste and restriction, by either employers or trade unions, are condemned.

### The Case for Disagreement

The Conservative Sub-Committee's report is much more fair and open-minded than most previous pronouncements from Conservatives and industrialists, and much less pessimistic about the outlook for Britain. But very many of the main issues of policy are blurred by the immense effort made to show where Conservatives agree with other people, rather than where they disagree. The fact is that political discussion is at present weighed down by a monstrous fallacy. In the past, progress has been made, it is said, by compromise, by the highest common factor of agreement. This is not really true, and the consequences can be a deal of political cant. Constant compromise there is in the process

of legislation and Parliamentary discussion. But the main issues of policy cannot, or should not, be compromised—which means, in the last resort, left unsettled. The corn law discussions of a hundred years ago did not end in a compromise, but in the repeal of the corn laws; the controversy between free trade and protection a generation ago ended in a complete victory for free trade. Compromise in the British lexicon of politics does not mean doing nothing with which other parties would violently disagree; it means accepting the policy of the majority after the electorate, given the issues to be decided, has chosen which party is to be the majority. The most important part of the process is for all the issues, and all the disagreements about them, to be fully and frankly revealed.

### Policy for Work

Much the most important passage in the Conservative report on industry deals, as its title suggests, with post-war employment.

Industry is more than a producer of goods; it is also a means of livelihood. The people of our country are not concerned only to see the goods there in shop windows; they are vitally interested in having a job and therefore, earnings, and therefore, the means to buy the goods. The main result they ask just now of Government policy is that it should enable British industry to provide steady employment for all who depend on jobs in industry for their daily bread.

The view is stated that the solution to unemployment is primarily to be sought internationally; that unemployment and, therefore, full employment are a world problem. The first line of attack proposed in the report is by means of international agreements and agencies to stabilise currencies and prices, and to provide credits to countries with heavy adverse balances of payments, or in need of long-term development. Correspondingly, the first item in a national employment policy, in this view, should be the promotion of exports, by the stimulation of private industrial efficiency and with skilled Government assistance—not, it should be noted, subsidies. This emphasis upon exports in employment policy is open to some question. The maintenance of employment in the export trades will be of prime importance; but the first purpose of exports, in national economy, is not to provide work, but to pay for imports in the cheapest possible way, that is, among other things, with the smallest possible use of labour—which is, of course, enough in itself to give export policy a first priority. But employment, in current theory, depends not simply on overseas trade, but upon the balance between savings and investment, in which the balance of overseas payments is one important factor. The report does admit this point among its second-line measures. It does not approve large-scale public expenditure on capital projects; but it calls upon the Government for policies to encourage private investment when it shows signs of falling short of the total required for full employment, and to discourage it when inflation seems likely. Moreover, in order to keep up consumption as part of full employment policy, the report gives its backing to an interesting and valuable proposal "for financing the bulk purchase of universally desirable household goods"—boots and shoes, furniture, refrigerators and all kinds of labour-saving equipment. Among the other measures proposed is the adjustment of taxation to stimulate expenditure on plant and machinery, for the sake of efficiency as well as employment, a proposal to which the report, in more than one passage, rightly attaches great importance. On balance, however, it is doubtful whether the Conservative Sub-Committee has allowed itself, because of its somewhat indiscriminate bias against direct state action, to understand the real employment problem. In the determination to prove that, where they conflict, maximum employment is more important than maximum output, a serious confusion arises. The fact is that, in the first place, employment is a national, and not an international, problem; it can be provided, at some level of welfare, by domestic contrivance. But the standard of living, the possible level of wealth and welfare, does, admittedly, depend, especially for a small island like this country, upon overseas trade, upon the ability to import and pay for foodstuffs and raw materials, upon the share that can be taken in the international division of labour—and it is very welcome, despite the lack of balance in their whole argument, to find these Conservatives willing to depart so boldly from traditional, Little Englander and protectionist tenets.

### Bolivian Dilemma

There is still too little news from Bolivia to judge how firmly the new regime has taken root. It is clearly made up of extremely diverse elements and it is not certain that the Fascist group will win the upper hand. A report to the *New York Herald Tribune* says that, although the new regime includes such notorious pro-Nazis as Augusto Cespedes, Secretary General to the Government, Gustavo Chacon, Minister of Economy, Carlos Montenegro, Minister of Agriculture, and Antonio Ponce, Minister of Public Works, some other members, including President Villaroel and the Ministers for Defence, Education, Foreign Affairs and Labour, and the "brains of the Government," Victor Estensoro, have clean records. Indeed Estensoro's sympathies have been strongly Left. The eagerness of the new Government to secure recognition from the United States and the other United Nations may mean either that its own internal position is weak or simply that its sympathies are with the anti-Axis front. The country is, after all, at war with all the Axis countries. Another element in its eagerness is the total dependence of its economic life on the United States and Britain. The *Herald Tribune* report states that in 1942 the United States took 66 per cent of Bolivia's exports, while 32 per cent went to Britain and only 2 per cent to Argentina. Bolivia's offer to give the United Nations a monopoly of quinine supplies was proof of good will and, incidentally, since it entailed a ban on exports to Argentina, a diplomatic setback for the Argentine Government. Thus the evidence is sufficiently contradictory to present the American and British Governments with something of a problem.

The case for recognition is that the new Government has guaranteed to honour all its obligations as a United Nation, that it has made friendly economic gestures, that it includes men of good will, that it may give the Bolivian workers better treatment—a matter over which the United States Government has shown some concern—and that, in any case, non-recognition would weaken pro-Allied and strengthen pro-Axis elements. Working against recognition is the fact that the experience of the United Nations in the case of Argentina was very unfortunate. Taking its guarantees at their face value, the Allies recognised the Ramirez regime, which has since followed the same old obstinate policy of isolated neutrality and has built up a full-blown Fascist regime. Bolivia might go the same way, and the United States would find that it had recognised a government whose ideology it detested. The arguments against recognition have been slightly strengthened by Argentina's decision to afford full recognition, although it obviously increases the danger of Bolivia slipping over to the Argentine camp. The United States Government can, of course, put on the economic screws; but is loth to do so, because such a move would be exploited by Axis sympathisers as "Yankee imperialism," and be used for propaganda in other Latin American States. The position of the United States is very delicate, and Mr Cordell Hull is probably grateful for the escape clause provided by the Advisory Committee for the Political Defence of the Western Hemisphere. This body, set up as a result of the Pan-American Conferences, has suggested that until the end of the war all the State members shall agree not to recognise any regime established by force, unless they have had prior consultation with each other. This will enable the United States to concert its action with the other republics.

### The Coal Cut

In order to maintain sufficient supplies of coal for military operations on the Continent, the Minister of Fuel has decided to impose a cut of 10 per cent on industrial users. At the same time, quantities available to domestic users are restricted during January to a maximum of 4 cwts in the south and 5 cwts in the north. For some unknown reason, the Ministry is unwilling to produce any figures to show the recent increase in consumption of gas and electricity, which is officially said to be "alarming." The Ministry emphasises that the restrictions on domestic use do not represent a ration, but a maximum consumption; and renewed appeals for voluntary restriction are being made. The new cut is very different from the original scheme for rationing proposed by Sir William Beveridge. It makes no provision for rationing the domestic use of gas and electricity. The householder whose house is warmed and

lit by gas or electricity will be much better off than if he had an old-fashioned grate, unless he makes most gallant cuts of his own free will. The reduction in supplies of coal for industry, after the large voluntary cuts already made, is a very grave step, and may have effects on war production. However necessary the cut may be, in view of declining production, it is difficult to avoid the familiar comment that the present situation could have been avoided if an all-round and equitable rationing scheme had been introduced eighteen months ago. This winter may well be much colder than last, and, with new war demands added, on transport as well as coal, the optimism about stocks expressed by Government spokesmen in the coal debate last October may prove to have been premature. Industrial users are being encouraged to use coke, coke breeze and anthracite dust, which are not affected by the cut, and to exercise the utmost economy in coal utilisation. The use of alternative fuels, increased economy and the increased use of outcrop coal, whose production is to be greatly expanded this year, will help to bridge the gap. But little immediate contribution to production can be looked for from the young recruits now entering their training centres.

### Teachers in Training

The Education Bill, which will take up much time when Parliament meets again, remains a blank cheque, whose value may still be much smaller than hoped for, until definite plans have been laid for the kind of subjects to be taught in the new schools and for the recruitment and training of teachers. The report of the McNair Committee on teacher's training has been held up by a fundamental dispute on the functions of training colleges and universities. Appointed in 1942, the Committee was to have reported before the end of last year; now it is merely hoped that it will report before Easter. Teachers' training before the war was unsatisfactory. Many training colleges, mainly residential, were too narrow in outlook and atmosphere, and inappropriate for students of over undergraduate age, many of whom will be needed to fill gaps when the war is over. Many universities, depending much, in most cases, upon grants to teachers in training, regarded their education departments too much as side shows. In theory, the training colleges produced elementary school teachers and the universities secondary school teachers. In fact, secondary school teachers of no high quality were over-produced, and many went, disappointed and poorly prepared, into the elementary schools. There will be a sudden extra demand for teachers to make possible the raising of the school-leaving age in 1945 and the subsequent reforms at every stage of schooling; an extra 80,000, it is estimated, will be required, with 10,000, instead of 7,000, new candidates for training every year. The Board of Education has prepared, with the local authorities, an emergency scheme to meet the first call when the war is over, using local and even military facilities as far as possible. But, even if there were not this extra demand, there would be need for reform of both the training colleges and the university education departments. The need is to raise the skill and status, as well as the pay, of teachers; and, to make this

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possible, training colleges must become much more than technical boarding schools. They must cater for students with much more experience of life than pupils straight from school, and they must provide for much greater contact during training with the practical problems of teaching. At the same time the universities must take a vastly broader view of their responsibilities in the training of teachers. At present the quality of university education and the quality of teachers' training are mutually depressed.

### Gaps among the Women

The news that volunteers, in the low age groups and outside certain reserved occupations, are to be accepted for the Women's Services is not surprising, and means no change in policy. There is no intention of expanding the Women's Services again, and the manufacture of aircraft and equipment still has first claim on female labour. The problem is rather to keep the Women's Services up to strength. In the stringent manpower situation of last year, when a very large transfer and recruitment of women for aircraft work was called for, the Women's Services were not even given a sufficient allocation to cover wastage from ill-health and other reasons. This had two unfortunate effects. First, numbers inevitably tended to dwindle. Secondly, because of this, the regulations allowing discharge for compassionate and other grounds were tightened in some instances to the point of harshness; there have been several cases of women being kept in service against the advice of doctors, commanding officers, welfare societies and other persons well qualified to know individual and family circumstances. If sufficient recruits are now found to ease this painful situation, which has arisen through no fault of the military authorities themselves, the efficiency of both the Women's Services and the men's formations they serve will be reinforced.

### The Biggest Depressed Area

Recent statistical analyses have shown how badly England and Wales compare with other countries, particularly New Zealand and Holland, in the reduction of infant mortality. Yet the comparison with Scotland is favourable. There the infant mortality rate, on the five-year average of 1934-38, was as high as 77 per 1,000 live births, compared with 57 in England and Wales and 32 in New Zealand. Scotland, in fact, had the highest rate of seventeen countries, including the Dominions, the United States and all the countries of Western Europe except Spain and Portugal. Its place has not always been so bad. In 1880 it had a better rate than England and Wales or Holland, but since then, it has only been able to achieve a reduction of 40 per cent and has consequently fallen well behind. These shocking facts are found in a report\* of a sub-committee of the Scientific Advisory Committee of the Department of Health for Scotland, which sat under the chairmanship of Sir John Boyd Orr. The report also points out that Scotland would need to reduce its neo-natal mortality by one-third, and its mortality between the ages of one and twelve months by three-quarters, to stand comparison with the best countries; that, whereas New Zealand's general rate (32) is comparable with the rate shown by Class I in the Registrar-General's classification by father's occupation for England and Wales, Scotland's general rate compares with that of Class V, and its neo-natal rate is even worse. Thus, infant mortality as a whole in Scotland has lagged behind the rate shown by the poorest working classes in England and Wales. Investigating the causes for Scotland's dismal record, the committee emphasised, first, that infant mortality is high because a large part of the population "lives under poor housing conditions and in poverty." In a housing survey of 1935, the percentage of families found overcrowded in Scotland was 22.5, compared with 3.8 in England and Wales, and the percentage living in overcrowded conditions is still higher. An investigation by Sir John Orr in 1936 showed that 10 per cent of the population of Great Britain had an income per head of less than 10s. a week, which meant that less than 4s. was spent on food. A similar investigation in Scotland showed that twice as high a proportion of the population is in this income group. The effects of poverty on the mother's diet during pregnancy and after are stated to be one of the prime causes of infant mortality. Thus, the two chief recommendations of the committee are better housing

In Scotland the housing position is so bad that it cannot wait on formal town planning,

and an improvement in diets such as was recommended at the Hot Springs Conference. It further recommends an extension in the child welfare services, in antenatal clinics and in maternity hospitals; Scotland's ratios of children and mothers attending clinics and of health visiting again compare very unfavourably with those of England and Wales, and in the latter the expenditure per birth in 1935 was £5.2, whereas in Scotland it was only £3.5. All these statistics, in fact, are further proof of the poverty of Scotland. Its infant mortality rate is a true indication of its position as Britain's biggest distressed area.

### Post-war Priorities

A common view in official circles is that plans for long-term reconstruction must give way to plans for demobilisation. In mere chronology, of course, this is true; the first task will be to release and employ serving men and war workers. Food, work and homes for the first post-war months come first. In policy, however, this distinction, used as it may be to excuse lack of thought for a longer period—is very dangerous. It may be comparatively easy, as the experience of 1918-19 showed, to find some sort of work at once for demobilised soldiers. The most important point is that this work should be lasting; and this cannot be secured unless planning for demobilisation is itself only part of planning for the most productive possible national economy in the first postwar decade at least.

### UNRRA Reports

Widespread demand for some comprehensive survey of the programme outlined by UNRRA has now been met, to some extent, by the very belated publication of the resolutions and reports adopted at Atlantic City in November. The value of the White Paper lies more in the collection and accessibility of the decisions arrived at than in any new light on the nature of the proposed system of relief and rehabilitation. The same points, extracted from a diversity of sub-committee reports and statements in *The Economist* on December 11th last year (page 778), are here sorted out and emphasised. The essential principles of limiting assistance to immediate needs for consumption; of subjecting UNRRA's activities to the consent and control of the military authority; of establishing effective systems of rationing and price-control; of distributing supplies free of political discrimination; and of making liberated countries pay as they can, without assuming the burden of an enduring foreign exchange debt—are stated plainly. Together with the kind of methods proposed to effect relief and rehabilitation, however, they serve to underline the nature of UNRRA as a purely temporary instrument, establishing merely the pre-requisites of economic order and stability, without which no comprehensive scheme of reconstruction, national or international, can be contemplated. That UNRRA itself is aware of its strictly limited scope is important, and much to be welcomed; but it is more important still that governments and peoples alike should also recognise it, and should not fall into the error of quieting their consciences with the sop of relief without deciding upon more radical economic reconstruction. Otherwise UNRRA may gradually be saddled with more responsibilities than its powers and machinery can bear, and problems will be left untackled for want of a more adequate instrument of international government.

### Boom in Betting

Previous estimates of large increases in the volume of betting on sporting events since the outbreak of war have now been supplemented by detailed data relating to greyhound racing. The Churches' Committee on Gambling has issued hitherto unpublished figures on totalisator returns on the principal dog-tracks in the country, which undoubtedly show a boom in this national amusement. Not unnaturally, the increase is greatest in industrial areas, where temporary increases in population and employment are bound to have repercussions on the volume of money spent on amusement as on other, essential, consumption.

goods. Compared with an increase in London of only 7½ per cent, Birmingham is representative of industrial districts in its increase of 124 per cent. Nevertheless, London, with its 19 tracks out of a national total of 92, still shows the largest regional turnover, and over half the tote betting in the country is staked on London tracks. Side by side with the boom in dog-track betting should be remembered the undoubted increase in off-the-course betting on horse-races, especially in factories and workshops, together with a probable rise in the actual number of people gambling on football pools. Considered in relation to the general rise in personal consumption, however, which is also concentrated in the same industrial areas, the total increase in greyhound totalisator receipts since 1938 is not astonishingly high. In fact, the proportionate rise in these receipts, spread over the whole country, is only a third, compared with the increase of over 50 per cent in personal consumption expenditure between 1938 and 1942, estimated in the 1943 Budget White Paper. Taking the volume of betting as a whole, it seems unlikely that the anxiety of the Churches' Committee for the moral welfare of the nation need be heightened, nor those concerned with the direction of a war economy unduly disturbed, by any statistics of a dog-track boom. The restrictions on football pools, and the gradual reduction of horse-racing events, will necessarily increase the volume of money

spent on other forms of betting. In the case of dog-racing, where the number of races has been cut by 50 per cent, where races are held out of normal working hours, and where the wastage of labour and food is obviously less than with either pools or horse-racing, it seems unreasonable to carp overmuch at any recorded rise in its popularity.

### Shorter Notes

The first part of the transfer of "common interests" from France to the Syrian and Lebanese Governments was concluded this week when the French handed over the Customs tobacco monopoly. Among the other "common interests" which are to be transferred are all public security except the Army; public works; economic and financial departments; inspection of posts and telegraphs; the legislative department; and the control of quarantine and of the tribes. Other transfers will be considered later.

In an article on "India's Economic Needs" in *The Economist* of December 18, 1943, on page 805, it was stated that "the currency in circulation in India has risen from Rs. 60 crores in August, 1939, to Rs. 800 crores last month." The first figure should have read, "Rs. 169 crores."

## AMERICAN SURVEY

### Misgiving on Thanksgiving

(From Our Washington Correspondent)

#### Thanksgiving Day

THIS year, a fair part of the domestic Thanksgiving turkey supply flew the coop of price control. The symbolism of the American holiday makes that fact tempting to the moraliser.

Because the means were in sight to carry out their main objective, that of living through the winter, the members of the Plymouth colony declared a day of Thanksgiving after their harvest of 1621. Subsequently, a confusion arose between means and ends: having turkey-and-all-the-fixin's became the main purpose of the day. (And in the later 1930's the turkey-and-fixin's were themselves pushed back a week by the President—to what the Republicans termed Franksgiving in response to merchandisers' desire to increase the interval for the display of Christmas goods.) This Thanksgiving time, when members of American families were scattered around the entire world, the relation between the turkey and the objectives became pertinent again.

As to those in the Armed Forces, the news has been that they are progressing toward their objectives and their turkey has been progressing toward them. Under an order of the Food Distribution Administration, sales of turkey were restricted to the supply branches of the Armed Forces until ten million pounds should have been acquired. When the limitation was terminated on October 25th, the military situation in regard to turkey was evidently well in hand—a national magazine previewed the results by a cover showing a soldier, eyes popping and mouth stuffed, waving a drumstick of non-military origin.

But in Washington on Thanksgiving eve, the District of Columbia OPA office was wailing for help from the OPA's of surrounding Maryland and Virginia. The marketmen of the adjacent counties had been up-country the preceding week-end, gathering turkeys till their yards were a-gobble by Monday and Tuesday when the killing-and-dressing process began. The plump yellow piles of finished birds had hardly begun to mount when men drove up in cars. They were not from the neighbourhood families who regularly engaged a turkey a few days ahead. They took twenty and thirty turkeys at a time. Washington market receipts were correspondingly lightened; the number of birds sold under ceilings correspondingly reduced. Apparently the country did a much better job getting turkey to the military

than handling the distribution of the civilian supply.

That is the point at which the story turns into a moral, for the war production records of the past months have been made possible by a substructure of civilian economic relationships that is now cracking under accumulated strains. In the application of the various civilian wartime controls, exceptions are disproving rules with some regularity.

The wages-and-prices spiral is being given a new permanent. The House has gone on record against the subsidy method of keeping down food prices—the Bill continuing the Commodity Credit Corporation, whose Section 3 prohibits subsidies in any form, was passed by a 278-117 vote. Section 3 would put an end to the present subsidies of dairy products, butter, meat, etc. It would forestall a possible subsidy intended to keep the price of bread at 10 cents a loaf, to maintain the price of wheat at least where it is, and still to relieve the present pinch on the people between the producer and the consumer. The result of suspending existing subsidies is estimated as a rise of about 7 per cent in food prices. A presidential veto is anticipated if the Bill should pass the Senate in anything like its present form, and it is also anticipated that the veto would be sustained. That would leave the whole question to be dealt with again in time to prevent the CCC automatically expiring with the last stroke of December 31st.\*

Statistics on what has happened to prices are these: As of October 15th the Department of Agriculture's general index of farm prices stood at 116 per cent of "parity"; as of the same date, the Department of Labour's cost of living index showed a rise of 23.4 per cent over January 15, 1942; by items, food was up 41.3 per cent, clothing 32.1 per cent, rent 2.9 per cent, fuel-electricity-ice 7 per cent, house furnishings 26.4 per cent, miscellaneous items 15.4 per cent.

Why did an addition of some 7 per cent to the first of these items not seem formidable to Congress? First, because the consumer interest rarely gets organised before the eleventh hour. The High Cost of Living, or H.C. of L., a strong issue of the political life of Wilson's day, will doubtless put in an appearance in time for next year's campaign—articles captioned "The White Collar Burden"; "Plight of Nation's Unorganised Workers in Face of Rising Living

\* Editor's Note. As the Senate adjourned without taking any action, the subsidy programme has been given a few weeks' grace.

\* "Infant Mortality in Scotland." 1s. 3d. net.



Costs"; "How Income of Group Compares with that of Factory Employees, Farmers" have already begun to make prominent space. But the subsidy fight was a conflict between the factory employees and farmers. The commercial farm bloc gathered Republicans and Conservative Democrats and made a successful push against labour and the New Deal.

The anti-labour appeal of the farm bloc took both a specific and a general form. Commercial farm constituents, operators on a scale large enough to make them employers, were specifically aware that the farm wage rate index, which averaged 118 between 1935 and 1939, stood at 272 on October 15th of this year; wages-with-board jumped from \$26.00 to \$65.22 in that interval. With this going on, they argued, why keep the lid on farm prices? A broader group of constituents opposed subsidies less because the commercial farmers didn't want price ceilings than because organised labour did. A vigorous drive by Labour to tie wages up to the rising cost of living is well advanced in the planning stage—the time for renewal of contracts in the automotive industry, for instance, is nearly at hand.

In turn, the recent rail wage increase is an incentive to the railroads to raise freight rates; over large segments of industry, increased costs will come back to the public again in the bills for war contracts made on a "cost plus" basis.

Behind the Little Steel formula, which has tried to freeze both wage rates and the cost of living, was the President's speech of April 27, 1942, which said that to prevent inflation, concurrent action was required on the following seven points: (1) Taxation, to provide revenue and control profits; (2) Ceilings on prices and rents; (3) Wage stabilisation; (4) Farm price stabilisation; (5) War bond purchases; (6) Rationing of essential scarce commodities; (7) Restriction of credit. The present situation on the first of these points illustrates the difference between current progress on the military side of the war and current ineffectiveness with regard to the civilian structure that makes such progress possible. The Treasury urges a \$10½ billion tax bill this year. The Congress is talking, still vaguely, about something in the neighbourhood of \$2 billion. The probability is thereby increased that mink coats will lose their traditional status as symbols of the wages of sin and come to signify merely the wages of war production.

In one sense only can these developments—or their absence—be called forward-looking: to November, 1944. Last November's elections showed the domestic unpopularity of the Administration. Republican committeemen, in urging the adoption by both parties of identical foreign-policy planks, are proposing a necessary basis for continuity in American foreign policy; they are also proposing to confine the election to issues on which they can almost certainly win. But if the domestic front is disintegrated by a wave of inflation there will not only be no background for future foreign policy; there will be grave problems in maintaining production for war.

## American Notes

### "Crime Against America"

The statement, now widely attributed to General Marshall, that the threat of a railway strike, and the steel stoppage, amounted to the "damnedest crime against America" and might prolong the war by bolstering up wavering morale in the Axis and satellite countries, has evoked a storm of protest. Mr William Green, president of the AF of L, has called the statement "irrational, uninformed and inflammatory," and the issue of military interference in civilian matters has been raised. Even commentators who support the argument regret the official anonymity under which it was cloaked. Although this may have been ill-advised, there are signs that the traditionally pro-labour Administration is not unsympathetic with this expression of the soldiers' discontent with strikes at home. It was intimated that President Roosevelt and the unnamed military source "were thinking along the same lines," and Elmer Davis, head of the Office of War Information, in a New Year's address, made much of the different conceptions of duty on the war fronts and in the factories. This sharper note followed the realisation that although the railroad strike would probably not take place, the underlying dispute was still unsolved. The fifteen non-operating unions have rejected the basis on which President Roosevelt offered to arbitrate their claim for overtime pay, calling the joint consideration of a wage increase and overtime pay "a gross

injustice." The unions apparently fear that the effect of the decision on the claims of two of the operating unions may mean that wages will be frozen for the duration; and according to a White House statement they are demanding, not only the sliding-scale increases recommended by an earlier wage board, but overtime payments on top of these. A statement by Mr Davis, head of the War Labour Board, also makes it clear that the main issue in the steel dispute has not yet been reached. The strike last week concerned only the question whether a wage increase, if one is granted and approved by the WLB, would be made retroactive to the date the old contracts expired. The threat of further labour disputes, therefore, still hangs over the Administration; and the President probably did not entirely regret the forceful language of the General's rebuke.

### Pearl Harbour Doctrine

The state of Minnesota, buried in the heart of a continent, is creating a record for imaginative thinking on world affairs. The state which made Harold Stassen its Governor, and sent Joseph Ball to the Senate, has now given birth to a "Pearl Harbour Doctrine" which its sponsors hope will serve as companion piece to the Monroe Doctrine. Its statement of policy reads:

When any nation, anywhere in the world, openly proclaims the theory that might makes right, and makes vast military preparations against fictitious foes; or attacks its neighbours, and embarks on a career of conquest, such action is a threat to our "life, liberty and pursuit of happiness," and to the sovereignty of the people of the United States. We, therefore, stand ready to support a rule of international law co-operatively backed by adequate force.

The Minnesota United Nations Committee, staunch backers of Governor Stassen, have worked out an elaborate advertising campaign to bring the issue of internationalism down out of its intellectual clouds, and to reach the average citizen by capitalising on his two basic wishes, for peace abroad and economic security at home. One of their main objects is to rescue the word "sovereignty" from the neo-isolationists, who have made great play with this magic word to throw mud on any form of partnership or co-operation. General Booth did not see why the Devil should have all the good tunes, and these Minnesotans do not propose to let the isolationists copyright all the good slogans. Selden Menefree, writing in the *Washington Post*, expresses some doubts about the huge amount of money necessary to popularise the doctrine throughout the nation, and fears that even if the poison were extracted from the word "sovereignty" new witch words would be found. There may also be some reservations about the name. If Pearl Harbour is a symbol for anything, it stands for the reluctance of a country to fight until its own naval bases are bombed, and although it is all to the good to exploit the emotional impact of Pearl Harbour, the committee is surely aiming at a policy which is precisely the opposite. Perhaps this is looking the gift horse too closely in the mouth. The campaign appears to be based on a sound educational approach; it is renewed evidence that the Middle West is not solidly isolationist.

### Discrimination in War Industry

The Administration's attempt to diminish racial discrimination in war industries is becoming a national issue. The President's Fair Employment Practice Committee has met with a flat refusal from some of the south-eastern railway companies which it had ordered to cease discriminating against the employment of negroes. This refusal has raised once more the question of the legal and constitutional authority of the Committee. Created by an executive order on June 25, 1941, the committee has had a series of agency homes, and, finally, after a decision of the War Manpower Commission to postpone hearings on railway discrimination, the President made it an independent agency in May, 1943. Its authority was recently challenged by the South-Western Bell Telephone Company, which refused to execute a contract containing the standard FEPC non-discrimination clause, and the company was upheld by the Comptroller-General, who ruled that the President's order was merely a directive, and not mandatory. The resulting storm in the negro and liberal press prompted President Roosevelt to declare that the clause was indeed mandatory,

not only in prime war contracts, but in all sub-contracts as well. This the railroads now dispute, arguing that compliance would handicap the war effort and that the FEPC's order violates the Railway Labour Act. According to Mr Ross, the FEPC chairman, the railroads have also tried to stir up alarm by pretending the order was designed to support "alleged pretensions of negroes to be engineers and conductors," whereas in reality it was only concerned with their hiring as firemen. The stand of the railways is expected to be supported by the Railroad Brotherhoods, and there may be a congressional investigation of the FEPC. President Roosevelt has already appointed a committee of three as his personal representatives in the matter. The task of forming a policy to make the greatest use of negro manpower in the war effort without incurring the handicap of white hostility, both on the part of management and labour, is plainly one of great difficulty and delicacy. In an election year it is further complicated by the desire of both parties to secure the negro vote and the temptation to accuse the party in power of playing politics with the war effort to this end. Within the Democratic party itself, the Southern bloc is likely to have even less sympathy for the aims of the Administration in this matter than it displayed on the soldiers' vote issue.

### The Brunt of Invasion

Public opinion has taken with calm Senator Johnson's forecast that 73 per cent of the Army of invasion would be American. Senator Wheeler, the *Chicago Tribune*, and a few other professional trouble-makers, have done their best to make mischief out of this estimate, which is, as yet, wholly unofficial and unauthorised. Senator Wheeler talked wildly of massacre, and declared that Americans "would not stand for it." The suggestion that Britain intended to fight to the last American has been revived. These insinuations seem to have fallen on barren soil. There has been, indeed, in the past week, a remarkable rally of opinion in newspapers of all shades. It has been pointed out that, as the population of the United States is about three times

that of Great Britain, it is inevitable that American forces—both in manpower and equipment—will outweigh the British in the Army of Liberation. The opportunity has been taken to pay warm testimony to the way in which limited British manpower has been stretched to provide the sinews of land, sea and air war; and the disproportionate burdens borne by Russia and Great Britain in other theatres have been stressed. This episode is encouraging for more than one reason. It was better that this particular snake should be scotched now than that it should appear later on during a time of emotional tension and bitter losses. It is also encouraging proof of the firmness and detachment with which the American public has learned to consider the more sombre realities of war. The burden of invasion costs as outlined by men of Senator Wheeler's stamp might have been reasonably expected to provide a severe trial of United Nations unity. So far the test has been passed with flying colours.

## Shorter Notes

A Gallup poll asking the question: "Would you favour adding a law to the Constitution which would prevent any President from being re-elected in the future if he had already served two terms?" showed for the first time a greater than 50 per cent favourable response. Those voting "Yes" at this time total 54 per cent against 46 per cent in April, 1943, and 41 per cent in 1940.

The campaign to "Make General McArthur Commander-in-Chief" (i.e. President) has been launched in Illinois, where his supporters have begun to collect petitions to place the General's name on ballots for the Illinois presidential preference primary elections. The fact that the General has not been consulted is no bar in Illinois, where the candidate's consent is not necessary.

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| U.S. Government Obligations,       |                    | Capital Stock                     | \$100,270,000.00   |
| direct and fully guaranteed ...    | 2,603,171,662.35   | Surplus                           | 134,730,000.00     |
| State and Municipal Securities ... | 74,385,803.51      | Undivided                         |                    |
| Other Securities ...               | 89,737,516.11      | Profits                           | 37,878,137.46      |
| Loans, Discounts and Bankers'      |                    |                                   | \$272,878,137.46   |
| Acceptances ...                    | 791,979,924.59     | Dividend Payable Feb. 1, 1944     | 5,180,000.00       |
| Accrued Interest Receivable ...    | 9,114,028.50       | Reserve for Contingencies ...     | 6,455,398.70       |
| Mortgages ...                      | 7,371,146.66       | Reserve for Taxes, Interest, etc. | 5,863,504.79       |
| Customers' Acceptance Liability    | 4,535,147.91       | Deposits                          | 4,375,581,740.97   |
| Stock of Federal Reserve Bank ...  | 7,050,000.00       | Acceptances                       |                    |
| Banking Houses ...                 | 35,740,420.22      | Outstanding ...                   | \$8,697,050.17     |
| Other Real Estate ...              | 4,990,637.67       | Less Amount in                    |                    |
| Other Assets ...                   | 1,885,543.02       | Portfolio ...                     | 2,808,450.76       |
|                                    |                    |                                   | 5,888,599.41       |
|                                    |                    | Liability as Endorser on Ac-      |                    |
|                                    |                    | ceptances and Foreign Bills ...   | 561,411.98         |
|                                    |                    | Other Liabilities ...             | 7,565,170.19       |
|                                    |                    |                                   | \$4,679,973,963.50 |

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# THE WORLD OVERSEAS

## The Government of Liberated France

ON Tuesday the French Consultative Assembly met for its second session at Algiers. The agenda reflects the degree to which the Assembly, despite its consultative character, has already extended its powers into the field of legislation. Three main issues figure on the agenda: the Budget; the restatement of French colonial policy; and the establishment of a Provisional Government in France when liberated.

The session is expected to last three weeks. The original regulations only provided for eight-day sessions. Thus the miniature French Parliament *d'outre mer* has, in yet another respect, won the first round; for those who called it into being did not expect it to grow so rapidly in stature. It is a reflection of the strong urge to restore parliamentary rule to France.

To solve the problem of the Provisional Government, two schemes are before the Consultative Assembly. One is associated with the name of the Commissioner of Justice, M. de Menthon, and reflects General de Gaulle's own conception. The other, put forward by M. Vincent Auriol, former Minister of Finance in M. Blum's Popular Front Government, has the support of most Socialists. The Menthon plan provides for the election of municipal and general councils immediately after the liberation of France. These councils would choose delegates who, in their turn, would elect from their members a Consultative Assembly. The Consultative Assembly would then appoint the Chief of the Provisional Government.

The most significant departures from French constitutional tradition suggested by the Menthon scheme are, first, indirect elections; and, secondly, the irresponsible status of the proposed Provisional Government. The appointed Chief introduces the members of his Government to the Assembly, which can accept or overthrow the Government *en bloc*, but cannot vote against any one Minister. Once the Assembly has passed a vote of confidence in the Government it becomes a purely consultative body, without any legislative powers, and cannot overthrow the Government in any circumstances.

### From Instability to Autocracy?

The motive behind this reform is clear. The old parliamentary practice which made French government so unstable before the war is ruled out. The familiar see-saw of coalition and counter-coalition disappears. But the scheme represents a very extreme reaction from the unhappy experience of unstable Governments. It provides for a Government which, while stable, will be irresponsible. There is a chance that the remedy may result in killing the patient—parliamentary rule itself.

It is right, and necessary, that the Provisional Government should have power to act; that it should possess the initiative in policy and legislation; and that it should be protected against the changing moods and whims of the *couloirs*. But it is equally essential that the existence of that Government should ultimately be dependent on the confidence of the Assembly. For this the Menthon project makes no provision. The Assembly, having brought the Government into being, will relapse into nothingness like the animal that is said to die when it has given birth.

The consequences of such an arrangement can only be properly seen against the likely background of French politics immediately after liberation. There seems at the moment to be no doubt that General de Gaulle will be the only candidate for Chief of the Provisional Government. He will be at the peak of his popularity. The French people will welcome him as the great patriot who raised the banner of resistance in 1940. But this enthusiasm for the liberator will not imply popular consent to the authoritarian programme ascribed to General de Gaulle by his critics. The critics are afraid that patriotic enthusiasm may be exploited for the establishment of personal rule, and so they distrust the implications of the Menthon scheme.

The first normal election—it is claimed at Algiers—could not take place until a year after liberation, when the prisoners of war and deportees will have returned to France. The intervening year will be a period of the greatest importance; the decisions taken in the course of it—and *faits accomplis*—will weigh upon the future. And during that year, in the Menthon scheme, there will be no constitutional means by which the Assembly could check or correct the policy of the Provisional Government.

Moreover, the Menthon scheme proposes to settle the new Constitution in the transition period also. The scheme provides for a Legislative Commission consisting of eighty members, of which forty would be chosen by the Assembly and forty by the Chief of the Government. From the reports available so far it looks as if this Commission would act as a Constituent Assembly. As the majority of the Commission is most likely to consist of Gaullists, the Constitution, too, would almost certainly bear the Gaullist mark. The Commission would make not only the new Constitution, but also a new electoral law; and the next election would take place within a new constitutional framework settled, "once and for all," without any appeal to the popular verdict. To the extremist critics the whole scheme looks like a plan for a quasi-Bonapartist plebiscite, in which the initial popular vote will be taken only in order to extinguish all popular control.

### The Alternative

The counter-plan of M. V. Auriol seems, unfortunately, to be very ill-adapted to meet the needs of transition. M. Auriol rejects the idea of elections altogether. According to his scheme, the Provisional Government would be set up by an Assembly of Liberation, composed partly of members of the old Parliament and partly of representatives of the movements of resistance. The Provisional Government would be responsible to and controlled by the Assembly. The argument advanced by the supporters of the scheme is that no valid elections can take place before the return home of two million electors, prisoners of war and deportees. The crucial question, therefore, is how long it will take before conditions allow for normal, full-dress elections. Should it take not more than, say, two or three months, then there really seems to be no reason why fundamental constitutional changes should be rushed through by a Provisional Government. But if—as it is very possible—the period of transition were to last longer, then a Provisional Government brought into existence and controlled by a non-elected and arbitrarily composed Assembly simply would not possess the authority needed to cope with the difficult and urgent tasks with which it is certain to be confronted. M. Auriol's scheme offers no safeguards against instability of government.

### The Process of Amendment

The Consultative Assembly at Algiers will probably not pronounce on the two schemes before the last week of its session. Some Socialists are opposed to M. Auriol's scheme, and many non-professional Gaullists view the de Menthon plan rather critically. There is a considerable feeling that, in any case, such fundamental reforms as the change of the Constitution should be left to a genuine Constituent Assembly after popular elections. Firm safeguards are needed against the uneasy see-saw which in the past gave few French Governments the chance to pursue a policy over a reasonable period. These may possibly be found in the power of the Chief of the Government to dissolve the Provisional Assembly and order new elections after his Government has been defeated in a vote on a matter of confidence. Some amendments to the de Menthon project have already been announced, and others are likely to come; these aim at taking the "Bonapartist" sting out of the suggested plan. What is now happening at Algiers is only the first act of a great constitutional drama.

## Sweden's War Finances

[BY A CORRESPONDENT]

January 3rd

VARIOUS estimates agree that roughly 40 per cent of Sweden's nominal national income is absorbed by the state and the communes. The total budget expenditure during the financial year 1942-43 amounted to Kr 4,261 million and expenditure for the current year, which ends in June 1944, is estimated at Kr 4,151 million. Last year's deficit, which was covered by loans, amounted to Kr 1,600 million, and the deficit for the current year will again exceed Kr 1,000 million. Until 1942-43 there were, roughly speaking, the ordinary budget, in which revenue and expenditure balanced, and the defence budget. For the current year, both budgets have been combined, and the defence expenditure is carried in a general account as a budget of preparedness. The ordinary revenue reflects the general tendency of the financial measures introduced since the beginning of the war, and its main items were as follows:

|                                  | (Million Kronor) | 1938/39 | 1941/42 | 1942/43 |
|----------------------------------|------------------|---------|---------|---------|
| Total revenue                    |                  | 1,442   | 2,268   | 2,701   |
| Income, property and profit tax  |                  | 436     | 851     | 993     |
| Motor-car tax                    |                  | 130     | 31      | 49      |
| Import duties and excise         |                  | 537     | 919     | 1,141   |
| Income from state-owned concerns |                  | 197     | 344     | 372     |

During the four years of the war, total revenue almost doubled. The fact that income tax and the property and profit taxes doubled during these years is common to almost all belligerent and neutral countries. Import duties and excise, on the other hand, increased by 113 per cent. This would indicate that the present volume of imports, which may be estimated, by comparing the price indices with the value of imports, at roughly 50 per cent of the last pre-war year, must actually be smaller. The revenue from the motor car tax is almost an exact indicator of the restrictions placed on motor transport, which reached its lowest level during 1941-42. The increase recorded in the following year shows that a considerable number of motor vehicles returned to the roads fitted with generators.

In 1942-43, the defence budget expenditure, which included extraordinary expenditure for maintaining essential supplies for the population, amounted to Kr 1,335 million. The estimated expenditure for 1943-44 comparable with this item will reach Kr 1,260 million. In other words, certain items of the defence expenditure, mainly, probably, the cost of the construction of factories and substitute plants, have been reduced because construction came to an end. It may, however, be assumed that at the same time state subsidies to agriculture and other price subsidies are still increasing. The most interesting point is that it has not been possible to keep defence expenditure within the limits set by the original Five-Year Plan for defence. The estimated annual expenditure amounting to Kr 775 million has been exceeded, and the deficit has consequently risen more quickly than was expected. The national debt has increased as follows:

|              | (In million kronor) | August, 1939 | End of 1941 |
|--------------|---------------------|--------------|-------------|
| August, 1939 | 2,500               | 2,500        | 6,149       |
| End of 1939  | 2,808               | 2,808        | 8,143       |
| „ 1940       | 4,518               | 4,518        | 8,730       |

The total national debt has thus almost reached the total of the nominal national income of the last year before the war. It is, however, clear from the changes in the annual increases in the debt that borrowing policy changed its character in the autumn of last year. A new loan was issued, although it was clear that immediate financial expenditure could have been covered by tax payments at the turn of the year. Yet the loan was issued, and its main purpose was to reduce excess financial liquidity.

The excess in financial liquidity is a source of great anxiety in Sweden and the fear of inflation seems to be real. During the four years of the war, the note circulation has increased by 45 per cent, which is a relatively small rise but sufficient to keep the fear alive. There is also the unpleasant prospect of a surplus in shipping tonnage when normal conditions have been restored after this war. No doubt, Swedish industrial and financial circles are thinking of the coming post-war period in terms of the post-war period of 1918 to 1925. Leading economists predict that it will be necessary to devalue the currency because of the huge national debt, whereas industrialists and banking circles cherish the hope that boom conditions after the war will make it possible for industry to continue

within the framework of the exaggerated price level. It is hoped that during the boom industrial activity will be adapted to higher prices and to the financial liquidity which is at present largely superfluous.

Sweden's commercial banks and other financial institutions, such as savings banks and insurance companies, are as completely controlled as in any belligerent country. The huge state expenditure has resulted in the banks becoming mainly collectors of deposits and in the state taking the place of private industry as their debtors. Before the war, Swedish commercial banks were already in a difficult position. There was a strong tendency to concentration in Swedish industry, and the large concerns naturally made themselves financially independent of the commercial banks. During the war, this concentration has continued, in addition to the growing influence of the state. Cheap money policy has at the same time reduced the banks' profit margin and particularly that of the savings banks, which have suggested that a limit should be placed on the acceptance of deposits from small savers.

Sweden's economy is bound up with world trade and world shipping. The large import surpluses have been paid by income from shipping and from foreign investments. Before the war, Sweden's merchant fleet amounted to 1.6 million gross tons, and in 1939 the income from freight services for foreign countries was estimated at Kr 237 million. During 1942, when shipping losses since the beginning of the war had reached almost 30 per cent of the total tonnage, the income from these services for foreign countries was estimated at from 325 to 375 million kronor. Thus, the greater part of the Swedish merchant fleet plied outside the Skaggeak. The tonnage chartered by Great Britain alone was reported to have been 450,000 since the war, of which, however, roughly 300,000 tons had been lost. During 1939 and 1940, Sweden's balance of payments was unfavourable because of the very heavy imports. But during 1941 the balance showed a net surplus amounting to Kr 390 million, which decreased during 1942 to Kr 260 million.

It is worth noting, in connection with Sweden's industrial effort, that roughly three-quarters of the total shipping losses have been replaced by new construction. The tonnage launched at Swedish shipyards was 155,000 in 1940, 161,000 in 1941, and 134,000 in 1942. In the summer of 1943, 68 ships, with a tonnage of 326,000, were under construction, and the total orders placed with Swedish concerns amounted to 652,000. A large part of the tonnage under construction was on German account, which explains why Germany was very anxious to supply the necessary plate. There were, however, indications that Germany was unable to deliver the promised quantities in full.

The industrial and financial difficulties, which increase or decrease in conjunction with the changes in the general situation and particularly with the changes in the relations between Sweden and Germany, are aggravated by the fact that the relatively large production of war materials cannot be continued. Neutral Sweden seems to have reached saturation point in war production. Since this material cannot be used in actual warfare, because of Sweden's neutrality, production has to be adjusted. Thus, a change-over is necessary which will create new difficulties at a time when, outside Sweden, the war continues.

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## Eire and Denmark—A Comparison

[FROM OUR DUBLIN CORRESPONDENT]

December 28th

COMPARISONS between Eire and Denmark—two countries alike in many respects yet different in many others—are commonly made, usually to the disadvantage of Eire. Denmark is constantly held up as a model for Eire to follow, and the Danish farmer as a model for the Irish farmer. It is important that such comparisons should be based on exact statistical information. Dr J. P. Beddy, secretary of the Industrial Credit Company, has performed a useful service in compiling a paper for the Irish Statistical Society comparing the principal economic features of the two countries. Why is it, he asks, that Denmark, which is smaller than Eire, with a less equable climate, a lighter and poorer soil, no coal or water power or mineral deposits, should maintain a larger population, a greater agricultural output, a more developed industrial system, a higher national income and a better standard of living?

The population of Denmark is 25 per cent greater than that of Eire. The respective densities per square mile are 224 and 112. If Eire had the same density as Denmark, its population would be 6,000,000, or twice what it is. For the last half-century the Danish population has steadily grown, whereas the Irish has steadily declined. The reason for this difference is the great emigration from Ireland. The Danish population is much more urbanised than the Irish; the rural populations of Denmark and Eire are respectively 38 and 68 per cent. The density of the Danish agricultural population is greater than the Irish—70 and 55 respectively per thousand cultivated acres. If Eire had the same density as Denmark, its occupied agricultural population would be increased by about 175,000 and its rural population by about 350,000.

Danish agriculture is certainly much more intensive than Eire's. In Denmark, the percentage of total land tilled before the war was 61, in Eire 22; the respective figures for permanent grass were 13 and 47. Since 1870, the area under cereals in Denmark has slightly declined, but the area under root and other crops has substantially increased. In Eire, on the other hand, the areas under cereal and root crops have both declined. In 1871, the area under root crops in Denmark was about one-third of that in Eire; in 1933, it was three times as much. The changes in Danish agriculture were the result of the development of an intensive animal husbandry based upon tillage and the specialised production of high-quality dairy products. Eire, on the other hand, with a heavier soil, milder winters and abundant rainfall, adopted a system of animal husbandry based upon grass, calling for less capital and less labour. The density of livestock in Denmark increased very rapidly. Between 1871 and 1938, Danish milch cows increased by 85 per cent, other cattle by 150 per cent, and pigs by 575 per cent. In Eire during the same period, milch cows increased by 6 per

cent, other cattle by 40 per cent, while pigs decreased by 28 per cent. If Eire had the Danish density of livestock to-day, the number of milch cows would be increased by 1,100,000, and the number of pigs by 3,300,000. The volume of production, both per acre and per man, is much greater in Denmark than in Eire. Farming profits are higher and the standard of living of the rural population is superior.

Industrially, Denmark is also far ahead of Eire. In a pre-war year, the value of the gross output in Denmark was £219 million and the numbers employed 460,000, compared with £81 million and 153,000 respectively in Eire. Danish industry grew up, without any protective tariff, to meet the growing demand of the agricultural community for industrial products of all kinds. About 80 per cent of industrial commodities consumed in the country are home produced. Important export industries have also been developed, notably shipbuilding, and the manufacture of cement machinery, marine engines and dairy machinery. Shipping services constitute a substantial invisible export. The experience of Denmark supports the opinion that Eire could develop export industries concentrating on high-class specialised products, and that the growth of secondary industries is best secured by the expansion of the agricultural income. That such an expansion is compatible with a large volume of external trade also emerges from a study of Danish conditions. Denmark imports and exports considerably more per head of population than Eire, and yet succeeds in maintaining a more intensive agriculture and a more developed industry.

The contrast between the two countries is certainly striking and calls for explanation. The outstanding cause of the different agricultural developments is the difference of climate. Ireland could have done what Denmark did, but Denmark could not have done what Ireland did. The very excellence of the Irish climate is, in some ways, a curse to the country. Denmark had the advantage of a satisfactory system of land tenure at a time when Ireland was in the throes of agrarian warfare. The Danish system of adult education facilitated the adoption of improved methods and, above all, the development of the co-operative system. Danish agriculture is far more deeply capitalised than Eire's. Farms in Denmark are all heavily encumbered with debt, and the country has sold all its external investments to provide capital for its internal development. Eire is much stronger financially than Denmark, and is in a position to undertake a programme of agricultural and industrial intensification without resort to any foreign borrowing.

## Letter to the Editor

"Shall we be Poorer?"

TO THE EDITOR OF THE ECONOMIST

SIR,—Many people will be grateful for your article on this subject, which enables us to see more clearly what may be expected to be the position after the war. One falls, perhaps, into the error of assuming that because some hitherto rich classes of people will be less rich after the war, therefore the nation will be poorer. Is it not the case that a great war normally brings a redistribution of incomes, and that we may expect to see the very rich reduced to moderate wealth, while wage earners generally will have improved their earnings as against pre-war days, and will also be in possession of saving certificates, post-war credits, etc.? The outward evidences of great wealth—large country and town houses, luxury yachts, etc.—will disappear while the general standard will be raised, as happened after the last war.

There should be no cause for lamentation here: on the contrary, the "spread" of wealth should be a stabilising factor in the national economy.

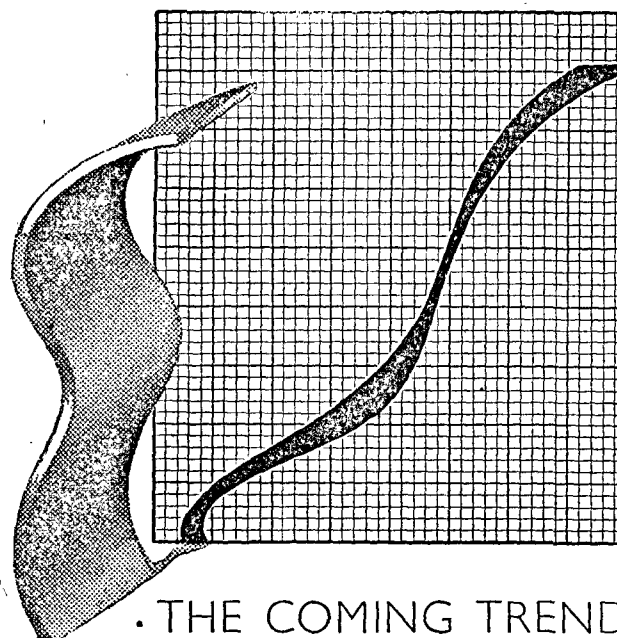
Such a development, however, inevitably brings fresh problems in its train; and I would suggest that one of these is the financing of speculative ventures such as the exploitation of new materials and processes. In the past, such enterprises have been financed to a large extent by rich or moderately rich men who could afford to take risks. Will the small man be inclined to hazard his slender capital? And if not, how will British trade obtain the resources required for such very desirable but speculative purposes?—Yours, etc.,

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# THE BUSINESS WORLD

## The Supply of Electricity

THE debate about the future of the public electricity supply industry appears to resolve itself, once again, into a fight for and against private enterprise, or, to be more precise, into an argument for universal public boards *versus* the existing mixture of municipal and private company undertakings. This is far too simple an approach to a complicated technical problem, and one that is unlikely to yield fruitful results. Any rational approach to the problem should be guided by two considerations. First, electricity is only one form of energy; its future should therefore be considered in the context of fuel policy as a whole. Secondly, systems of ownership and management are not of primary importance; proposals for reorganisation should be directed towards ensuring that electricity is supplied as cheaply and efficiently as it can be had for given purposes.

This is not the occasion for laying down the details of a national fuel policy nor, consequently, the precise rôle that electricity should play in the general scheme of things, though two general points may usefully be made by way of introduction. The first, an obvious one, is that, as a matter of general principle, a national fuel policy should have as its object the supply of fuel at the lowest possible real cost. Electricity is the most convenient, cleanest and most flexible form of power, and, for a number of purposes, has no rival. The extension of its use is therefore desirable, but not necessarily for its own sake. For many purposes electricity is more expensive than coal or gas; moreover, technical progress in the use of alternative means of applying energy—in the combustion of hard coal, for example—has by no means reached a limit, and has, in fact, been noteworthy during the last few years as a result of research and of the fuel economy campaign. Electrification for the sake of electrification would involve waste where cheaper alternative sources of power are available, and go against the principle of a national fuel policy. The second point arises from the first in that it seems highly desirable to maintain a policy of freedom of choice for the consumer, except where the duplication of facilities would be manifestly uneconomic. Freedom of choice should not merely mean a choice between alternative fuels, but also the freedom for the consumer to produce his own supply. Patches of monopoly may be unavoidable; a complete fuel monopoly would be disastrous.

The problem of the public supply of electricity itself has two aspects, that is, generation and bulk transmission, and retail distribution. The rationalisation of generation and bulk distribution took a long step forward as a result of the

Electricity (Supply) Act, 1926. While the generating stations remained in private or municipal ownership, they were linked up by a national grid, thus yielding substantial economies through the reduction in the ratio between productive capacity and demand. Although the Central Electricity Board, which owns and operates the grid, does not own the generating stations, but purchases electricity from them on a cost basis, it has a large measure of control over them. On technical grounds, it is doubtful whether the transfer of ownership of all the generating stations to the CEB would yield much in the way of additional economies. The benefits cited in support of proposals for transferring them to the CEB are mainly financial. It is argued that the formula of the Act of 1926, whereby undertakings which engage in generation as well as in retail distribution can repurchase electricity from the CEB on the basis of what their cost would have been in the absence of the grid, is purely hypothetical, and becoming more and more divorced from reality. It is argued, further, that this arrangement amounts to price discrimination among distribution undertakings, between those that do and those that do not own selected generating stations, in that the former do not have to pay their share of the cost of maintaining and operating the grid, and therefore obtain their supplies more cheaply, on the average. From a purely administrative point of view the transfer of generating stations to the CEB would simplify matters quite considerably, though there may possibly be other ways of straightening out the financial tangle. The chief source of inefficiency in the generation of electricity is the maintenance of too many selected stations. Many of the smaller ones are retained largely out of kindness to their owners, and the CEB, if it owned the whole system, might secure economies by reducing the number of stations. On the other hand, it might seem very unjust to penalise the owners of the better stations, some of which are very efficient, for the faults of their less efficient colleagues.

Retail distribution, as distinct from generation and bulk supply, is much the most important source of potential economies, to which the present organisation of distribution is a definite obstacle. In 1936 the Committee on Electricity Distribution—the McGowan Committee—pointed out that, whereas the average cost of generation had been nearly halved during the ten years to 1933-34, "the average cost of distribution per unit sold has been practically constant during the last ten years." The causes of inefficiency, where they are to be found, are not necessarily due to unenterprise, either in private or municipal undertakings, but often to past legislation which strait-jacketed this side of the industry. The original Electric Lighting Acts of 1882 and 1888 envisaged the supply of electricity as a purely parochial matter. A licence to supply electricity could be obtained from the Board of Trade by any local authority, company or person, but the first Act gave local authorities the right to purchase private undertakings after 21 years, a period which was extended to 42 years by the second Act. The technical possibilities of electricity were then not foreseen. At the turn of the century, when these possibilities were beginning to take shape, Parliament authorised the formation of the so-called power companies, with perpetual franchise but geographical and other restrictions on their markets. The result was a mixture of undertakings; municipal undertakings, which predominate, operate mainly in urban areas and generally take in little of the surrounding area; and private enterprises which operate mainly, though not exclusively, in less densely populated districts. The figures in a report presented to the London and Home Counties Joint Electricity Authority this week, showing that public authorities provide cheaper electricity for domestic consumers than private companies, are therefore misleading—the average price per unit to domestic consumers was stated to be 1.529d. per unit for public suppliers, against 2.021d. per unit for supplies from the power companies and 2.104d.

from other companies. The disparity is not a measure of the inefficiency of private enterprise, but of the higher cost of supplying the less densely populated areas. Within its limits private enterprise has built up a number of efficient systems by the grouping of undertakings, but these groups are threatened—the threat has been temporarily suspended—with fragmentation, for many of their constituents have reached, or will soon reach, the period when municipal rights of purchase operate.

There is no doubt that a measure of reorganisation is essential if the potential economies in distribution are to be realised, and if the path is to be cleared for further development and progress in electrification. Larger and better balanced systems would almost certainly bring economies in capital expenditure—this represents an exceptionally high proportion of costs in the electrical supply industry—and in management. Standardisation of voltages, equipment and, so far as possible, appliances would contribute further to reductions in cost. There is general agreement about the need for reform, but the reformers have ranged themselves on either one of two sides.

On the one side there are, of course, those who advocate some form of nationalisation merely on political grounds, irrespective of need or consequences. They have been joined by the technicians of the industry, represented by the Electrical Power Engineers' Association. In a report published last July, the EPEA suggested that the whole industry, from generation to retail distribution, should be brought under a single hat, a national electricity supply board, appointed by the appropriate Minister in consultation with the Electricity Commissioners. Under this scheme, generation and bulk transmission would be controlled nationally as at present, but retail distribution would be decentralised, the distribution areas to be determined, in the first instance, by the Electricity Commissioners, with due regard to technical and administrative considerations, but to be subject to adjustment by the national board in the light of experience. Each region would be under the control of a regional distribution engineer and manager, appointed by the national board. It is argued in support of this scheme that the real issue is "whether electricity is to be made available to all—even though it be not immediately economic to do so—or whether supplies are to be restricted to those whom it is profitable to supply." In the view of the engineers,

the economies and advantages gained by national control with the pooling of city, urban and rural areas, would make it possible to provide an adequate supply of electricity to all rural areas, at charges which would be similar throughout the country, without increasing prices to existing consumers.

The claim is a large one, though the idea is not new. The Electricity Bill of 1919 had proposed the compulsory creation of District Electricity Boards, that is of regional bodies designed to take over all electricity undertakings in their area, and constituted by the Electricity Commissioners, together with representatives of the undertakings. This proposal, however, had disappeared when the Bill emerged from the House of Lords and reached the Statute Book as the Electricity (Supply) Act, 1919.

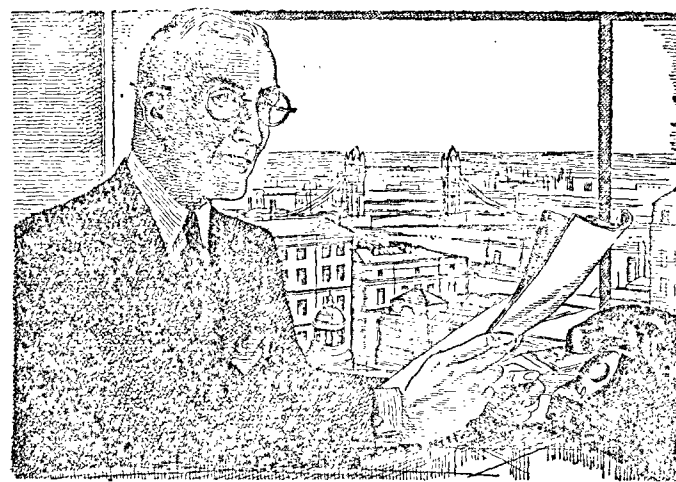
On the other side are those who see the solution on the lines advocated by the McGowan Committee. As an alternative to complete reorganisation on a regional basis under a regime of regional boards, the Committee suggested—

the retention and utilisation, where possible, of the larger and more efficient of the existing undertakings—both public authorities and companies—and the absorption by such undertakings of the smaller and less efficient undertakings.

The Committee suggested that the Electricity Commissioners should delimit the country into a number of areas in which it appeared to them desirable that a suitable scheme or schemes of amalgamation and co-ordination should be prepared. Next, the Commissioners would appoint a district commissioner in each area to prepare and submit for their consideration plans for reorganisation. The recommendations of the McGowan Committee have not been embodied in legislation, which was postponed, presumably owing to the outbreak of war. But in 1937 the Government, elaborating the McGowan formula in a White Paper, suggested three alternative methods, that is, the acquisition by one undertaker of the existing undertakings in the area; the transfer of all existing undertakings in the area to a newly constituted distribution authority; and the transfer of two or more local authorities to a newly constituted joint board. The memorandum on the electricity supply industry issued last November by the Incorporated Association of Electric Power Companies closely follows the McGowan Report. But whereas the latter recommended that after a period "which

in no case should exceed 50 years," the consolidated undertakings should be purchased by some form of public authority, on the basis of capital expenditure less depreciation, the memorandum representing the views of a section of power companies suggests that, instead of a definite time limit, there should be securing options, the first after a period of 50 years.

There is something to be said for both methods of approach, but if the aim is efficiency and nothing else, there appears to be no need for a universal reorganisation of the distribution side on public board lines. If inefficiency merely occurs in patches, the most appropriate approach seems to be that suggested by the McGowan Report, that is, to leave alone the areas where there is a cheap and efficient supply, and to reform the unsatisfactory areas, whether the defects arise from technical or commercial inefficiency, or from excessive Balkanisation of areas. Wherever reform is undertaken—and it should not be done timidly—the reorganisation should take the form of a public board—not a cumbersome representative body like the existing joint authorities, but a compact body approved by the Electricity Commissioners or the Minister. To impose a system of untried regional boards upon the whole industry, merely for the sake of removing patches of inefficiency, seems hardly worth while, at least at this stage. Standardisation of voltages and equipment—one of the main sources of economy—could be entrusted to the Electricity Commissioners or a technical department at the Ministry of Fuel and Power. It would surely be more profitable, and speedier, to concentrate on removing the bad patches. They certainly exist, and should be scheduled, as soon as possible, by a committee of experts. It will probably be found that some grouping is necessary to realise potential economies, and that the splitting up of existing groups by the exercise of the rights of purchase of local authorities should be prevented. A Bill giving powers for *ad hoc* treatment on the basis of technical efficiency might be the most effective and speediest solution of the problem. This does not mean that reform within the present system will be possible without a measure of resistance. But an assurance that reorganisation will not be regarded as an end in itself may confine resistance to the undertakings that are inefficient—that is, to those whose objections should be overruled.

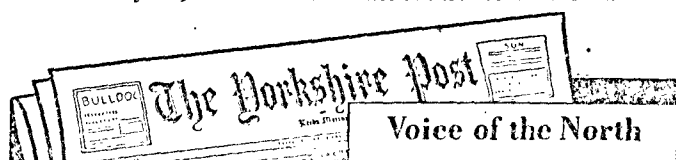


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# Business Notes

## Investors' Experience in 1943

The coming of the New Year has brought no revival in business, so far, although the general firmness of markets continues. The recovery to date is, according to the index of *The Financial News*, almost exactly half the decline from the peak. The figure of *The Actuaries' Investment Index* makes it rather less, since it carries the story only up to December 28th. The value of this index is that it allows a partial analysis of the factors which have gone to make up the further improvement on the year of some 8 per cent, against 18.6 per cent during 1942. The changes in some of the main items over the past three and a half years are given in the accompanying table. The aggregate figure has exactly doubled since the bottom of the slump caused by the collapse of France, the entry of Italy into the war and, not least, by the imposition of EPT at 100 per cent. Even on that long period there are very wide variations in the degree of recovery in individual groups, but all are well up and all showed rises in both 1942 and last year, with the single exception of shipping in the latter year, which fell by some 4 per cent. Rises in 1943 were almost all less than those of 1942, but there were exceptions in the cases of insurance and investment trust shares, home railway ordinary stocks and oil shares. The range of rises varied a great deal more in 1943 than in 1942, despite the smaller appreciation in the total. Oil shares make the best showing with an improvement of almost 30 per cent, but gas and home rails did half as well as that, and building material, electrical equipment, stores and brewery shares were all outstandingly good. Notably, the important miscellaneous sec-

### ACTUARIES' INVESTMENT INDEX

| Group and Number of Securities            | Price Indices<br>(Dec. 31, 1928=100) |           |           |           | Average Yields<br>(Per Cent.) |           |           |
|-------------------------------------------|--------------------------------------|-----------|-----------|-----------|-------------------------------|-----------|-----------|
|                                           | June 25, 1940                        | Dec. 1941 | Dec. 1942 | Dec. 1943 | June 1940                     | Dec. 1941 | Dec. 1943 |
| 24% Consols .....                         | 126.2                                | 146.3     | 145.7     | 141.3     | 3.53                          | 3.05      | 3.16      |
| Home Corps. (4) .....                     | 123.0                                | 139.2     | 142.6     | 141.4     | 3.79                          | 3.35      | 3.30      |
| Ind. Debs. (43) .....                     | 103.7                                | 114.3     | 119.7     | 121.3     | 4.58                          | 4.16      | 3.91      |
| Ind. Prefrs. (101) .....                  | 82.3                                 | 101.1     | 107.7     | 111.6     | 5.52                          | 4.55      | 4.34      |
| Bank and Dist. (10) .....                 | 74.9                                 | 102.1     | 111.7     | 117.4     | 6.12                          | 4.45      | 3.86      |
| Insurance (10) .....                      | 66.8                                 | 97.6      | 100.2     | 107.7     | 6.23                          | 4.11      | 3.87      |
| Building Mats. (6) .....                  | 33.7                                 | 66.3      | 82.6      | 94.5      | 11.63                         | 4.10      | 3.13      |
| Electrical Mfg. (13) .....                | 87.0                                 | 128.3     | 141.8     | 155.7     | 7.51                          | 4.85      | 4.10      |
| Iron and Steel (18) .....                 | 31.6                                 | 54.2      | 63.0      | 64.0      | 11.14                         | 6.23      | 6.06      |
| Motors (7) .....                          | 19.4                                 | 36.5      | 44.5      | 48.1      | 9.58                          | 5.04      | 4.40      |
| Total Produce (90) .....                  | 40.8                                 | 62.0      | 73.1      | 78.6      | 9.35                          | 5.20      | 4.68      |
| Home Rails (4) .....                      | 25.9                                 | 41.9      | 72.0      | 82.5      | 11.64                         | 6.40      | 5.38      |
| Stores & Catering (17) .....              | 31.1                                 | 48.2      | 62.3      | 72.3      | 9.55                          | 4.05      | 3.40      |
| Breweries (20) .....                      | 72.3                                 | 114.1     | 133.2     | 143.5     | 8.76                          | 5.14      | 4.35      |
| Total Miscellaneous (40) .....            | 45.0                                 | 69.8      | 78.6      | 84.7      | 8.46                          | 4.95      | 4.18      |
| Industrials—<br>(All Classes) (158) ..... | 38.9                                 | 60.7      | 72.0      | 77.8      | 9.01                          | 5.00      | 4.43      |

tion showed a rise of 5.2 points in each of the last two years. In comparison with the large rises mentioned, aircraft, electrical distribution and iron and steel shares showed improvements of little over 1 per cent, and of these sections the first and last yield 7.81 per cent and 6.06 per cent respectively, compared with the average for the whole list of 4.43 per cent. There is little to be said of fixed-interest stocks. Those usually included in the wider definition of the gilt-edged list are a trifle lower on the year, but industrial debentures and preference shares have continued to rise, although less rapidly and in a rather more halting fashion than in 1942. Of the 18 different categories of equity, financial and industrial, covered by *The Actuaries' Index*, no less than seven yield less than the average return on industrial debentures and ten less than that on preference shares. The yields obtainable suggest that the investor is very distrustful of the outlook for aircraft shares, appreciably less so for coal and iron and steel shares, and not very confident about home rails.

## Railways Look Skywards

The appointment of Mr D. H. Handover, traffic director of British Overseas Airways Corporation, as air adviser to the four main line railway companies suggests that the

stage has been reached where their plans are to be translated into a detailed scheme of post-war services. As was shown on page 652 of *The Economist* of November 13, 1943, the railways have achieved a dominating position in inland air transport since they were given authority to "take to the air" in 1929; the concerns associated with them are operating all the authorised inland routes, with one exception. It is understood that, subject to the necessary sanction being given, the group of railway-associated air concerns are envisaging a wide expansion of services and facilities for air transport as soon as they can obtain the additional aircraft. Moreover, the railways are planning to take an active part in the development of European air services after the war. During a recent speech in Nottingham, Sir William Wood, president of the LMS, pointed out that five years ago he was of the opinion that air transport had no future except for limited journeys at high rates—before the war the railways charged roughly just over 1d. a mile, compared with 3½d. a mile by air—but that wartime developments had caused him to change his views. The plans of the railways lack neither ambition nor imagination, for, given adequate facilities at reasonable cost, the density of air traffic may be expected to grow quite rapidly after the war, though its contribution to the revenue of the railways is likely to be too small, at least for some years, to be taken into consideration in estimating dividend prospects.

## Strains of Window-Dressing

The money market had a more exciting turn of the year than it had bargained for. The earlier assurances that all would be duly taken care of and last week's absence of Treasury deposit receipt payments had perhaps caused the market to underestimate the volume of calling with which it would have to contend on the last day of the year. As matters turned out, the final stage of window-dressing caused sufficient strain to compel the market to sell bills to the tune of many million pounds to the official agents. The official buyer included a substantial proportion of February maturities in his purchases, leaving the earlier January bills to the market and the banks, since these bills will be needed to offset the effect of heavy tax payments. In the normal course, the effect of open market purchases of bills wears off rapidly because the authorities take the shortest bills available. On this occasion, the decision to take a large proportion of February bills would have led to an unduly prolonged inflation of the cash basis had the bills in question been kept by the authorities. The method chosen to meet this situation was for the official agents to resell to the market this week an appreciable part of the bills which they had bought last week. Open market policy has thus been seen functioning "in reverse" with more open candour than is customary. There is nothing new in this process of reversing the open market engine. It has often happened before, but it has been customary, when official sales of bills have been made, to direct them to the banks. Moreover, open market policy, when working in this direction, has avoided publicity because it does not serve the purpose of the authorities to advertise the fact that credit is over-abundant and requires the contraction of open market sales of securities. On the other hand, when credit is in short supply, the knowledge that special assistance is being given to the market will put borrowers on their guard and make them search for loans from unaccustomed sources which might not otherwise have been tapped. This week's procedure was the more direct method of restoring discount market bill holdings, which had been seriously depleted by end-year selling to the official agents. The inflated volume of bank cash over the turn of the year must have reached record proportions. On December 29th, the total of bankers' deposits at the Bank of England reached over £234 million. By the close of business on December 31st it must have topped £250 million. By Wednesday of this week the total had come back to £184 million, showing the rapidity with which open market operations had remedied the year-end inflation. Are window-dressing credit upheavals of this magnitude really necessary?

## How Many Houses?

The primary need in any rational discussion and elaboration of a long-term housing programme is to distinguish between the desirable and the practicable. The standard of desirability should be the long-term aim; the actual volume of construction should be flexible and defined year by year in the context of the resources that can be devoted to house-building. Such a definition will be essential during the first few years after the war, when there will be strong alternative demands on resources, for the re-equipment and modernisation of industrial and transport equipment, and for the replacement of the much-depleted stock of amenities other than dwellings. The widely-quoted official housing programme, envisaging the construction of between 3,000,000 and 4,000,000 houses during the first ten to twelve years after the war is obviously based on a standard of desirability. But such a standard needs careful definition before it can acquire any meaning. A rough-and-ready definition was given on December 1st by Mr Willink, Minister of Health, in answer to a question in the House of Commons. He pointed out that between 1,500,000 and 2,500,000 new houses would be needed to replace slum dwellings and houses in a poor condition, or grossly deficient in modern amenities, and a further 1,500,000 to provide each family with a separate dwelling. The official standard of desirability is therefore not merely one that would give every family a separate dwelling, but a dwelling with a minimum of modern amenities. The term family, presumably, is meant to express the number of separate households that would exist if the potential demand for houses could be met, not only in physical but also in financial terms. A clear and unambiguous definition of the Government's standards of desirability, in terms of numbers and amenities, with a full disclosure of its assumptions, would be of considerable assistance in removing the present confusion in discussions about housing. But the time has come to go one step further—that is, to estimate, for the immediate post-war years, the size and geographical distribution of the demand for housing in terms of urgent minimum needs, that is on a shelter-for-every-family standard rather than on a shelter *cum* amenity standard. The attainment of such a standard will be the most pressing immediate post-war task; it may be the maximum that can be accomplished during the first few years.

## A New Estimate

An attempt to estimate housing needs after the war, in terms of a desirability standard, has been made by Mr M. A. Abrams in the November issue of *Agenda*. He set himself the task of answering the question of how many dwellings would be needed after the war to provide each family with a separate house. His calculations of the number of houses required seem to be based on potentially effective demand, with an allowance for replacement demand, based on an assumed average "life" of dwellings. Mr Abrams begins by estimating supply and demand in Great Britain immediately after the war. Here are his estimates:

|                                                        |            |
|--------------------------------------------------------|------------|
| Supply and demand for dwellings at the end of the war: |            |
| Potential number of separate households ...            | 12,785,000 |
| Allowances for vacancies (about 5 per cent) ...        | 600,000    |
| Potential demand for dwellings ...                     | 13,385,000 |
| Supply of dwellings likely to be available             | 12,700,000 |
| Deficiency (allowing for vacancies) ...                | 685,000    |

On the basis of a shelter-for-every-family standard, the deficiency at the end of the war shown by these calculations is thus comparatively small, that is, it could be made good in about two years, at the pre-war rate of building. Taking the average "life" of houses at 70 to 80 years, Mr Abrams suggests that most of the 4,000,000 houses which are over 80 years old should be replaced as soon as possible, that is, on the basis of his desirability standard, the deficiency at the end of the war will be of the order of 4,685,000 units. Such a standard, obviously, can only be achieved by a long-term programme which, moreover, must take account of the need for replacing the remaining stock of houses. With an assumed normal "life" of 75 years, the call for replacement of this remaining stock would be at the rate of 125,000 a year. On the basis of a 25-year plan, an average of 285,000 dwellings would have to be replaced every year on these assumptions. Since, on his calculations, total potential demand would show little change during the next 25 years, once the initial physical shortage of 685,000 is made good, this replacement demand represents his desirability standard. In other words, the total demand for houses arrived at in

this way depends entirely on the assumption that it will be possible to replace houses when they are 75 years old. If that assumption is wrong, so is the calculation. Moreover, the actual volume of construction from year to year must be determined in the general context of competing demands for labour and materials, not merely by reference to a housing standard. Nevertheless, a yard stick is essential, and Mr Abrams' calculations are a useful contribution to the statistical aspect of the housing problem.

## Rights of Preference Shares

The opposition to the Crosses and Winkworth scheme, organised in the interest of the preference shareholders, has been so successful that the directors failed to obtain the 75 per cent majority required at the meeting of that class of shareholder. (Holders of only just over one-third of the preference capital voted, and the adverse vote was less than 10 per cent of the issued preference capital.) The scheme is, therefore, defeated and some at least of the debenture holders appear to have been in despair at the result. The board does not seem to have made any proposal, but the representatives of the preference shareholders let it be known that all they wanted was a rather larger share in the cake and that the last thing they wished was to wreck the scheme as a whole. The original scheme was dealt with on page 791 of *The Economist* of December 11th, when it was suggested that the debenture holders were entitled to full satisfaction and that the preference and ordinary holders did well out of it. If the debenture holders are prepared to forgo some part of their rights it is, presumably, only in order to secure agreement from the other classes of capital. If the preference shareholders stand on their rights as against the ordinary, it is only reasonable that the debenture holders should adopt a similar attitude towards them. The market, however, assumes that there will be an arrangement whereby there is a minor improvement of the preference holders' position at the expense of the equity.

Meanwhile, the receiver and manager appointed in the interests of the debenture holders of Achille Serre is putting forward a plan for the resuscitation of the company. His management has been so successful that, with the assistance of the special wartime demand for services to keep clothing in good condition, profits for the six months to June 30th last exceeded £35,000. The company is now in a position to pay off its debentures in full and make some payment to unsecured creditors, but the receiver suggests that all concerned may prefer to keep the business in being. To achieve that, the only sacrifice which need be asked of the debenture holders is to defer the date of repayment. In return they are offered 3 per cent premium and certain concessions as to the amount of stock which may be issued ranking prior to, or *pari passu* with, them. This seems strictly reasonable, but it is less reasonable that unsecured creditors should receive only certain small payments in full at once and have the option of accepting 15s. in the pound cash in full settlement, or 10s. in cash and an equal amount in 4 per cent second debentures with a

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maximum life of 22 years. Further, the preference shareholders are asked to forgo arrears of cumulative dividend and accept conversion into ordinary without any compensation other than that the existing equity holders are to have their capital written down by 75 per cent, which means that the preference obtain six-sevenths of the equity. The reason given for this is the poor EPT standard, but surely that is a transient factor, so far as is known at present. It would warrant cancellation of the cumulative rights of preference holders for the period of the tax in exchange for suitable compensation. It is true that it is fifteen years since any preference dividend was paid, but that means that there will soon be 90 per cent of arrears due, an item of which some account should be taken. The unsecured creditors and preference shareholders would be well advised to object to the terms of the scheme.

### Chile Raids Sinking Funds

There is, unfortunately, nothing new in the fact that the Chilean Government failed in 1943 to implement to the full its undertaking with regard to sinking funds on its overseas loans. The service of this debt is provided for by a law passed in January, 1935, which pledged the profits of the Nitrate and Iodine Sales Corporation and certain profits on the sale of copper to the service of the bonds. One half of the total was to be used to pay interest and the other to buy up bonds. No specific sinking fund attached to any loan; the bonds were bought, if at all, where they were cheapest. This has meant in recent years purchases almost entirely in New York and reductions of derisory amount in the sterling debt, the latest example being £600 to reduce the debt to £27,742,471, nominal value. The British bondholder would, perhaps, accept this anomaly if the funds appropriated were in fact used for redemption, but only a small fraction of them is so used, apparently not as much as 10 per cent in 1943. The failure of the Chilean authorities to implement the sinking fund provisions of their own proposals, coupled with the fact that the average rate of interest paid has been around 1½ per cent, gives the bondholder every cause for protest. His feeling of injustice is not lessened by the fact that, despite the exceptional demand for Chilean copper, the net proceeds of the levies on the copper companies appropriated to the service of the bonds have fallen during the war. This is held to be due to the fact that the export duties on copper bars are unduly high. It is evident that the authorities can arrange matters so that the bondholder suffers, if they so desire. In fact, no reliable statistics of either copper exports or the profits of the companies are obtainable. Copper taxes are used for railway improvements, while the USA is engaged in assisting Chile to develop the copper industry. While there is some shortage of sterling, there is an ample supply of dollars from a large favourable balance of trade, and Chile has, evidently, funds which could, and should, be employed to provide at least the service on her loans which she herself proposed. The matter ought to be taken up and pursued with energy. If, as is suggested in some quarters, the Chilean authorities have bought up stocks outside the official sinking fund, it would be interesting to know whether these are available for resale.

### New Currency Candidates

Two candidates have to be added to the list of proposed international currency units—not, it should be added, because of any likelihood of their ultimate adoption, but merely to complete the records. The first is the Libra sponsored by the Liberator Council, a body which is issuing a certain amount of literature on its currency scheme. This is the Liberator plan which provides for the creation of a "costless international currency"—a description which indicates strong affinity with the social credit family. The Libra would be used for all external payments, but would not in any way interfere with internal currencies, each nation being free to handle its internal monetary affairs as it thought fit. How this dissociation of the internal and external values would be achieved has not yet been explained. The memorandum on the subject states that the full plan is at the moment only in draft form, "as certain major details, including the question of the advisability or otherwise of recommending an international police force, are still receiving consideration." The promoters of the plan are quite sure of one thing. They will have nothing to do

with gold, and for that reason condemn the Keynes and White plans out of hand.

The other currency unit represents another extreme. As its name "Euricor" would suggest, it is strongly tainted with gold. It comes, quite appropriately, from Johannesburg, where it was launched by Mr. Norbert Erleigh, chairman of New Guinea Goldfields, at the recent annual meeting of that company. The Euricor is to be a basic monetary unit to which all European currencies are to be attached. It is to have a fixed and unalterable gold parity and is to be issued against specific gold backing. That backing is to be obtained in the first instance by lend-lease deliveries of gold from the United States. This gold would then be repaid to the United States over a long period out of the production of gold from the Empire—and especially from the new Orange Free State goldfields in which Mr. Erleigh's company is interested. The two proposals appear to be of about equal merit and cancel one another out very nicely.

### Anti-Inflation Drives

A number of belligerent Governments have recently been showing increasing concern at the growing symptoms of inflation in their respective countries, and have taken counter measures. Last week the South African Minister of Finance, Mr. Hofmeyr, described the measures by which his Government had combated inflation. He could afford to do so with a certain measure of self-satisfaction, for South Africa has been reasonably successful in avoiding the perils of inflation, and during 1943 has slowed down the rise in the cost of living. One of the most helpful factors in countering inflationary forces has been the extent to which South Africa has repatriated external debt, and has placed it in the domestic capital market. The South African Government has repatriated about £75 million of sterling debt, which leaves virtually no South African stock in London. This exhaustion of Government stock deprives the South African authorities of one of their most powerful anti-inflationary solvents. Mr. Hofmeyr, therefore, urged private, corporate and public investors in South Africa to keep the movement going by buying securities in the London market. This is not a new note. Since the beginning of the war the repatriation of shares in South African enterprises—mainly gold mines—has probably amounted to one-fifth of the Government stock repatriation. The movement has received active support from the South African authorities in the form of the discriminatory tax levied on dividends paid to non-resident holders of South African securities. If it is to be considerably accelerated, Britain must be prepared to see further considerable inroads made into its holding of South African mining and industrial shares.

In Mexico President Camacho has this week approved a fourfold plan for dealing with the persistent rise in the price level, and with the accumulation of redundant purchasing power. The first proposal is one which has already become familiar in India, Egypt and the Middle East. It is the marketing of gold. The Bank of Mexico is to make the necessary gold available in the open market. The second will be a drive to encourage the sale to the public of Government stock and railway bonds now held largely by the banks. The third item is an announcement that taxes on annuities will remain unaltered—no doubt as a means of encouraging investment in this form of security. Fourthly, the system of collecting income-tax is to be revised, making the collection half-yearly, and thus evening out its impact on redundant purchasing power.

### Record Asbestos Earnings

Despite the wide variety of the group's products, it is probably still the case that the mainstay of the business of Turner and Newall consists of goods containing asbestos. No doubt the range of uses has increased under war conditions, and this may explain the recovery in the pre-tax profits of the parent company to a new high level of £2,710,000 odd for the year to September 30th last. Details of appropriations for the past three years are set out on page 55, and all that need be said is that they suffice to cover the dividend at the reduced wartime rate and the usual appropriation of £100,000 to general reserve with a modest margin to spare. The accounts are weakened by the fact

that there is no consolidated profit and loss account. It is true that the bulk of the subsidiaries have been consolidated with the parent, but important appropriations may be hidden in their accounts. The consolidated balance-sheet suggests relatively modest capital outlays on the year which are much more than offset by depreciation of £457,000 and amortisation of mining properties of some £91,500. The result is a decline of £200,000 in fixed assets. Against this, gross liquid assets are up by £1,200,000, the rise being mainly in cash and tax certificates. Stock in trade is temporarily lower, but the report states that every effort is made to keep this figure up. It would be interesting to know what proportion of the total of stock and work in progress of £4,000,000 odd represents goods which can be used directly for the satisfaction of post-war demands. During the year the company has sold about one-third of its holding in British Oxygen, reducing the amount held to £83,000 nominal value. This is written down to £1, and the sale has yielded a profit of some £114,000, which is used to strengthen the reserve against depreciation of mining and other subsidiaries operating overseas. Incidentally, the group's interest in a South African concern making asbestos cement has been increased during the year, and the holding shows a rise of £35,000. The rise in total reserves, including that already mentioned, is some £275,000 on the year to £3,935,000. A weakness of the balance-sheet is the fact that creditors and provisions are given in one omnibus item. This all too common practice should be ended. The statement of the chairman says little of the future. The main problem of the group has been to secure factory labour, and this state of affairs is likely to continue. As to the post-war position—the chairman hints at the possibility of changes in demand during the current year—asbestos and magnesia compounds, in which the group specialises, are likely to enjoy an increasing demand, especially if, as is probable, new uses have been discovered during the war.

### Lancashire Cotton Earnings

A further chapter is added to the history of the cotton textile trade during last year by the full report of the Lancashire Cotton Corporation for the twelve months ended

October 31st. The company's own profit, struck after all appropriation other than depreciation and tax, except tax on dividends, shows a substantial recovery from the sharp fall of 1941-42, while revenue from other sources has continued to rise. The total is, however, still inferior to that of 1940-41, and virtually the whole increase on the year is absorbed in providing £100,000 for postponed repairs. If this means that that much extra ought to have been spent already to maintain equipment in the same state of repair there is, of course, no improvement on the year, but there is nothing to throw any light on this point. The main trouble of the group is that it remains impossible to obtain the necessary labour to run the mills which remain open, and it appears that twelve mills and parts of two others have been closed throughout the period. In the circumstances, a further rise in stocks is, presumably, in stocks of raw materials. Details of the accounts are set out on page 55. In his statement the chairman, Sir John Howarth Grey, draws attention to the problem of obtaining the requisite labour supply once the mills can be reopened. He states that merely to raise wages will not solve the problem, and goes on to talk of canteens and other amenities provided by the group. In regard to canteens at least, the company's experience is disappointing, for, as in some other industries, workpeople fail to make much use of them. There is fairly wide agreement that the concentration of the cotton trade was too drastic, and Sir John is probably right in urging employers and operatives to get together to make new working and staffing arrangements so that the supply of workers, skilled and unskilled, can be used to the best advantage.

### Future of Clothing Industry

Hitherto the reconstruction reports issued by trade associations have been concerned primarily with the conditions in which private enterprise should be allowed to operate after the war. The report issued this week by a Council of Clothing Trade Associations refreshingly concentrates on the problems of its industry on the basis of a number of assumptions about Government policy. It contains recommendations under these headings: Recruitment of personnel, wages, working conditions and education; the restoration of factories now engaged on war production,



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#### Burma Corporation Position

Although evacuation actually took place on April 25th, after the plant had been immobilised at short notice, the accounts now presented by Burma Corporation cover the period of fifteen months to September 30, 1942. That is to say, five months of occupation and ten of trading, the closing weeks of which were rendered difficult by lack of shipping. In the circumstances, a gross trading profit of £776,820, compared with one of £382,362 for the preceding twelve months should probably be regarded as very satisfactory. Further, the profits of the earlier year included a credit of £82,500 for stocks of metal. For the latest year nothing is included on this account, stocks being revalued at £643,800 and the whole neglected both in the profit and loss and balance sheet. The new figure includes metal in all stages of processing, and is included to obtain an estimate of the total losses of the corporation, which include also £262,551 for stores. These stocks and stores were all abandoned to the Japanese. Apparently, total metal stocks were previously greatly undervalued. Out of profit, £420,000, representing approximately the company's tax liability, has been carried to a new war contingencies and taxation reserve which, with unexhausted balances of the old tax reserve, amounts to £990,938 against £1,055,187 in the old account. Of the final dividend of 3 annas a share for 1941 approximately half has been met by raiding the carry forward. Although much must depend upon tax claims, the liquid position appears strong with net liquid assets in the neighbourhood of £1,500,000. There will, of course, be questions of compensation, with the promise of the home Government to make good local deficiencies so far as general obligations permit.

#### Recognition of Supervisors' Union

An agreement has been reached between the Engineering and Allied Employers' Federation and the Association of Supervisory Staffs and Engineering Technicians, by which the Association has been recognised as a negotiating body. This agreement, which has been reached after long negotiations, may be of considerable significance in industrial relations. ASSET, which started life as the National Foremen's Union, has developed rapidly in recent years and now claims nearly 13,000 members. It caters

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not only for foremen, but for all types of superintendents, technicians, planning engineers and supervisory grades. The general secretary of the Association has expressed the belief that the agreement will have the effect of entitling such staffs to be represented on joint production committees. There is nothing specific in the new agreement about representation on joint production committees, which is normally a matter of arrangement at individual factories, and it is obviously desirable that technical and supervisory staffs should be represented on committees whose object is to increase productive efficiency. Recognition of their trade union may make it easier for such staffs to serve on production committees, since it may well have a beneficial effect in lessening any friction which may exist between the workers at the bench and the supervisory grades.

#### More Dollar Sterling Parities

A comparison of the economic war efforts of the UK and USA in the December 25th issue of the *Bulletin of International News* soon meets the inevitable stumbling block of devising the correct dollar sterling exchange rate for converting the national income data expressed in these currencies. The author of the article, who signs himself A. J. B., meets the difficulty by calculating a variety of parities each applying to certain types of goods and services. They are as follows:

|                                                                                        |                |
|----------------------------------------------------------------------------------------|----------------|
| Consumers' durable goods and services ...                                              | \$6.5 to the £ |
| Consumers' non-durable goods ...                                                       | \$5.9 "        |
| National defence goods and non-defence goods and services bought by the Government ... | \$6.5 "        |
| National Defence Services ...                                                          | \$10 "         |
| Investment and disinvestment ...                                                       | \$5.5 "        |
| Consumers' non-durable goods and services ...                                          | \$6.1 "        |
| Consumers' durable goods ...                                                           | \$5 "          |

The weighted average of these various rates, deriving the weights from official statistics of the distribution of national income, is \$6.4 to the £.

#### Tin Prices

On January 1st, the domestic price of tin was raised from £275 to £300 per ton, delivered at consumers' premises. This is the first change in the price since December 9, 1941, when the London tin market was closed owing to the outbreak of the Pacific war and the Ministry of Supply's Non-Ferrous Metal Control took over the regulation of prices. The reason given for the increase is a general upward movement in the cost of tin to the Ministry of Supply during the past two years, resulting in a burden on public funds. Measured by pre-war prices, the new price is a high one. The highest annual average price in the pre-war decade—reached in 1937—was only £242 6s. 7d. per ton. The new price, however, remains well below the price paid to Bolivian producers—at present £333 10s. per ton with a new increase pending—which implies that producers in the other supplying countries—chiefly Nigeria and Cornwall—receive much less for their tin. The Nigerian price, despite the inclusion of certain compensation payments for the excessive working of the existing tin properties, is believed to be well below £250 per ton. Whereas the Ministry of Supply's policy seems to be to sell tin on a cost basis, in the United States the metal is supplied below cost. The selling price for the highest grades of tin has for more than two years been stabilised at 52 cents per lb., while actual refining costs at the US Government-owned Texas City smelter are believed to be about 75 cents per lb.

(Continued on page 55)

#### INDEX TO VOLUME CXLV

The Index to Volume CXLV (July to December, 1943) will be available in about two weeks' time, and will be sent to all those who have asked for the Index to be regularly supplied to them. Any other readers who wish to receive the Index (post free) are invited to apply to The Publishers,

THE ECONOMIST, Brettenham House, Lancaster Place, London, W.C.2

# REPUBLIC OF CHILE

## SERVICE OF THE EXTERNAL DEBT RELATING TO THE YEAR 1943 (LAW No. 5580, 31st JANUARY, 1935)

The Caja Autonoma de Amortizacion de la Deuda Publica de la Republica de Chile, in accordance with the provisions of Article 6 of the Regulations of Law No. 5580 of 31st January, 1935, approved by Supreme Decree No. 3837 of 24th October, 1938, declares that in the year 1943 it has received the following revenues:—

|                                                                                                                |                |
|----------------------------------------------------------------------------------------------------------------|----------------|
| Profits of the Chilean Nitrate & Iodine Sales Corporation ...                                                  | \$2,357,389.16 |
| Income-tax of the Fourth Category and additional tax on the Copper Companies ...                               | \$6,044,262.01 |
| Quota of the duties on petroleum for the Nitrate Industry (Article 7 of Law No. 6155 of 6th January, 1938) ... | \$ 57,561.72   |
| Quota of the duties on petroleum for the Copper Companies (Article 7 of Law No. 6155 of 6th January, 1938) ... | \$ 108,031.70  |
| Total ...                                                                                                      | \$8,567,244.59 |

Fifty per cent. of this revenue, or the sum of \$4,283,622.30, will be applied to the payment of interest at the rate of U.S.\$1.428 per hundred dollars nominal capital, \$0.33558 per hundred Swiss Francs nominal capital and £1 8s. 6.72d. per hundred pounds nominal capital.

By reason of the suspension of exchange operations in most of the foreign markets on account of the war, it has been impossible this year to make the conversions necessary to provide in Swiss Francs the sums required for the service of the bonds denominated in that currency. The Caja has accordingly been obliged to state in U.S. Dollars the rate of interest to be paid to the holders of these bonds and to maintain in that currency the funds required to cover such interest payments.

Out of the remaining 50 per cent. of the revenue received, bonds have been redeemed to the nominal amount of U.S.\$1,700,000 and £600, and have been withdrawn from circulation.

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

|                    |
|--------------------|
| £27,742,471        |
| U.S.\$162,736,500  |
| Sw.Fcs.108,662,500 |

SANTIAGO, CHILE.

29th December, 1943.

## COMPANY MEETINGS

## BANK OF MONTREAL

MR G. W. SPINNEY ON  
NATIONALISATION

The 126th annual general meeting of the Bank of Montreal was held on the 6th ultimo at Montreal.

Mr George W. Spinney, C.M.G., the president, said that he could not see that under nationalisation the varied banking services would be performed with greater efficiency and dispatch than they were now. He could find no need for nationalisation in order to place the nation's supply of money under governmental regulation, since the regulation of the money supply was a function already performed by the Government-owned central bank.

The alternative which proponents of nationalisation offered in exchange for the present system of competitive banking was a banking monopoly under governmental control. Under such a system, once the borrowing requirements of a customer were denied, for whatever reason, he would have no recourse except through the channels of special pleading or political influence.

In its primary aspects the matter of nationalised banking was one of monopoly versus competition in the field of credit; and even within these limits it concerned everyone owning or dependent upon a Canadian enterprise that might have need of day-to-day or seasonal credit accommodation. In its broader implications the issue was that of individual liberty of action as opposed to the concept of a central Government supreme not only in the field of legislative powers and responsibilities but in the spheres of business, industry and finance as well. That would inevitably mean the domination by the central authority of all bodies, whether public or private, which must have recourse to credit facilities.

After warning against the dangers of inflation and of complacency at this stage, the president referred to the spectacular war-time achievements of Canadian industry and to the great contribution made to the war effort by agriculture and transportation. The bank's own role in the war effort, he said, had been one of increasing responsibility. Volume of commercial and financial loans had shown little change, but in other directions the work had vastly expanded.

He referred to the effect on the bank's operations and affairs of the low level of interest rates, which had been a matter of Government policy—in peace-time years with a view to stimulating business, and since the war for the purpose of keeping down the carrying charges on the debt to the lowest possible level. That had, he said, been clearly reflected in the interest return on savings deposits.

For 126 years the bank had played an important part in the commercial and industrial development of the Dominion. He was confident that it was well equipped to do its important part towards meeting the problems and opportunities of the post-war years in a continued spirit of enterprise and helpfulness to the whole community.

## GENERAL MANAGER'S REMARKS

Mr B. C. Gardner, the general manager, dealt with changes in the balance-sheet since last year, including an increase of \$138 millions in total assets to a new high level at \$1,313,065,000, an increase of \$115.7 million in investments to \$799,848,000, the gain being mainly in holdings of Dominion of Canada deposit certificates, and other short-term obligations of the Dominion Government.

Current loans and discounts were little changed. Commercial loans continued to reflect the reduction in inventories, the shortening of credit terms, the reduced activities of companies engaged in the financing of durable consumer goods, such

as motor-cars, the inactivity of financial markets, and the reduction of private debt.

The rise in bank deposits had been accompanied by a growth in the number of current and savings accounts and the bank now provided banking facilities for about 1,200,000 customers under those headings. The increase had been accompanied by an even greater growth in the volume of transactions handled at branches, including the special war-time services. The services of the bank had been maintained at a high level of efficiency in spite of the greatly increased volume of routine resulting from war-time conditions. The volume of Canadian business activity had reached new peaks in the twelve months just closed.

The report and accounts were adopted.

CHARTERHOUSE  
INVESTMENT TRUST,  
LIMITEDIMPORTANT SERVICES TO  
BRITISH INDUSTRYSIR ARTHUR H. MARSHALL'S  
REVIEW

The eighteenth annual general meeting of the Charterhouse Investment Trust, Limited, was held, on the 31st ultimo, in London.

Captain H. Nutcombe Hume, M.C., the vice-chairman, presided.

The following are the remarks of the chairman, Sir Arthur H. Marshall, K.B.E., which were circulated with the report:—

Taken as a whole, the results show improvement over any other war year, both the Charterhouse Finance Corporation and the Charterhouse Industrial Development Company having had more profitable years. In the case of the former company the business which I mentioned in my last year's remarks as being in prospect matured satisfactorily, and since the close of the year stockholders will have noticed from the Press that we have purchased some 80 per cent. of the ordinary shares of the old-established and successful publishing company Methuen and Company, Limited, a transaction which we have reason to believe will prove profitable.

PROSPECTS OF THE INDUSTRIAL  
DEVELOPMENT COMPANY

The Development company has continued to secure good business, and I feel quite sure that in the section of the group's activities covered by this company there is the prospect of greater activity after the war in connexion with the re-establishment on a peace-time footing of the smaller and medium-sized commercial and industrial businesses. Stockholders will recall that we have important and influential co-shareholders in this company, and with their collaboration I am hopeful that the Development company will be able to make a most positive contribution to the constructive financial services which the City of London can render to British industry. Private financial enterprise has supported industry and commerce successfully in the past and can do so in the future, and I have no doubt that the several responsible concerns engaged in this class of business will prove the truth of this assertion and be ready to meet the demands which will be made upon them. The Charterhouse Industrial Development Company has now had nine years of experience in financing the smaller and medium-sized industrial company and has accumulated a fund of knowledge which should place it in a favourable position to secure and undertake good business in this field.

## THE FUTURE FOR PUBLIC ISSUES

It is not so easy to foresee the course of business for the Finance Corporation, although I believe that generally the introduction of capital into productive enterprise will still have to take place through

the machinery of public capital issues, and I hope that accredited issuing houses will not find their business unduly hampered by restrictions in their efforts to meet the genuine long-term financial demands of industry.

The trust's property interests have all shown better results during the past year, but while the burden of war damage contribution remains we cannot expect any return from them. At the moment demand exceeds supply in almost all classes of property except shops.

## THE GROUP'S RECORD SUCCESS

Since its formation in 1925 the Trust and subsequently the Finance Corporation and the Development company have handled some ninety-five capital issues for seventy-nine different companies. I am sure that our stockholders will take pride in the knowledge that apart from three companies which were taken over on satisfactory terms the remaining seventy-six are all going concerns to-day and with five exceptions (two of which are London property companies) are paying dividends. This record reflects the policy of the company and its associates in the Charterhouse group have always followed, namely, to concern themselves only with good-class business which will bear close independent investigation and which has every prospect of yielding satisfactory results to those who subscribe the capital.

By the time we meet again I most sincerely hope we shall be no longer at war—in Europe at any rate. It is our intention that at that time your companies shall be well placed to secure and handle good business and thus to make their full contribution to the work of constructive finance to which I have already referred. To that end we have taken offices in No. 6, Old Jewry which we intend to occupy until we can build again on our freehold site in St. Swithin's Lane.

The report was unanimously adopted.

APEX (TRINIDAD)  
OILFIELDS, LIMITED

## DIVIDEND OF 30 PER CENT

The 24th ordinary general meeting of Apex (Trinidad) Oilfields, Limited, will be held in London on the 13th instant.

The following is an extract from the report of the directors which incorporates the annual statement of Mr Walter Mac-lachlan, the chairman:—

The profit for the year amounted to £394,565, making with the balance of £143,168 brought forward from the previous year a total of £537,733. Against this amount there is chargeable interim dividend No. 46 of 12½ per cent., directors' additional remuneration, provision for taxation and provision for deferred drilling operations, totalling £292,188, thus leaving a balance to the credit of profit and loss account of £245,545. The directors now recommend a final dividend of 17½ per cent., less British income-tax at 5s. 0½d. in the £, making a total dividend of 30 per cent. for the year. The balance of unappropriated profits to be carried forward will amount to £144,483.

At September 30, 1943, the current assets, less current liabilities and taxation and other provisions amounted to £494,415.

In the national interest, this company, in common with other oil companies, does not now publish figures of drilling and production, but it is generally recognised that the Trinidad oil industry is contributing to the war effort on a substantial scale. It will be appreciated that the extent to which we are thereby drawing upon our reserves of oil and the allocation to us of materials for drilling to maintain those reserves are matters at present outside our control. Under the circumstances the directors have appropriated £30,000 from the profits of the year and £20,000 from general reserve to institute a provision in respect of deferred drilling operations.

## TECALEMIT LIMITED

SUCCESSFUL YEAR—INCREASED  
PROFIT

## MR S. G. GATES'S SPEECH

The ninth annual general meeting of this company was held, on the 5th instant, in London, Mr S. G. Gates (the chairman) presiding.

The Chairman, in the course of his speech, said:

Ladies and Gentlemen, in presenting the accounts for the year ended July 31, 1943, we have introduced certain alterations in the grouping of assets and liabilities in the balance-sheet. We trust that these will commend themselves to you as giving a clearer and more logical picture of the company's position.

## YEAR'S RESULTS

I hope that by the time we next meet we shall have achieved victory over our principal enemy, and that I shall then be free to give a more interesting account of your company's wartime activities than is now permissible. Once again, the year's operations have shown a notable expansion, which is reflected in the rise of stock in hand and work in progress from £403,801 to £647,534, and has resulted in a trading profit of £91,055 as against £63,403 last year. This profit figure has been arrived at after setting aside £610,000 as provision for taxation, an estimate which is calculated to cover the E.P.T. liability for the company and its subsidiary and in addition for income-tax on the company's profits earned up to July 31, 1943.

A maiden dividend has been received from your Australian subsidiary, and I should add in this connection that the figure of £13,165 shown as due from this company in the balance-sheet is not a fixed loan; it merely indicates the trading position on current account between the two companies as at July 31st last.

You will also have noticed that we have acquired a shareholding in T.K.S. (Aircraft De-Icing), Limited. This represents a one-third interest in a venture in which we are associated with the Sheepbridge-Stokes Centrifugal Castings Co., Limited, and the Kilfrost Manufacturing Company, Limited.

## THE FUTURE

As regards future prospects, you will hardly expect me to indulge in prophecy, especially while the Government's policy

remains undeclared on so many vital questions, such as the disposal of surplus war stocks and the measures to be taken to revive British export trade. Your directors are neglecting nothing they can rightfully do to assure to Tecalemit, Limited, its proper place after the war; meanwhile, they take the view that it is in your best interests to maintain a conservative policy. For this reason the rate now recommended for a final dividend remains unchanged at 12 per cent., less tax, making 18 per cent. for the year.

Mr W. J. Parslow, formerly joint managing director, has become sole managing director during the year, owing to the resignation of Mr R. A. Chalmers, after completing twenty years' service with the company.

## TRIBUTE TO STAFF

Man-power shortage has made the past year in many ways the most exacting we have yet encountered. Staff is reduced to a bare minimum, and has worked throughout under extreme pressure. I am sure, therefore, that you will wish to join me in paying a tribute to the exertions of those who have surmounted many formidable difficulties and rendered possible the satisfactory results achieved.

The report and accounts were adopted.

SYDNEY S. BIRD AND SONS,  
LIMITED

## INCREASED TURNOVER

The seventh annual general meeting of Sydney S. Bird and Sons, Limited, was held, on the 30th ultimo, at Cydon Works, Enfield.

The following is the statement of the managing director, Mr Sydney S. Bird, which was circulated with the report and accounts and was taken as read:—

Sir Ian Stewart-Richardson's military duties have taken him out of the country, and I have been appointed to act as chairman in his absence. I am sure you would like me to send him our good wishes.

As regards the accounts, you will appreciate that our profits are limited by excess profits tax to rather more than £20,000 per annum, subject to income-tax, so that there is little or no indication in the accounts of the exceedingly busy year we have had.

The company was incorporated in 1936, and since that time provision has been made each year for income-tax on a conservative basis. As a result, the income-tax reserve is now sufficient to cover the estimated liabilities up to April 5, 1945.

This means that, since 1936, we have provided for an extra year and a half's income-tax, which is, of course, desirable in view of the fact that the company is assessed to tax on the basis of profits earned in the preceding financial year.

The balance-sheet again shows a satisfactory position, and you will observe that the company has been able to finance the much increased turnover without having had to raise any loans.

I should like to place on record the board's appreciation of the efforts made by all concerned.

The report and accounts were adopted.

TARRAN INDUSTRIES,  
LIMITEDMR ROBERT G. TARRAN'S  
SPEECH

The ninth annual general meeting of Tarran Industries, Limited, was held, at the company's registered offices, Clough Road, Hull, on the 30th ultimo, Mr Robert G. Tarran, chairman and managing director, presiding.

Mr R. G. Tarran, in the course of his speech, said: The past year's result, which reduces our carry-forward from £61,000 last year to £16,000 this year, is disappointing to workers, shareholders, management and directors alike, but with a more reasonable attitude on the part of Government departments, the promising outlook for our factory-produced products, and the enormous potential demand for our services in the field of building and civil engineering, I hope to be able to present a more favourable report at our next annual general meeting.

The directors, after their customary cautious scrutiny of the accounts, feel that this is a time when the reserves which were built up before the war should be used to assist in keeping the financial structure of the concern on sound lines ready for the reconstruction years ahead, a policy which, I am certain, will have the concurrence of every shareholder. The directors propose that instead of paying 8 per cent. to 10 per cent. this year, as we have done in recent years, the dividend shall be 5 per cent., which makes an average of 5.8 per cent. per annum since the formation of this company.

No building concern is better equipped with new methods and materials for the building industry than we are. It is our intention to keep the lead, which we have achieved and which we feel will result in great benefit accruing to all associated with the company in the years ahead.

The report and statement of accounts were adopted.

(Continued from page 52)

## Company Results

## Lancashire Cotton Corporation.—Spinning and manufacture.

|                              | Years ended October 31st. |           |           |
|------------------------------|---------------------------|-----------|-----------|
|                              | 1941                      | 1942      | 1943      |
| Profit after tax, etc.       | 683,667                   | 584,990   | 659,073   |
| Total profit                 | 713,752                   | 619,140   | 696,532   |
| Fees                         | 3,775                     | 3,483     | 3,422     |
| Debiture service             | 90,000                    | 90,313    | 90,328    |
| Depreciation                 | 216,989                   | 225,000   | 325,000   |
| Preference dividend (gross)† | 68,417                    | 56,872    | 32,751    |
| Earned for Ordinary          | 334,571                   | 243,472   | 245,031   |
| Paid on ordinary             | 125,666                   | 142,983   | 179,166   |
| Earned %                     | 32.4                      | 18.0      | 13.0      |
| Paid %                       | 7½                        | 7½        | 7½        |
| General Reserve              | 200,000                   | 100,000   | 100,000   |
| Carry Forward                | 211,929                   | 212,418   | 178,283   |
| Net fixed assets             | 3,532,802                 | 3,427,435 | 3,290,560 |
| Net liquid assets            | 2,315,851                 | 2,920,561 | 3,328,645 |
| Income tax reserve           | 201,465                   | 298,507   | 400,000   |
| General reserve              | 650,000                   | 1,047,750 | 1,147,750 |
| Stocks in hand               | 719,878                   | 1,807,244 | 1,995,782 |

† Includes £100,000 to deferred repairs.

‡ Includes £297,750 undisclosed reserves of earlier years no longer required.

§ Preference capital of £113,336 converted into ordinary of equal amount over two years.

The £1 ordinary stocks units at 35s. 3d., ex dividend, yield just over £4 5s. per cent.

## Turner and Newall.—Asbestos goods, etc.

|                            | Years to September 30, |            |            |
|----------------------------|------------------------|------------|------------|
|                            | 1941                   | 1942       | 1943       |
| Parent Company             |                        |            |            |
| Profit                     | 2,545,721              | 2,407,550  | 2,710,801  |
| Depreciation               | 188,908                | 188,196    | 199,211    |
| Taxation                   | 1,847,762              | 1,686,218  | 1,955,667  |
| Fees and welfare fund      | 12,579                 | 12,296     | 12,631     |
| Preference dividend (net)  | 52,655                 | 52,655     | 55,604     |
| Ordinary stock:—           |                        |            |            |
| Earned (net)               | 443,817                | 468,185    | 487,688    |
| Paid (net)                 | 350,143                | 354,934    | 366,671    |
| Earned %                   | 15.0                   | 16.0       | 16.0       |
| Paid %                     | 12½                    | 12½        | 12½        |
| General Reserve            | 100,000                | 100,000    | 100,000    |
| Carry forward              | 65,189                 | 78,440     | 99,457     |
| Consolidated Balance Sheet |                        |            |            |
| Net fixed assets           | 5,398,492              | 5,082,981  | 4,847,366  |
| Net inter-company items*   | 110,929                | 128,737    | 164,061    |
| Net liquid assets          | 4,800,155              | 5,298,914  | 5,770,562  |
| Gross liquid assets        | 10,609,626             | 12,301,182 | 13,506,622 |

\* This item refers to companies in which the parent company holds less than 75 per cent. of the issued share company; when more than 75 per cent. is held the company in question appears in the consolidated balance sheet.

† Including dividends from subsidiaries. This figure is reached after deducting managerial and other expenses.

‡ Including E.P.T. and N.D.C. of subsidiaries, but not their income tax, which is deducted before the gross profit figure is reached.

The £1 units of ordinary stock at 78s. 9d., ex dividend, yield £3 3s. 6d. per cent.



# RECORDS and STATISTICS

## INVESTMENT

### Stock Exchanges: London

#### "FINANCIAL NEWS" INDICES

| 1944         | Total<br>Bargains<br>in S.E.<br>List | Corres.<br>Day<br>1943 | Security Indices   |                   |
|--------------|--------------------------------------|------------------------|--------------------|-------------------|
|              |                                      |                        | 30 Ord.<br>shares* | 20 Fixed<br>Int.† |
| 1943         |                                      |                        |                    |                   |
| Dec. 30..... | 3,842                                | 1942<br>4,004          | 1943<br>103-0      | 1943<br>134-0     |
| " 31.....    | 3,873                                | Closed                 | 103-1              | 134-1             |
| 1944         |                                      |                        |                    |                   |
| Jan. 3.....  | 5,290                                | 1943<br>7,205          | 1944<br>103-2      | 1944<br>134-0     |
| " 4.....     | 4,911                                | 6,147                  | 103-3              | 134-1             |
| " 5.....     | 4,972                                | 6,353                  | 103-3              | 134-2             |

\* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1943: highest, 106.1 (Oct. 1); lowest, 94.1 (Jan. 4). 20 Fixed Int., 1943: highest, 136.8 (Jan. 22); lowest, 133.1 (Sept. 8).

## New York

### STANDARD STATISTICS INDICES

#### DAILY AVERAGE OF 50 COMMON STOCKS

| 1943         | Average | Transactions | 1943         | Average | Transactions |
|--------------|---------|--------------|--------------|---------|--------------|
| Dec. 16..... | 114.2   | 761,000      | Dec. 23..... | 115.0   | 580,000      |
| " 17.....    | 114.6   | 875,000      | " 24.....    | 115.1   | 512,000      |
| " 18.....    | 115.1   | 483,000†     | " 27.....    | 115.0   | 651,000      |
| " 20.....    | 115.5   | 855,000      | " 28.....    | 114.1   | 922,000      |
| " 21.....    | 115.2   | 656,000      | " 29.....    | 113.8   | 997,000      |
| " 22.....    | 115.0   | 564,000      |              |         |              |

1943: High, 125.4 (July 14); Low, 99.3 (Jan. 2). † Two-hour session.

#### (WEEKLY AVERAGES) (1935-36=100)

|                     | 1943       | Dec. 15, 1943 | Dec. 22, 1943 | Dec. 29, 1943 |
|---------------------|------------|---------------|---------------|---------------|
|                     | Low Jan. 6 | High July 13  |               |               |
| 37 Industrials..... | 81.1       | 133.5         | 94.0          | 93.7          |
| 32 Rails.....       | 72.6       | 99.9          | 86.0          | 85.7          |
| 40 Utilities.....   | 67.9       | 89.6          | 84.7          | 85.3          |
| 419 Stocks.....     | 78.5       | 100.9         | 92.0          | 91.9          |
| Av. yield %.....    | 5.36       | 4.35          | 4.86          | 4.85          |

\* Common Stocks. (a) Aug. 25.

## Capital Issues

| Week ending<br>January 8, 1944 | Nominal<br>Capital<br>£ | Con-<br>versions<br>£ | New<br>Money<br>£ |
|--------------------------------|-------------------------|-----------------------|-------------------|
|--------------------------------|-------------------------|-----------------------|-------------------|

Particulars of Government issues appear on page 57.

| Year† | U.K. | Brit. Enp.<br>ex. U.K. | Foreign<br>Countries | Deb. | Ord. |
|-------|------|------------------------|----------------------|------|------|
|-------|------|------------------------|----------------------|------|------|

1943..... 1,600,515,516 2,668,427 638,577 1,591,863,555 2,247,701 9,711,364

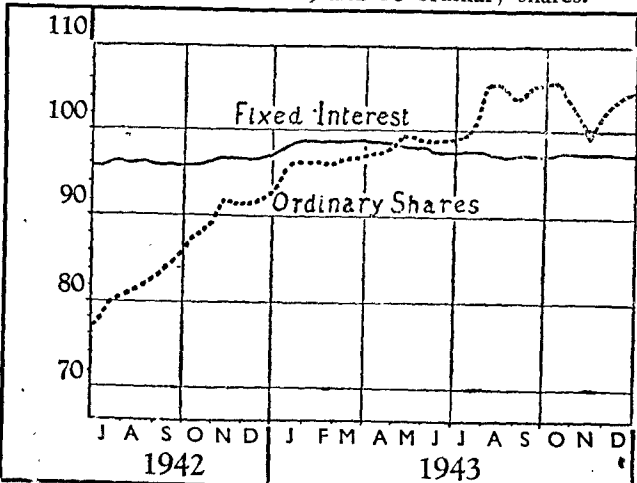
| Year† | U.K. | Brit. Enp.<br>ex. U.K. | Foreign<br>Countries | Deb. | Ord. |
|-------|------|------------------------|----------------------|------|------|
|-------|------|------------------------|----------------------|------|------|

1942..... 1,467,210,192 774,210 78,315 1,459,803,716 1,128,112 7,068,895

\* Conversions Excluded. † Includes Government issues to December 28, 1943, only. Above figures include all new capital in which permission to deal has been granted.

## FIXED INTEREST AND EQUITY SECURITY MOVEMENTS (July 1, 1935=100)

Financial News Indices of 20 fixed-interest securities (converted to new base) and 30 ordinary shares.



## A YEAR'S CAPITAL ISSUES

The following tables give yearly figures for capital issues, on both "new" and "old" bases, with the usual comparisons.

TABLE I—TOTAL BORROWING (MILLION £)

| Calendar Years | British    | Others            | Total Home | Empire  | Foreign | Total Issues | Indices |
|----------------|------------|-------------------|------------|---------|---------|--------------|---------|
|                | Government | Home Corporations |            |         |         |              |         |
| 1928.....      | 88.9       | 14.9              | 164.8      | 263.6   | 63.2    | 423.3        | 369.1   |
| 1941.....      | 1,497.5    | Nil               | 0.4        | 1,497.9 | 2.9     | Nil          | 1,509.8 |
| 1942.....      | 1,457.1    | Nil               | 0.3        | 1,457.4 | 0.4     | Nil          | 1,457.8 |
| 1943.....      | 1,585.3    | Nil               | 1.8        | 1,587.1 | 1.5     | 0.1          | 1,589.7 |

Including "Permission to Deal" (New Basis)

|           |         |      |       |         |      |     |         |
|-----------|---------|------|-------|---------|------|-----|---------|
| 1935..... | 88.9    | 54.9 | 183.9 | 226.8   | 29.3 | 1.2 | 357.3   |
| 1941..... | 1,497.5 | Nil  | 0.4   | 1,497.9 | 2.9  | 0.1 | 1,509.8 |
| 1942..... | 1,457.1 | Nil  | 0.3   | 1,457.4 | 0.4  | 0.1 | 1,457.8 |
| 1943..... | 1,585.3 | 1.7  | 12.5  | 1,600.5 | 2.7  | 0.5 | 1,603.8 |

\* Including County and Public Board Loans.

TABLE II—COMPANY ISSUES (MILLION £)

| Calendar Years   | Old Basis |      |      |      | New Basis |      |      |      |
|------------------|-----------|------|------|------|-----------|------|------|------|
|                  | 1940      | 1941 | 1942 | 1943 | 1940      | 1941 | 1942 | 1943 |
| Debentures ..... | Nil       | 1.5  | Nil  | Nil  | 1.3       | 2.0  | 2.8  | 5.6  |
| Preference ..... | 0.3       | 0.1  | 0.1  | 0.1  | 1.9       | 0.6  | 1.1  | 2.2  |
| Ordinary .....   | 1.2       | 3.0  | 3.1  | 2.8  | 14.7      | 10.8 | 7.1  | 9.7  |
| Total .....      | 1.5       | 4.6  | 3.2  | 2.9  | 17.9      | 13.4 | 11.0 | 17.5 |

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

|                                               | Whole Year<br>(Old Basis) |               | Whole Year<br>(New Basis) |               |
|-----------------------------------------------|---------------------------|---------------|---------------------------|---------------|
|                                               | 1942                      | 1943          | 1942                      | 1943          |
| British Govt. Loans.....                      | 1,457,057,000             | 1,586,331,000 | 1,457,057,000             | 1,586,331,000 |
| Foreign Govt. Loans.....                      | Nil                       | Nil           | 6,500                     | Nil           |
| Corporation, County<br>and Public Boards..... | Nil                       | Nil           | 1,960,000                 | 1,717,000     |
| Foreign Railways ...                          | Nil                       | Nil           | 10,500                    | Nil           |
| Mines.....                                    | Nil                       | 49,700        | 163,000                   | 607,800       |
| Breweries.....                                | Nil                       | Nil           | Nil                       | 507,200       |
| Motors, etc.....                              | Nil                       | 225,000       | Nil                       | 764,200       |
| Explorn., Fin'cial, &c.                       | Nil                       | Nil           | 49,400                    | 299,800       |
| Estate and Land.....                          | Nil                       | 330,000       | 210,000                   | 346,600       |
| Oil.....                                      | Nil                       | Nil           | 104,300                   | Nil           |
| Iron, Coal, Steel, etc.                       | Nil                       | 260,500       | 2,409,400                 | 4,433,500     |
| Stores and Trading..                          | Nil                       | Nil           | 178,300                   | 465,100       |
| Rubber.....                                   | Nil                       | Nil           | Nil                       | 32,800        |
| Electric Light, Power<br>and Telegraph.....   | Nil                       | Nil           | Nil                       | 1,537,200     |
| Gas and Water.....                            | Nil                       | Nil           | 751,100                   | 120,000       |
| Tramways and Buses                            | 50,000                    | Nil           | 103,100                   | Nil           |
| Shipping.....                                 | Nil                       | Nil           | 1,581,100                 | Nil           |
| Manufg. and Misc....                          | 646,900                   | 1,364,900     | 2,607,000                 | 5,377,800     |
| Total.....                                    | 1,457,753,900             | 1,588,561,100 | 1,467,195,700             | 1,602,540,000 |

## FINANCE AND BANKING

**THE MONEY MARKET.**—The transition from credit scarcity to abundance over the turn of the year 1943 into 1944 has been as marked as usual. Although credit has been absorbed in large quantities by official open market sales of bills, the market has this week been glutted with funds, and all the banks have been keen buyers of bills. The banks had to pay £80,000,000 against Treasury deposit receipts this week, of which about £40,000,000 represented new money. The process of rebuilding the discount market's somewhat depleted bill holding was helped this week both by official resales (discussed in a note on page 48) and by the 41 per cent. allotment which the market obtained at last week's Treasury bill tender. The easing of the credit position has been helped by the return of notes from circulation, this week's Bank return showing a net reflux of nearly £5 millions.

**MONEY RATES, LONDON.**—The following rates remained unchanged between Dec. 31st and Jan. 6th:—

Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days, 1½%; 3 months, 1½%; 4 months, 1½-1¾%; 6 months 1½-1¾%. Treasury Bills: 2 months, 1-1½%; 3 months, 1-1½%. Day-to-day money, 1-1½%. Short Loans, 1-1½%. Bank deposit rates ½%. Discount deposit at call ½%; at notice ¾%.

**Exchange Rates.**—The following rates fixed by the Bank of England remained unchanged between Dec. 31st and Jan. 6th. (Figures in brackets are par of exchange.)

(Continued on page 59)

## GOVERNMENT RETURNS

For the 13 days ended Dec. 31, 1943, total ordinary revenue was £95,337,000, against ordinary expenditure of £170,025,000, and issues to sinking funds of £455,000. Thus, including sinking fund allocations of £9,995,735, the deficit accrued since April 1st is £2,398,808,000 against £2,297,689,000 for the corresponding period a year ago.

## ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

| Revenue                                 | Estimate 1943-44 | April 1 to Dec. 31, 1942 | April 1 to Dec. 31, 1943 | 12 Days ended Dec. 31, 1942 | 13 Days ended Dec. 31, 1943 |
|-----------------------------------------|------------------|--------------------------|--------------------------|-----------------------------|-----------------------------|
| ORDINARY REVENUE                        |                  |                          |                          |                             |                             |
| Income Tax.....                         | 117,500          | 407,513                  | 514,184                  | 30,535                      | 40,996                      |
| Corporation Tax.....                    | 80,000           | 21,239                   | 20,352                   | 1,435                       | 922                         |
| Stamp Duties, etc.....                  | 100,000          | 68,872                   | 71,876                   | 3,932                       | 1,980                       |
| Stamps.....                             | 17,000           | 10,470                   | 13,740                   | 1,300                       | 1,520                       |
| N.D.C.....                              | 20,485           | 22,978                   | 22,978                   | 637                         | 839                         |
| E.P.T.....                              | 500,000          | 253,030                  | 355,819                  | 10,558                      | 6,690                       |
| Other Ind. Rev.....                     | 1,000            | 320                      | 248                      | ...                         | 10                          |
| Total Ind. Rev.....                     | 1,873,000        | 781,929                  | 999,197                  | 48,397                      | 52,956                      |
| Excise.....                             | 525,320          | 343,429                  | 407,261                  | 10,360                      | 14,764                      |
| Excise.....                             | 450,180          | 317,100                  | 358,395                  | 18,400                      | 23,190                      |
| Total Customs & Excise.....             | 975,500          | 660,529                  | 765,656                  | 28,760                      | 37,954                      |
| Motor Duties.....                       | 25,000           | 6,497                    | 5,460                    | ...                         | 207                         |
| Canadian Govt. Contribution.....        | ...              | 224,719                  | ...                      | 4,735                       | ...                         |
| P.O. (Net Receipts).....                | 400              | 9,750                    | Dr 650                   | ...                         | ...                         |
| Wireless Licences.....                  | 4,700            | 3,090                    | 3,190                    | 480                         | 500                         |
| Crown Lands.....                        | 800              | 720                      | 730                      | 40                          | 20                          |
| Receipts from Sundry Loans.....         | 4,100            | 2,457                    | 4,541                    | 21                          | ...                         |
| Miscell. Receipts.....                  | 24,000           | 76,906                   | 58,590                   | 1,065                       | 3,701                       |
| Total Ord. Rev.....                     | 2,907,500        | 1,766,598                | 1,837,384                | 82,847                      | 95,337                      |
| SELF-BALANCING P.O. & Broadcasting..... | 110,632          | 79,400                   | 82,300                   | 4,300                       | 4,050                       |
| Total.....                              | 3,018,132        | 1,845,998                | 1,919,684                | 87,147                      | 99,387                      |

| Expenditure                             | Estimate 1943-44 | April 1 to Dec. 31, 1942 | April 1 to Dec. 31, 1943 | 12 Days ended Dec. 31, 1942 | 13 Days ended Dec. 31, 1943 |
|-----------------------------------------|------------------|--------------------------|--------------------------|-----------------------------|-----------------------------|
| ORDINARY EXPENDITURE                    |                  |                          |                          |                             |                             |
| Int. & Man. of Nat. Debt.....           | 375,000          | 254,322                  | 283,449                  | 2,004                       | 2,326                       |
| Payments to N. Ireland.....             | 9,500            | 5,606                    | 5,336                    | 240                         | 332                         |
| Other Cons. Fund Services.....          | 7,500            | 4,494                    | 4,302                    | 458                         | 445                         |
| Total.....                              | 392,000          | 264,422                  | 293,088                  | 2,702                       | 3,104                       |
| Supply Services.....                    | 536,675          | 379,109                  | 393,088                  | 18,061                      | 16,692                      |
| Total Ord. Exp.....                     | 578,675          | 405,541                  | 426,176                  | 18,332                      | 17,002                      |
| SELF-BALANCING P.O. & Broadcasting..... | 110,632          | 79,400                   | 82,300                   | 4,300                       | 4,050                       |
| Total.....                              | 589,307          | 484,941                  | 508,476                  | 22,632                      | 21,052                      |

A change has been made in the method of showing an excess of Post Office Expenditure over Post Office Revenue. Such excess is now included as ordinary expenditure (under "Total Supply Services") instead of being shown, as up to July 24 inclusive, as a deduction from ordinary revenue.

After increasing Exchequer balances by £240,846 to £3,029,227, the other operations for the week (no longer shown separately) raised the gross National Debt by £75,316,993 to £19,246 million.

| NET ISSUES (£ thousands)       |       |
|--------------------------------|-------|
| P.O. and Telegraph.....        | 350   |
| War Damage Act.....            | 1,748 |
| Overseas Trade Guarantees..... | 36    |
| Total.....                     | 2,134 |

| NET RECEIPTS (£ thousands) |       |
|----------------------------|-------|
| P.O. and Telegraph.....    | 2,200 |

## MONTH'S CHANGES IN DEBT

| NET INCREASES (£ thousands)      | NET REPAYMENTS (£ thousands) |
|----------------------------------|------------------------------|
| Treasury Bills.....              | 35,831                       |
| Nat. Sav. Certs.....             | 13,650                       |
| 3% Def. Bonds.....               | 5,841                        |
| 2½% Nat. War Bonds, 1951-53..... | 1                            |
| 2½% Nat. War Bonds, 1952-54..... | 37,300                       |
| 3% Sav. Bonds, 1960-70.....      | 20,115                       |
| Other Debt.....                  | 3,627                        |
| Internal.....                    | 41,585                       |
| Ways and Means Advances.....     | 110,000                      |
| Treasury Depts. by Banks.....    | 36,488                       |
| Tax Res. Certs.....              | 304,438                      |
| Total.....                       | 2,403                        |

## FLOATING DEBT

| Date         | Treasury Bills | Ways and Means Advances | Treasury Deposits by Banks | Total Floating Debt |
|--------------|----------------|-------------------------|----------------------------|---------------------|
|              | Tender         | Public Depts.           | Bank of England            |                     |
| 1942         |                |                         |                            |                     |
| Dec. 31..... | 2833.2         | 161.6                   | 67.7                       | 966.5               |
| 1943         |                |                         |                            |                     |
| Aug. 28..... | 1170.0         | 1892.4                  | 313.2                      | 1045.0              |
| Sept. 4..... | 1170.0         | Not available           | ...                        | 4420.6              |
| " 11.....    | 1170.0         | "                       | "                          | "                   |
| " 18.....    | 1170.0         | "                       | "                          | "                   |
| " 30.....    | 3078.8         | 259.5                   | 1114.5                     | 4452.8              |
| Oct. 9.....  | 1170.0         | Not available           | "                          | "                   |
| " 16.....    | 1180.0         | "                       | "                          | "                   |
| " 23.....    | 1190.0         | "                       | "                          | "                   |
| " 30.....    | 1200.0         | 1872.3                  | 326.5                      | 1213.0              |
| Nov. 6.....  | 1210.0         | Not available           | "                          | "                   |
| " 13.....    | 1210.0         | "                       | "                          | "                   |
| " 20.....    | 1210.0         | "                       | "                          | "                   |
| " 27.....    | 1210.0         | 1868.9                  | 363.6                      | 1291.0              |
| Dec. 4.....  | 1210.0         | Not available           | "                          | "                   |
| " 11.....    | 1210.0         | "                       | "                          | "                   |
| " 18.....    | 1210.0         | "                       | "                          | "                   |
| " 25.....    | 1210.0         | "                       | "                          | "                   |
| " 31.....    | 3115.2         | 367.0                   | 65.2                       | 1401.0              |

## TREASURY BILLS

| (£ millions)   |         |             |          |                                |                                |
|----------------|---------|-------------|----------|--------------------------------|--------------------------------|
| Date of Tender | Amount  |             |          | Average Rate of Allotment<br>% | Per Cent Allotted at Min. Rate |
|                | Offered | Applied for | Allotted |                                |                                |
| 1942           |         |             |          | s.                             | d.                             |
| Dec. 31        | 75.0    | 143.5       | 75.0     | 20                             | 2.05                           |
| 1943           |         |             |          |                                |                                |
| Sept. 10       | 90.0    | 193.3       | 90.0     | 20                             | 2.57                           |
| " 17           | 90.0    | 183.6       | 90.0     | 19                             | 11.10                          |
| " 24           | 90.0    | 188.8       | 90.0     | 19                             | 10.97                          |
| Oct. 1         | 90.0    | 190.2       | 90.0     | 19                             | 11.98                          |
| " 8            | 100.0   | 199.8       | 100.0    | 20                             | 0.36                           |
| " 15           | 100.0   | 196.3       | 100.0    | 19                             | 11.95                          |
| " 22           | 100.0   | 181.8       | 100.0    | 20                             | 0.62                           |
| " 29           | 100.0   | 193.4       | 100.0    | 20                             | 0.48                           |
| Nov. 5         | 90.0    | 213.1       | 90.0     | 20                             | 0.04                           |
| " 12           | 90.0    | 197.5       | 90.0     | 20                             | 0.29                           |
| " 19           | 90.0    | 190.4       | 90.0     | 20                             | 0.23                           |
| " 26           | 90.0    | 197.1       | 90.0     | 20                             | 2.93                           |
| Dec. 3         | 90.0    | 201.0       | 90.0     | 20                             | 2.19                           |
| " 10           | 90.0    | 197.2       | 90.0     | 20                             | 2.54                           |
| " 17           | 90.0    | 198.2       | 90.0     | 21                             | 1.68                           |
| " 24           | 90.0    | 183.2       | 90.0     | 20                             | 2.10                           |
| " 31           | 90.0    | 217.0       | 90.0     | 19                             | 10.83                          |

## RESERVE BANK OF INDIA

Million rupees

|                          | Dec.<br>18,<br>1942 | Nov.<br>26,<br>1943 | Dec.<br>3,<br>1943 | Dec.<br>10,<br>1943 | Dec.<br>17,<br>1943 |
|--------------------------|---------------------|---------------------|--------------------|---------------------|---------------------|
| <b>ASSETS</b>            |                     |                     |                    |                     |                     |
| Gold coin & bullion..... | 444                 | 444                 | 444                | 444                 | 444                 |
| Rupee coin.....          | 164                 | 173                 | 164                | 150                 | 144                 |
| Balances abroad.....     | 766                 | 1,640               | 1,607              | 1,307               | 1,292               |
| Sterling securities..... | 3,928               | 6,848               | 6,928              | 7,058               | 7,129               |
| Ind. Govt. rup. secs.    | 1,224               | 583                 | 583                | 583                 | 583                 |
| Investments.....         | 60                  | 76                  | 76                 | 76                  | 76                  |
| <b>LIABILITIES</b>       |                     |                     |                    |                     |                     |
| Notes in circ. : India   | 5,632               | 7,944               | 8,044              | 8,156               | 8,206               |
| Burma.....               | .....               | .....               | .....              | .....               | .....               |
| Deposits : Govt.....     | 265                 | 731                 | 574                | 281                 | 257                 |
| Banks.....               | 509                 | 841                 | 944                | 960                 | 983                 |
| Reserve ratio.....       | 75-9%               | 90-6%               | 90-8%              | 91-10               | 91-3%               |

**CENTRAL BANK OF ARGENTINA**  
**Million paper pesos**

|                               | Oct.<br>31,<br>1942 | Sept.<br>30,<br>1943 | Oct.<br>15,<br>1943 | Oct.<br>31,<br>1943 |
|-------------------------------|---------------------|----------------------|---------------------|---------------------|
| <b>ASSETS</b>                 |                     |                      |                     |                     |
| Gold at home . . . . .        | 1,075               | 1,073                | 1,073               | 1,073               |
| Other gold and for. exch. . . | 798                 | 1,507                | 1,965               | 2,010               |
| Non-int. Govt. bonds. . . .   | 11                  | 106                  | 106                 | 108                 |
| Treasury bonds . . . . .      | 392                 | 391                  | 391                 | 391                 |
| <b>LIABILITIES</b>            |                     |                      |                     |                     |
| Notes in circulation . . . .  | 1,520               | 1,728                | 1,732               | 1,779               |
| Deposits: Government . . .    | 45                  | 732                  | 630                 | 510                 |
| Banks . . . . .               | 793                 | 848                  | 938                 | 1,033               |
| Certs. of participation . . . | 26                  | 15                   | 13                  | 10                  |
| Reserve ratio . . . . .       | 78.8%               | 85.0%                | 86.9%               | 87.9%               |

United States. \$ (4-88½) 4-02½-03½; mail transfers 4-02½-03½. Canada. \$ (4-86½) 4-43-47; mail transfers 4-43-47½. Switzerland. Francs (25-22½) 17-30-40. Sweden. Krona (18-159) T.T. 16-85-95. Dutch West Indies. Florin (19-11) 7-58-62. Portugal. Escudos (110) 99-80-100-20; mail transfers 99-80-100-30. Panama. \$4-02-04; mail transfers 4-02-04½. Brazil. 83-64½ cr. (buying). Uruguay. 7-6597 p. (buying).

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

*Market Rates.*—The following rates remained unchanged between Dec. 31st and Jan. 6th.

**Egypt.** Piastres (97½) 97½-8. **India.** Rupee (18d. per rupee) 17½-18½d.  
**Belgian Congo.** Francs 176-4. **China.** National \$3.31 1920. Pl. 128-130

*Special Accounts* are in force for Chile, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London. Rate for payment into Argentine special account: 16.03 pesos.

**Forward Rates.**—Forward rates for one month have remained unchanged as follows: **United States.**  $\frac{1}{2}$  cent pm.-par. **Canada.**  $\frac{1}{2}$  cent pm.-par. **Switzerland.** 3 cents pm.-par. **Sweden.** 3 ore pm.-par.

## INDUSTRY AND TRADE

| New York on    | Dec.<br>29 | Dec.<br>30 | Dec.<br>31 | Jan.<br>1 | Jan.<br>3 | Jan.<br>4 | Jan.<br>5 |
|----------------|------------|------------|------------|-----------|-----------|-----------|-----------|
| Cables :—      | Cents      | Cents      | Cents      | Cents     | Cents     | Cents     | Cents     |
| London.....    | 402½       | 402½       | 402½       | 402½      | 402½      | 402½      | 402½      |
| Montreal.....  | 89-875     | 89-625     | 89-625     | 89-91     | 89-750    | 89-750    | 89-750    |
| Hamburg.....   | 43-25      | 43-25      | 42-50      | 41-25     | 41-00     | 40-40     | 40-40     |
| S. Aires.....  | 25-10*     | 25-10*     | 25-12*     | 25-12*    | 25-08*    | 25-08*    | 25-08*    |
| Sao Paulo..... | 5-16       | 5-16       | 5-16       | 5-16      | 5-16      | 5-16      | 5-16      |
| London.....    | 4-10       | 4-10       | 4-10       | 4-10      | 4-10      | 4-10      | 4-10      |
| London.....    | 9-25       | 9-25       | 9-25       | 9-20      | 9-20      | 9-20      | 9-20      |
| London.....    | 23-86      | 23-86      | 23-96      | 23-86     | 23-86     | 23-86     | 23-86     |

| * Official buying rate 29.78. | † Free rate. | § Bid |
|-------------------------------|--------------|-------|
|-------------------------------|--------------|-------|

### FINANCING EXPENDITURE

The following table summarises the Exchequer returns to date (December 31st) and shows the respective shares of revenue and throwing in meeting expenditure:—

|                             |                   |                              |                   |
|-----------------------------|-------------------|------------------------------|-------------------|
|                             | £000              |                              |                   |
| Ordinary expenditure ..     | 4,226,176         | Total ordinary revenue ..... | 1,837,364         |
| Banking Funds .....         | 9,996             | Loans raised :—              |                   |
| Loans repaid :—             |                   | 3% Def. Bonds (net) .....    | 88,012            |
| “ Other debt ” external ... | 4,803             | 3% Savings Bonds 1960-70 ..  | 308,113           |
| Increase in balances .....  | 153               | 2½% Nat. War Bds. 1949-51 .. | 9                 |
|                             |                   | 2½% Nat. War Bds. 1951-53 .. | 322,661           |
|                             |                   | 2½% Nat. War Bds. 1952-54 .. | 176,950           |
|                             |                   | 3% Terminable Annuity ..     | 238,542           |
|                             |                   | Nat. Savings Certs. (net) .. | 198,860           |
|                             |                   | Tax Reserve Certs. (net) ..  | 203,394           |
|                             |                   | “ Other debt,” internal .... | 8,155             |
|                             |                   | Treasury Deposits .....      | 432,000           |
|                             |                   | Floating debt (net) :—       |                   |
|                             |                   | Treasury Bills .....         | 276,050           |
|                             |                   | Bank of England Adv. ....    | 58,750            |
|                             |                   | Public Dept. Adv. ....       | 84,465            |
|                             |                   | Miscellaneous receipts ..... | 7,862             |
|                             | <u>£4,241,128</u> |                              | <u>£4,241,128</u> |

|                                                    | Average price per lb. at |                 |                 | Per Cent.<br>Increase<br>since<br>Sept. 1,<br>1939 |
|----------------------------------------------------|--------------------------|-----------------|-----------------|----------------------------------------------------|
|                                                    | Sept. 1,<br>1939         | Nov. 1,<br>1943 | Dec. 1,<br>1943 |                                                    |
| Beef, British—                                     | s. d.                    | s. d.           | s. d.           |                                                    |
| Ribs .....                                         | 1 2½                     | 1 3½            | 1 3½            | 11                                                 |
| Thin Flank .....                                   | 0 7½                     | 0 9½            | 0 9½            | 27                                                 |
| Beef, chilled or frozen—                           |                          |                 |                 |                                                    |
| Ribs .....                                         | 0 9½                     | 1 1             | 1 1             | 25                                                 |
| Thin Flank .....                                   | 0 4½                     | 0 6             | 0 6             | 23                                                 |
| Mutton, British—                                   |                          |                 |                 |                                                    |
| Legs .....                                         | 1 3½                     | 1 5½            | 1 5½            | 13                                                 |
| Breast .....                                       | 0 7½                     | 0 8             | 0 8             | 8                                                  |
| Mutton, frozen—                                    |                          |                 |                 |                                                    |
| Legs .....                                         | 0 10½                    | 1 0             | 1 0             | 16                                                 |
| Breast .....                                       | 0 4                      | 0 4             | 0 4             | ....                                               |
| Bacon .....                                        | 1 3                      | 1 10½           | 1 10½           | 60                                                 |
| Fish .....                                         | ....                     | ....            | ....            | 26                                                 |
| Flour (per 7 lb.) .....                            | 0 11½                    | 1 2½            | 1 2½            | 28                                                 |
| Bread (per 4 lb.) .....                            | 0 8½                     | 0 9             | 0 9             | 9                                                  |
| Tea .....                                          | 2 4                      | 2 10            | 2 10            | 27                                                 |
| Sugar (gran.) .....                                | 0 3                      | 0 4             | 0 4             | 32                                                 |
| Milk (per qt.) .....                               | 0 6½                     | 0 9             | 0 9             | 33                                                 |
| Butter { fresh .....                               | 1 4½                     | 1 8             | 1 8             | { 21                                               |
| { salt .....                                       | 1 3½                     |                 |                 |                                                    |
| Cheese .....                                       | 0 10                     | 1 1             | 1 1             | 30                                                 |
| Margarine, special .....                           | { 0 6½                   | 0 9             | 0 9             | { 12                                               |
| " standard .....                                   |                          | 0 5             | 0 5             |                                                    |
| Eggs, fresh (each) .....                           | { 0 1½                   | 0 1½            | 0 1½            | { 1                                                |
| Potatoes (per 7 lb.) .....                         | { 0 2                    | 0 2             | 0 2             |                                                    |
|                                                    | 0 6½                     | 0 7             | 0 6½            | 6                                                  |
| Index all foods weighted<br>(July, 1914=100) ..... | 138                      | 168             | 168             | 22                                                 |

Source : Ministry of Labour Gazette

Source : Ministry of Labour Gazette

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

|                            | Mar.<br>31,<br>1937* | Aug.<br>30,<br>1939 | Dec.<br>29,<br>1942 | Dec.<br>7,<br>1943 | Dec.<br>28,<br>1943 |
|----------------------------|----------------------|---------------------|---------------------|--------------------|---------------------|
| Cereals and Meat .....     | 93·0                 | 66·9                | 108 0               | 107·8              | 108·1               |
| Other Foods .....          | 70·4                 | 61·1                | 104 4               | 107·3              | 107·3               |
| Textiles .....             | 74·2                 | 54·3                | 92 3                | 91·9               | 91·9                |
| Minerals .....             | 113·2                | 95·4                | 137 2               | 135·9              | 135·9               |
| Miscellaneous .....        | 87·0                 | 77·6                | 123 8               | 127·2              | 127·2               |
| <b>Complete Index.....</b> | <b>87·2</b>          | <b>70·3</b>         | <b>112·7</b>        | <b>113·6</b>       | <b>113·7</b>        |
| <i>1913 = 100 .....</i>    | <i>119·9</i>         | <i>90·8</i>         | <i>155·0</i>        | <i>156·3</i>       | <i>156·5</i>        |

\* Highest level reached during 1932-37 recovery.

**"The Economist" Sensitive Price Index.**—Between December 31, 1943, and January 3, 1944, the complete index rose from 149.7 (1935=100) to 151.0; the index for crops remained unchanged at 122.9, but that for raw materials rose from 182.3 to 185.6. Since January 3rd the indices have remained unchanged.

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

\* This sum is in addition to the sums credited to Miscellaneous Revenue and represents the excess (if any) of the total receipts over the amounts paid out of the Vote of Credit to meet expenditure under the Act.

*Treasury, December 31, 1943.*



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

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47, Threadneedle Street, E.C.2, 1st January, 1944.

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# THE ECONOMIST

ESTABLISHED 1843

Vol. CXLVI No. 5238

REGISTERED AS  
A NEWSPAPER

JANUARY 15, 1944

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

Church and School - - - 61

Saving Canada's Bacon - - 74

Advance on the Steppes - - 63

German Housing Crisis - - 76

Trade and Employment - - 64

Cinema Prospects - - - 78

NOTES OF THE WEEK - - - 66

THE BUSINESS WORLD

BUSINESS NOTES - - - 79

The Russian Offer; The Polish Reply; Farmers in Arms; Skipton: Swallow or Spring?; Members' Choice; Business for Parliament; An Unmended Breach; Arab Unity; Industrial Assurance Defended; Nor Any Drop to Drink; Water, Water Everywhere; German-Swedish Trade Agreement; Ciano's Execution; Amery on India; Colonial Regionalism in Practice; Labour's Food Policy; Contradicting the Contradictions; Shorter Note.

AMERICAN SURVEY - - - 71

A Win-the-War Deal; National Service de Luxe; Weapons for Victory; Tu Quoque; The Favourite Son; Drop; Crusade Against Monopoly; Shorter Notes.

THE WORLD OVERSEAS - - - 74

Saving Canada's Bacon; Swiss Agriculture; Germany at War.

COMPANY MEETINGS - - - 87

RECORDS AND STATISTICS - - - 88

THE ECONOMIST, BRETTENHAM HOUSE, LANCASTER PLACE, LONDON, W.C.2. TELE. TEMPLE BAR 3316. ANNUAL SUBSCRIPTION £3.

## Church and School

FEW measures have been so widely or so warmly welcomed as Mr Butler's Education Bill. Opposition comes from two quarters. From one, where the Bill is criticised for being too vague in timetable, too costly in terms of local rates and unbacked yet by decisions on the raising of teachers or the subjects to be taught, the criticism will speed the Bill on its way. From the other quarter, the Roman Catholics, who stand in solitary and impending hostility to the proposed place of religious education in the new system of national schooling, the opposition may be both delaying and damaging.

Formally, the Roman Catholics, through their Bishops, while approving many of its reforms in educational method and organisation, have refused to accept the Bill as it stands in any circumstances. Ever since the state began to build a state structure of education, first, by public aid to voluntary church school societies, nearly a century ago, and then in 1870 by starting secular schools to fill in gaps left in the system of schooling provided by voluntary bodies; the place of schools run by religious bodies, still a majority of the total, has been a stumbling block. Every important Education Bill has been threatened with shipwreck by the churches or the chapels or both. But, this time, the Butler Bill is generally regarded by the non-Catholic denominations, Anglican and Nonconformist, as extremely generous. Only the Roman Catholics stand apart.

What does the Butler Bill propose in this matter? It

proposes, first, that the school day shall begin with "a corporate act of worship," whether the school be lay or religious; secondly, that there shall be religious instruction in lay schools on the basis of an agreed and undenominational syllabus; and thirdly, that parents shall be able to withdraw their children from the act of worship or from the religious instruction and, if desired, send them for a specified period to receive denominational religious instruction elsewhere. It is not these provisions that have provided the actual bone of contention. Battle is being joined, instead, on the financial issue. The main trouble of national education so far, especially at the elementary stage and in rural areas, has been the poor quality of both accommodation and teaching in non-provided (that is, church) schools. The Bill aims to bring these schools into line with the proposed reforms in equipment and methods. Only in this way can the black list of sub-standard schools, mainly Anglican schools in country districts, be remedied.

If the owners of non-provided schools cannot find half of the cost of providing and maintaining the external fabric of an adequate school—this is applied in the Bill, generously, to new as well as existing schools—they will lose the right to appoint a majority of the managers or to appoint and dismiss teachers, though they will still have the right to the appointment of a limited number of "reserved" teachers, selected for their religious qualifications. Few Anglican village schools will be able to find

the money to maintain their independence of national standards; and the Anglicans, like the Nonconformists, have accepted the prospect, with the proposed guarantees for corporate worship and religious instruction.

The Roman Catholics, however, stand in a quite different position. It is supervision by a lay state over the life of the individual, particularly when exercised over the education of Catholic children, that the Catholic church chiefly resents. They demand as an article of faith, not only the right to teach the dogmas of Catholicism within the framework of state education and at the state's expense, but also the right to have other subjects taught to Catholic children against a Catholic background by Catholic teachers. Their belief is that the religious view of life affects more than just the teaching of religion itself, and that, even apart from specifically religious subjects, wholly secular education is, for Catholics, not only inadequate but wrong. The present position of Catholics is, from this point of view, most disadvantageous in the many rural areas where the only available school is Anglican, and in poor crowded urban areas where Catholics are numerous, but are lacking in funds to provide new schools at their own expense; in both, Catholic children may have to attend non-Catholic schools. The Catholic argument is that, as a substantial and sincere minority in a democratic community in which universal free education is provided, they have the right to ask the state to bear the whole cost of instituting sufficient Catholic schools to provide Catholic education for all Catholic children. They contend that the state should pay as fully for church schools as for any others.

This argument is a perfectly tenable one, and if the majority were indifferent, it might be accepted. Minorities in a democracy have every right, not only to state their opinions, but also to expect that, when the majority opinion is accepted, it shall not needlessly flout minority convictions. But in this case the majority is not indifferent, and the majority's view can be flouted even less than the minority's. Concessions to the Catholic claims would rouse a storm of opposition. Whatever the general view may be about the place of religion in education, the majority is emphatically not prepared to put state-provided schools under religious control. The only compromise that has been proved workable is the established practice of giving aid to church schools under strict limitations as regards curriculum and teaching.

The Roman Catholics, in an honest attempt to escape this dilemma, have offered a number of alternative suggestions. The most important is the proposal that there should be introduced into England and Wales an adaptation of the Scottish system. In Scotland there has always been agreement between the churches that schools should be denominational; and, in substance, the state pays the full cost of denominational schools, deciding the curriculum and appointing the teachers from among those certified by the churches in respect of their religious belief. But to suggest this solution for England and Wales is to ignore the fact that there is in England (as there is not in Scotland) a large body of opinion—probably a majority, and certainly more numerous than the Catholics—which definitely and emphatically objects to the use of public funds for denominational teaching. It also ignores the fact that the Episcopal and Catholic schools in Scotland are a tiny minority of the total number of schools, while in England the non-provided schools are a majority of the whole. Furthermore, there is the fear that, under such a system, the Catholic Church would build many new schools and attract into them many more children than can now be said to be Catholic. Whether this fear is justified or not, it would give rise to sufficient opposition to reject the proposal. One of the other proposals is that state loans free of interest should be made on demand to Catholic communities wishing to build schools. This involves again the fundamental question of public provision for denominational schooling, without public control; and it would invite, inevitably, the same request from all other denominations, and widespread and vehement public protest.

These alternative proposals do not exhaust the Catholic case. If it is not possible for the state to provide in

full for religiously controlled schools, it is then unjust, they argue, that they should be called upon to pay for state schooling, in addition to the heavy expense of providing their own schools. In other words, if the state will not give them the schools they want, the Catholics ought to be allowed to contract out—that is, either to pay no taxes or rates for education or to receive back as much as they pay.

It is, to say the least, a doubtful proposition that minorities should be allowed to contract out of policies, approved by the majority, which they do not like. To take only one example, if this argument applies to the churches in the matter of education, it ought also in logic to apply to the rich who do not send their children to state schools. It would then be practically impossible to finance public education. Moreover, the argument, to be discussed at all satisfactorily, would have to be documented with facts and figures which only the Board of Education, presumably, can provide: Mr Butler might do well in the debate to produce them, to show how much Catholics now pay and how much they receive in aid to their schools and in schooling for their children. It should be emphasised, however, that the number of Catholics involved in such a balance-sheet—ratepayers and taxpayers on one side, schoolchildren on the other—must mean, not those formally registered by the church, but those whose adherence is so firm that they would feel themselves seriously aggrieved by the necessity of sending their children to any but a Catholic school.

On the face of it, without these facts and figures, it would appear that the church communities, Anglican as well as Catholic, will get back at least as much under the Butler Bill as they pay, and probably more, if only because what they receive in aid to their schools from rates and taxes will be based upon the actual number of children attending their schools, which is much greater than the number of pupils who are, themselves or through their parents, "conscientious objectors" to secular education. This is obviously true of Church of England schools, which are often the only ones available and very often have a large majority of children whose parents are either indifferent, or in some cases even actively hostile, to the denominational character of the religious teaching. The argument also applies, though not in such full measure, to the Catholic schools. Indeed, it can be argued that wherever a Catholic school contains any non-Catholic or indifferent children, there is a presumption that the Catholic community is getting back from the state a greater sum of money than is paid by those among the Catholic parents who would have a conscientious objection to any other form of education. It is—to say the least—highly probable that the Catholic community would lose, rather than gain, by being allowed to contract out.

Finally, a straight retort must be given to the complaint that the Butler Bill represents an attempt either to "take away" the church schools from the churches, or to impose upon them a new and intolerable burden. The truth is simply that the state is now to insist that all schools in receipt of aid from public funds shall be brought up to set standards. If these minimum conditions can be fulfilled, with the use of voluntary funds, the churches can keep their powers of control. The new Bill actually makes more concessions to the churches than any previous measure. Admittedly, it offers, not simply more public money, but a higher proportion of a higher total expenditure; and this will increase the commitments of church communities which wish to hold their place in the national system of schooling and at the same time remain free. But the Government's offer is being made solely to raise the standard of national schooling to a decent minimum throughout the schools. There is no ulterior motive, no wish to reduce church influence, certainly no intention to diminish the place of religion. It is above all important that this should be realised and that the issues raised by the Catholic challenge should be discussed, on both sides, fairly, reasonably, objectively and with a due sense of the importance of this Bill to the future of British democracy.

## The Insurrection of the Steppes

VON MANSTEIN'S one-day visit to Hitler at his headquarters marks the end of one of the historic periods of the war. The subject of the conference has not been revealed. It is safe to assume, however, that in the course of that brief and pregnant discussion the Fuehrer and his generals discussed the whole of the six months that have elapsed since the German offensive against Kursk broke the lull on the eastern front. A hundred and eighty thousand square miles of Russian territory, an area the size of Germany in 1933—has had to be abandoned. The defensive belt of space, which was to secure Germany's European conquests in the east, is no longer even a theory for General Dittmar. The German front, which, before the July offensive, measured 1,400 miles, was shortened by the end of September to 1,250 miles. But, on the day of Manstein's visit to headquarters, it had not only gone back another 150 miles nearer to the German border but had increased once more to a total length of 2,000 miles between Leningrad and Sebastopol.

Against these German failures have to be set the achievements of the Red Armies. In these six months they had advanced along no less than 28 main lines of operation which, added together, covered over 6,000 miles. They had fought twelve major campaigns, each ending with the Russians achieving a strategic objective and with a German withdrawal. A new Soviet campaign began as each old one ran its course. The twelve operations in 1943 can be classified as follows:

1. Opening German offensive against Kursk (July);
2. Russian counter-offensive and capture of Orel (July-August);
3. Bielgorod-Kharkov offensive (August);
4. Donetsk advance (August-September);
5. Break-through to Konotop on the Dnieper opposite Kiev (September);
6. Bryansk-Smolensk offensive (September);
7. Advance from Donetsk to Dnieper (October);
8. First Nevel-Vitebsk offensive (October);
9. Russians form Kiev bridgehead (November);
10. German counter-attack against Kiev (November-December);
11. Second Vitebsk offensive (December);
12. Third battle for the Kiev salient and Russian break-through (December-January).

Such is the German adverse balance—and the account is not closed. The real crisis, the accumulation of all these retreats, evasions and errors, has still to come.

It is once more safe to assume that it was upon this approaching climax that the attention of the conference at the Fuehrer's headquarters was focused. The situation facing the German High Command is so fantastically

unlike what it had anticipated that the psychological shock may materially affect its decisions. Time and again since the Orel offensive in July, German reports from the front have been guilty of most extraordinary forms of vain optimism. The High Command was over-confident about the power of Orel to resist; only a few days before its fall, it assured German newspapers that

Orel has become the symbol of Germany's internal strength, a symbol in which one will always see the test of the German soldiers far beyond the successes they have achieved so far.

As the German public was reading these reassuring words, Orel was stormed by the Russians. Later, the German public was assured that the Orel offensive had exhausted Russian strength for a long time to come, that the German High Command was less concerned with keeping territory intact than with the security of the areas economically important to Germany, in particular the Donetsk and the Ukraine.

The same reassuring tone appeared again when the Red Armies paused on the east bank of the Dnieper. Germans were assured that the retreat had ended and that the German front in the east would be stabilised on the Dnieper. For eight months the Todt Organisation had laboured to create this defensive "cushion." In the period between the loss of Orel and the fall of Kiev, the German armies retained their flexibility and homogeneity. They carried out their retreat with care, and saved themselves from being cut off or encircled. It would be a mistake to underrate the fighting which preceded each German withdrawal. But battles were less bloody, the sheer attrition of war less, than a year before. On both sides the quality of generalship had risen; manoeuvre, encirclement and indirect approach parried by evasive action took the place of the pitched frontal battles of earlier campaigns. The need to husband manpower won first priority on the eastern front.

For the Germans, the process of whittling down the complement of their divisions has gone on ever since the failure of their autumn offensive in the Volga in 1942. The effectives of their infantry divisions have shrunk from the normal thirteen thousand to ten and often only eight thousand. In this way the German High Command has maintained the formal total of 190 divisions on the eastern front; in practice, the total strength is at least one-fifth below what it was eighteen months ago.

Something similar, however, is also true of the Red Army units. They suffered severely in 1941 and 1942, and the winter successes of 1942-43 and last summer's advances have not been gained without loss. Soviet losses for 1942 were estimated at three to four million men, and

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those for 1941 at twice that total. On this basis, the Soviet Union up to now may have lost almost fifty per cent of the men called up, in killed, missing or disabled. It is not hard to understand the sense of urgency with which Soviet statesmen view the progress of the war. Few nations have ever made such sacrifice to ensure survival.

But modern wars are not won by human sacrifice, however imposing. What, then, has enabled the Soviet leaders to transform the war situation so dramatically?



Barely four months passed between the end of last winter's offensive and the battles for Kursk and Orel which heralded the present sensational course of the war in the east. During these months a drastic reorganisation took place throughout all sections of the Red Army. Units were regrouped, command, tactics and supply adjusted. Divisional organisation was abolished in many cases. Armoured divisions were turned into independent brigades; cavalry divisions were allotted little more personnel than normal brigades; and infantry shock units were also formed into independent brigades instead of the earlier clumsy divi-

sional organisations. This enabled corps commanders to maintain direct communication with individual brigades without the intervention of the "middlemen" of divisional commands. These reforms were applied also to the organisation of supply; the Soviet Supreme Command must have realised last winter that any deep penetration into the enemy's elastic defence could be maintained only by the freeing of the Soviet armies from the burden of a complicated organisation which made swift and deep movement, away from the main base, impossible. Like all great victories in war, the secret of Soviet success has been new methods of flexible and mobile organisation and supply.

With this new Soviet Army Marshal Stalin proposes to exploit the sixty days' campaigning that now lie ahead. The method of erupting from the Kiev salient simultaneously with six separate armies has disconcerted the German High Command. The Germans may hope that the Russians will extend themselves here, tempted on by the proximity of Warsaw, and become entangled in the deep net of German defences on the Polish River Bug. But it is unlikely that the Russians will repeat this error of 1920; already signs are pointing to a far deeper design in Soviet strategy. Just as Soviet strategy, during August and September, proceeded by means of a series of deep penetrations, which compelled the German High Command to withdraw over a wide area, so now it appears that there will be a series of offensives in the Southern Ukraine, across the Pripiet Marshes, and in the north. Each of these will bring the Soviet armies face to face with politically inflammable areas. In the south, the German armies in the Dnieper bend hold not only the river defences but also the political defences of the Balkans. Their defeat in the bend will therefore mark not only the end of the occupation of Soviet territory but also the beginning of the disintegration of the Balkans. In the north, an advance from Vitebsk would affect the entire Baltic and possibly also Finland and Norway; in the centre, the complicated Polish powder magazine has already been touched off by the thrust forward from the Kiev bridgehead. Politically, each of these offensives will bring the German leaders face to face with a gigantic police problem; militarily, it will disorganise their dispositions and lengthen their front, and so minimise their general power of resistance.

These are all likely considerations for the next sixty days. It appears that, if the Russian plans reach fruition, the Allied attack in the west may come at a moment when large areas of Nazi-dominated Europe are already in process of political as well as military disintegration. The "insurrection of the steppes," which Dr Goebbels thought he had exorcised, has become a startling reality for the German High Command.

### The Principles of Trade—III

## Trade and Employment

THE first article in this series re-stated the fundamental principles of Britain's attachment to international trade and found them, in general, as sound today as ever, but left over for later discussion two specific obstacles to an immediate return to an uncontrolled and unrestricted regime of trade. The first of these obstacles is the disequilibrium in the balances of payments of the nations that will result from the war, and of which the embarrassments of the pound sterling are only the most discussed example. The conclusion was reached that "there are no means—at least for a long time to come—of balancing the British accounts that are both orthodox and non-restrictionist. . . . The case is made out for an exploration of the alternatives [to orthodoxy]." The present article discusses the second possible obstacle. Will the concentration of public policy upon full employment, which will be imposed upon all governments by electoral pressure, require any modification of the principles of international trade?

In the main, full employment is necessarily a domestic

matter for the great majority of countries. So long as the world is divided into a number of different currency areas; so long as budgets are made, and sovereignty over the credit-creating process is exercised by national, and not international, governments; so long as the mobility of labour and capital within a country is substantially greater than mobility across frontiers or overseas—so long as these conditions are unchanged, each nation will have to have its own employment policy. This is not, of course, to say that there are no international implications or that international trade has no influence on employment conditions within a country. But the course of foreign trade is more likely to be a consequence of the state of employment in the world than its cause. Far and away the best method by which one country can assist the full employment policies of another is to be prosperous itself—provided only that the methods of securing prosperity do not reduce its purchases from the outside world. The problem, broadly speaking, is not so much to find means by which international trade can positively assist

in the attainment of full employment as to ensure that there is nothing in international trading relationships that obstructs national employment policy. What, if the matter is looked at from this angle, does full employment require of international trade?

The first and most obvious point to be made is that there is nothing contradictory between full employment and a large volume of foreign trade. Indeed, full employment is, almost by definition, incompatible with any form of restriction, and it will certainly be difficult to go far wrong if we lay down as a first principle that, just as full employment requires the fullest exploitation of all other economic resources, so it demands that the fullest advantage should be taken of the enrichment that can come from international exchange.

To this general statement, however, there is one important proviso. The existence of a negative, or unfavourable, balance of payments is a hindrance to the attainment of full employment. This can be explained either in crude practical terms or in the formulae of the theoretical economist. To the man in the street, exports "give employment" and imports "take away employment"—and the man in the street is, in this case, quite right. From the economist's point of view, the process of trading is that of substituting one type of employment—that "given" by exports—for another—that "taken away" by imports—with the object of deriving from the substitution a net increase in productive efficiency. But, clearly, if the trade is unbalanced, if imports exceed exports, the process of exchange takes away more employment than it provides and there is a net deduction from the total of employment. This argument is, of course, merely another aspect of the fact, obvious in war-time, that the running of a large deficit in the balance of payments—huge imports uncompensated by exports—is an economy of manpower.

The matter can also be stated within the framework of Lord Keynes's familiar doctrine. It is a condition of full employment that the community's Saving and its Investment should be balanced at a high level. The factor named Investment by Lord Keynes is the sum of the domestic expenditures of the community on durable goods plus the amount of its Foreign Balance, or excess of exports over imports. A positive balance of payments adds to Investment and helps towards full employment; a deficit in the international accounts is a subtraction from Investment and a detraction from full employment. An excess of imports is thus to be avoided for the same reason as a deficiency of Investment—because of its strategic position in the whole causation of movements in the national income. Economists have long mocked at the man in the street for his fear of an "unfavourable" balance of payments, and they have put inverted commas round the word to point their sarcasm. But the man in the street has not been so badly wrong after all.

The main principle and its proviso can be brought together in a single statement. What full employment requires of international trade is that a country's imports and exports should be balanced at a high level.\* And this carries with it the corollary that, whenever the balance is threatened with disturbance, it should be restored, not by cutting down the excessive side of the balance, but by extending the deficient side, not by shortening the long leg, but by lengthening the short. If international trade is to fit smoothly into full employment policy, it must be possible for a country with an unfavourable balance to remove it by increasing its exports rather than by reducing its imports, and for a country with a favourable balance to restore equilibrium by increasing its imports rather than by having its exports cut down. Any lack of balance, in fact, should be cured by expansion, not contraction—at least until such time as full employ-

\*An attempt has been made to keep the argument clear of technical details. It should, however, be remarked that "imports" and "exports" should here be interpreted to mean all those items entering into the current account of the balance of payments, together with such normal and continuing long-term lending and borrowing as is appropriate to a country's economic structure and stage of development.

ment is not merely attained, but inflation is threatened.

With this principle established, the next step is to enquire whether there are tendencies inherent in the old orthodoxy of uncontrolled trade which would produce this balance at a high level. Unfortunately, it is all too clear what the answer must be. The experience of the inter-war period would seem to throw doubt on whether there were any natural equilibrating tendencies in the liberal system of trade; and it is certain that such balancing forces as there were produced the balance by restriction rather than by expansion. And if it be objected that the misfortunes of the inter-war period were due to the failure to apply the principles of commercial liberalism, then it must be answered that the restrictions were imposed, very largely, by countries which could not any longer stand the strain on their balances of payments or on their employment situations. The number of countries that imposed trade restrictions for deliberate reasons of autarky was small compared with those that found their hand forced either by an exhaustion of foreign exchange reserves or by a mounting unemployment register. The truth would seem to be either that there is no tendency of liberal trade to produce a balance at a high level, or else that the tendency works too slowly and uncertainly for practical politics.

There is a sense in which the exercise of some control over the movements of trade can conduce to expansion when complete lack of control would lead to contraction. For example, the net national income of the United Kingdom in 1938 was £4,490 million. On the average of the year, 12.8 per cent of the insured population was unemployed. For this and other reasons, it is reasonable to assume that a net national income of about £5,000 million would have represented adequate employment. Let it then be supposed that in 1938 the British Government had set about the task of raising the national income to the point of full employment and, by stimulating an increase in investment and by other means, had increased the flow of income by £500 million a year. Other things being equal, something like £120 million more would probably have been spent on imports, without there being any reason for exports to rise correspondingly. This addition of £120 million to the adverse balance would have been unwelcome in a double sense. It would have represented that much wastage to the full employment programme; and it would have drained the foreign exchange reserves to the same extent. It would have been entirely proper for the Government to take measures, either by tariff or by quota or even possibly by exchange control, to limit the increase in imports and in the adverse balance to, say, £40 million. These restrictions would have been an essential part of the full employment policy, which could not have been carried out without them; and so long as there was any increase at all in British purchases, the rest of the world would have been helped, not hindered. Which country is best assisting its neighbours, one that acts in the way just described, breaking the rules of liberal orthodoxy, or one which, though not imposing trade restrictions, nevertheless allows itself to sink into depression and halves its foreign purchases?

The conclusion towards which this discussion leads is adequately clear. There is no incompatibility between the categorical imperative of full employment and the objectives of the old orthodoxy of international trade. But the combined objective of maximum trade plus maximum employment cannot be achieved by the orthodox instrumentalities—that is, by the lack of conscious instrumentalities on which the old orthodoxy relied.

Thus, on a double count—both because of the far-reaching dislocations from which the post-war world will start and because of the clamant necessity of ensuring a reasonable volume of employment with which it will be confronted—we are forced towards the conclusion that there must be some purposive direction of international trade. Whether that purposive direction, aimed at a maximum volume of trade, can operate in the framework of a world-wide, multilateral, non-discriminatory system, or whether it will inevitably lead to bilateral solutions, is the next question to be taken up.



## NOTES OF THE WEEK

### The Russian Offer

The Polish-Soviet conflict has now entered its critical stage. Either a satisfactory and reasonably fair solution will be reached now or, if the opportunity for a settlement is missed, events will drift in an incalculable and almost certainly disastrous direction. On January 11th, the Soviet Government officially replied to the statement made by the Polish Prime Minister on January 5th, when the Soviet armies crossed the 1939 Polish frontier. The most important point in the Russian declaration is that—

Poland's eastern frontiers can be established by agreement with the Soviet Union. The Soviet Government does not regard the 1939 frontiers as immutable. Those frontiers can be modified in Poland's favour so that areas in which the Polish population forms the majority can be turned over to Poland.

The so-called Curzon line of 1919 is suggested as the basis for the new frontier between Poland and Russia. Compared with the Molotov-Ribbentrop line of 1939, the Curzon line is somewhat more advantageous to the Poles. Under it, they would regain the Bialystok district, and possibly also the Grodno district. Press reports have spoken about the possibility of the return of Lwow to the Poles. The Russian offer can hardly be described as excessively generous, if one considers that in 1920 it was Lenin himself who rejected the Curzon line as prejudicial to Polish interests, and offered them a frontier far to the east of it. What is important in the Russian offer is, however, not the exact frontier line, which may be modified in the course of negotiations, but the fact that the Soviet Government has now adopted the principle of a negotiated settlement, instead of a unilateral decision imposed by force. Moscow itself has thus implicitly questioned the validity of the "plebiscite" carried out in eastern Poland in 1939, and the references to the "democratic" character of the plebiscite, which were never very convincing, have now become to this extent irrelevant.

### The Polish Reply

The Polish-Soviet dispute is much wider and more complicated than the frontier dispute itself. On both sides it is a problem of confidence and of mutual fear. As a rule, the weak have more good reasons for fear than the strong. Can the Poles be quite sure that, if they make a striking territorial sacrifice in favour of an Ally, they will be immune from further Russian encroachment, and especially from Russian interference in Poland's internal affairs? The Russian declaration gives no definite reply to this. It contains a number of unjust and polemical sallies against the Polish Government, which far from being "isolated from its people," at any rate represents it more fully than former Polish Governments did, in spite of the political errors and *faux pas* it may have committed. The Russian declaration implies the threat of the setting up in Poland of a new Government, of which the Union of Polish Patriots in Moscow would form the nucleus. It ought to be made quite clear that such a Government would be regarded as a puppet Government by all the Allied Powers, and that it could hope for no recognition. It seems that the wisest step Moscow could now take, in order to make a Russo-Polish rapprochement possible, is to dissolve the Union of Polish Patriots altogether, and to make up its mind to use normal methods in dealing with neighbouring nations. The Polish Government can only be advised to use the present opportunity—perhaps the last one—for reaching an agreement. True, Polish constitutional scruples are weighty enough. Rarely has a Government been called upon to cede territory without having the chance to consult its own people. But then totalitarian war has upset normal, constitutional ways all over Europe; and the Polish Government should be able to explain frankly to the people the circumstances which imperatively dictate reconciliation between Poland and Russia. Unfortunately, the whole issue has so far been confounded by internal Polish politics. The Pilsudskists and some other nationalist extremists have done all they could to paralyse official Polish policy by constant pressure against any agreement with Russia. The leaders of that unscrupulous opposition are well aware that, if they were in the Government, they themselves would now have

to make territorial concessions to Russia; but they are bent on using the anti-Soviet trump-card in the struggle for power in Poland. By doing so, they hasten on an even graver crisis, in which more than Poland's eastern borderlands, where the Poles form a minority anyhow, may be at stake. The only constructive reply which can now come from the Polish Government is a clear and unequivocal statement of its willingness immediately to resume relations, and to start negotiations, with Russia on the basis of the Russian proposals.

### Farmers in Arms

When Parliament meets, the Government will face three assaults. Two, the Catholic attack on the Education Bill and the Tory attack on the Tomlinson Bill—and on Mr Bevin—are discussed elsewhere (on pages 61 and 68). The third, the strong attack of the farming interest on Mr Hudson and the Government's farm price policy, is perhaps the most menacing of the three, politically. The farmers are dissatisfied with both the level and the structure of wartime prices. The immediate issue is the gap between the latest list of prices and their higher wage costs this year. But their basic contention can be more precisely stated; they wish farm prices to be fixed in such a way that all farmers, including the smallest and relatively least efficient, will earn enough to cover increased war costs, especially wages, with a sufficient margin to pay off back debts, to replenish the capital resources of their land, to provide an adequate amount of working capital and to leave a comfortable profit. They want to earn on the wartime swings what so many of them lost on the peacetime roundabouts; and they want an assurance that there will be no more roundabouts, no slump in prices or turnover and no depression, when the war is over. The principle that war profits should cancel out peace losses is not applied to any other industry; and the claim of farming to be *sui generis*, because of the special qualities of "the land," is not convincing. It is true that, while most farmers are doing well out of the war—turnover has more than doubled and tax is being widely paid on excess profits—the least efficient are not doing so well. But there is no evidence that, at the present prices, only recently adjusted, these marginal producers are failing to make both ends meet, with something to spare; and there is no known way of putting them in clover, at the community's expense, as they demand, without at the same time giving a large rake-off to the more efficient majority, who would benefit greatly from such higher prices, if only by the return after the war of a fifth of EPT. There is to be an early debate on this subject. Mr Hudson cannot be too strongly urged to put all the cards on the table, to show precisely how much money the farming community is at present receiving for its hard wartime labours, how turnover, profits and tax payments have grown, despite the big rise in wages, and how wildly extravagant and uneconomical it would be to raise farm prices to make the worst-off farmer as well-off as the best-off—and most efficient—farmer now is, which seems to be the demand.

### Skipton: Swallow or Spring?

In the Skipton by-election a week ago the Government candidate, a worthy Tory of, 61 years of age in a traditionally Tory constituency, was significantly beaten. Sir Richard Acland's Common Wealth party, crying "down with property," thus obtained a second Member of Parliament—the third, Sir Richard himself, was elected as a Liberal—in the person of a serving officer of half the official candidate's age. The majority in an unusually large wartime poll—70 per cent, it is estimated, of the "live" register—was barely 200 votes; but the "Opposition" vote was split by a well-known Labour Independent who, though he forfeited his deposit, polled nearly a quarter of the votes obtained by either of his rivals. The Government's minority was unmistakable, affected but hardly caused by the discontent of farmers in a largely rural constituency about official farm prices. This election, like the recent one at Darwen, where an Independent

Liberal almost won a famous victory, shows the determination of electors, party truce or no party truce, to choose their own Members. Picked Coalition nominees are not in favour. Moreover, with the war set for victory, no Coalition candidate, for all the glamour of Mr. Churchill and all the talk of "food, work and homes," has so far any peace policy to put before voters. The Labour Party, as it sees its spoil stolen by Independents in these contests, while its own hands stay tied, is no doubt as shaken as the Government by the signs of the times. One swallow, or even two, does not make a spring. But spring will surely follow the present winter of discontent, and it is pretty sure that in a real election, when the shadow Opposition of Common Wealth and the rest is replaced by more substantial party conflict, an appreciable proportion of electors will look not simply for success in war and a trusted leader, but for freedom to make their own choice, and for positive policies to choose from. Nevertheless, it still appears that, even if it leaves the Coalition when the fight is over, the Labour Party, which lacks both a forceful man and a definite policy, may have only a small chance of success against the entrenched and more realistic Tories—whose turn it may be, at the first post-war General Election, to produce ex-Service candidates in great numbers.

### Members' Choice

The most troubled persons in the choice between party and coalition politics in the near future are the Members of Parliament themselves. Broadly, Conservative MPs do not care. Whether they figure at the next election as members of Mr Churchill's National team or as members of Mr Churchill's Conservative team, their position is equally strong. Mr Churchill is their umbrella, just as he is the umbrella under which Ministers of all parties cluster. Even vigorous, disorderly, progressive, outspoken Tories, of the new Reform vintage, feel this way. They approve Coalition, including themselves in a key place, to pull the strings as much as possible in their direction. Most Independents, of the National brand, share these views. They look forward to a future of Coalition, with ginger groups of able individuals within, calling the tune in a way in which the old-style party politics would not permit. There is, however, one other factor for which all Members, Conservative, Labour and Independent, must allow; that is, the wish of the electors themselves, almost completely forgotten in these astute reckonings, to choose not only their own Members without official nomination, but also, when the time comes, their own Government and Prime Minister. The Conservatives and Independents have a partial solution for this—namely, to mix the continuance of Coalition, now and after the war, with free elections on a party basis. To some extent, this proposal is simply the recognition of facts; by-elections are being fought. Moreover, it is difficult to see what other alternative is available while the war lasts. It is not possible to break up the Coalition—that is, for Ministers to leave the Government and go into opposition—until Germany has been beaten. But this way out will not be open when the war ends. This is the dilemma which confronts especially Labour MPs. Two-fifths of them have been restive for a long time about their position in the Coalition. They see seats won by Independents which Labour candidates might have won, and they see themselves associated with policies, or the lack of policies, for reconstruction and in foreign affairs, with which neither they nor their supporters agree. In a sense, all this political introspection is beside the point. Almost certainly, party politics will come back apace when the war ends. The real question, for Labour MPs, is whether they will have a leader and a programme capable of placing the issues of peace successfully before the public. In short, are they too mesmerised by their own past and by the stature of Mr Churchill to work out their own destiny, for the good of all, themselves included?

### Business for Parliament

When Parliament reassembles, its first business, according to present arrangements, will be to take the Committee stage of the Disabled Persons (Employment) Bill. The Bill has received wide general support in principle; but a considerable number of amendments have been put down. One group of these amendments attempts to

distinguish between persons disabled on active service for their country during a war and those disabled otherwise. This distinction has already been rejected by the Government. The chronic dispute over war pensions has shown the unfortunate results of establishing a class of war privileged, to which others, similarly hurt but less compensated, attempt to climb. Moreover, the outstanding defect of the British social services has been the anomalies created between one set of people and another. Now a chance has arisen to establish a uniform system in one important branch of them, and to give one set of people priority, a distinction which could only be enforced at the cost of endless claims and counterclaims, would be a retrograde step. The other important group of amendments concerns the rights given to the Minister by the Bill to administer it by regulation. Thus, conditions of registration as a disabled person, and conditions of disqualification, are matters which may be prescribed by regulation. So, too, are the records which employers will have to keep about the number of disabled they employ. These amendments are important, not as amendments to the Bill, but as marking another stage in Parliament's attempt to curtail the powers of Ministers to make regulations which cannot receive proper attention until it is too late. The regulations made for the administration of unemployment assistance and supplementary pensions have to receive the approval of Parliament before they become effective. The regulations under the Disabled Persons Bill, however, will be valid unless they are specifically made void by resolution of either House within twenty-eight Parliamentary days of their being laid before it. This is the usual wartime procedure, which certainly seems unnecessary for a peacetime measure.

### An Unmended Breach

The breach between the partisan movement in Yugoslavia and the Cairo Government is still unhealed. When, two weeks ago, a statement appeared in Cairo reporting that a group of officers of the Royal Yugoslav Government had started a movement in favour of joining Tito, it was widely assumed that the Cairo Government were taking the first

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hesitant steps towards reconciliation. The impression was strengthened by the fact that, on the day the laconic announcement was made, Marshal Stalin sent New Year greetings to the Yugoslav Prime Minister. However, the rejoicing was premature. There has been apparently no change in the attitude of the Cairo Government. Thus the anomalous position continues in which the Allied Powers give political recognition to Cairo and military recognition to Tito. This division has been further underlined by the appointment of Mr Kiek, a former Slovene member of the Royal Government, to serve as Yugoslav representative on the Italian Advisory Council. It will be remembered that one of the first claims of Tito's Committee was for representation on that body. The distinction between military and political recognition is doing less harm than it might, since all three Great Powers have accepted it, the Russians as well as the Americans and the British. True, the Russian-backed "free Yugoslavia" radio takes a politically pro-Tito line, but the Soviet Government's official attitude is to accept the Cairo regime. The long-term results of maintaining the distinction must, however, be disastrous, with political jockeying and civil war ahead. The Allies have worked together so far. They must now use the joint weight of their diplomacy to secure some kind of workable reconciliation.

### Arab Unity

A Lebanese Mission, headed by the Prime Minister, Mr Riad es Solh, has started conversations in Cairo on the question of Arab unity. Meanwhile, Syrian and Iraqi delegations have discussed more detailed projects in Baghdad. Nothing is known yet of the nature of the plans discussed, but it is an encouraging sign that the Lebanese are prepared to co-operate, and that, in general, unity of view was discovered between Mr Riad es Solh and the Egyptian Prime Minister, Nahas Pasha. One of the obstacles to Arab Union, even in its limited form of restoring a Greater Syria, is the position of the minorities, among whom are the Lebanese Christians. If arrangements can be made which fully safeguard their position, precedents may perhaps be worked out for the protection of the other crucial minority, the Palestinian Jews. If an Arab Union is created there are various possibilities before the Jewish people—for example, a special minority status inside the federation or the creation of a small separate Jewish state, which might be linked to a Greater Syria in a Confederation, which also included Iraq and possibly Egypt. The Cairo and Baghdad talks may have covered some such possibility; but there will certainly be no settlement of the Jewish problem without the active intervention of the British Government. The day for the reconsideration of Jewish emigration to Palestine is only two months away, but there has still been no definite statement on British policy. Until there is, one of the principal data for the discussion of Arab Union will be missing.

### Industrial Assurance Defended

The Industrial Life Offices have issued a pamphlet in reply to the criticisms of industrial assurance contained in the Beveridge Report. The tone of the pamphlet is naturally defensive, but it is well argued. The main points can be summarised as follows:

1. The status of the agents employed by the offices has been greatly raised. The typical agent is now a permanent employee, often enjoying valuable pension rights and earning between £4 and £7 weekly.
2. Burial assurance is now only a small part of the total business done. Of the total new premiums, over half is for endowment assurance.

### INDEX TO VOLUME CXLV

The Index to Volume CXLV (July to December, 1943) will be available in about two weeks' time, and will be sent to all those who have asked for the Index to be regularly supplied to them. Any other readers who wish to receive the Index (post free) are invited to apply to The Publishers,

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3. Every policy issued bears a statement that complaints can be referred to the Industrial Assurance Commissioner. Nevertheless, in 1938, out of over 100 million policies in force, only 2,179 cases were referred to the Commissioner.

4. The amount of "pressure for increase" has been greatly exaggerated. Industrial assurance has not, in general, grown faster than other forms of working-class savings. Systematic canvassing for business and house-to-house collection of premiums are essential for the conduct of the business. Without them, the Post Office insurance scheme, after 60 years, had in force a number of policies "less than the number normally issued by any one of several Industrial Life Offices in one week." Moreover, "healthy competition between the Offices has been an important contributory factor in the great improvement in benefits and conditions" in the last 20 years.

5. "Lapses" are chiefly due to social insecurity. In any case, their importance is greatly exaggerated. The "average duration of the Whole Life policies in force" of the Prudential at the end of 1942 was 19½ years. [It would be interesting to be given the method by which this surprising figure is calculated; it is an average of policies in force. of policies taken out.] In the Post Office scheme, where there was no canvassing and no "pressure for increase," the ratio was 51 per cent. The Offices have gone a long way to mitigate the consequences of lapsing by sympathetic treatment far in excess of their legal obligations.

6. The figure of 32.9 per cent quoted by Sir William Beveridge for the expense ratio was incorrectly calculated. Two alternative correct methods of calculation give figures of 24.1 per cent and 25.6 per cent. It is true, as stated by Sir William, that the amounts going to persons other than policyholders (i.e., expenses, dividends and income tax) stand to the premiums paid in the ratio of 7s. 6d. to £1. But it is also true that outgoings to policyholders (claims paid, bonuses and additions to reserves to meet liabilities to policyholders) amount to 18s. 2d. out of every £1 received in premiums. The reconciliation between the two statements lies in the interest earnings of the Offices, which are higher than any public department could achieve.

7. A Funeral Benefit incorporated in a comprehensive social insurance scheme would not be cheaper than the equivalent benefit provided by means of industrial insurance.

The details of these arguments will no doubt receive close attention—Sir William Beveridge has already returned to the charge on the matter of expense ratios. But it is important in the public interest that the issue—at present somewhat confused—should be clarified. The Offices' claim is, in substance, that they—or at least the best of them—are now conducting the business of industrial assurance as efficiently and as fairly as it can be conducted in the framework of a competitive, privately managed system providing for house-to-house collection, and that, when the business was built up, life assurance for the working classes had to be provided privately and competitively or not at all. It is a claim which, on examination of the facts, is very difficult to resist, and if battle is joined on this issue, the Offices can put up a very good fight. But is this really the issue? The critics, though they disperse their attacks, are fundamentally arguing that industrial assurance could be conducted much more cheaply if it were not competitive and—a different point—if it did not depend upon house-to-house collection. On the whole, a monopoly might have a lower expense ratio, though the Offices make a telling point when they contend that it would also be restricted to trustee securities and would have lower interest earnings. Moreover, there would be real savings from the removal of "pressure for increase"—the Offices will hardly succeed in convincing the public that a competitive system does not lead to such pressure. But the abolition of house-to-house collection—the only large economy that could be achieved—is a rather different matter. It might lead to a very substantial fall in the volume of business done, and though it would be open to the critics to say that such a fall would be in accordance with the wishes of the public, the reply is not wholly convincing. There is a lot of force in the Offices' contention that, for a working-class family, other ways of spending are always more attractive and that their long-term interests are served by a weekly visit from a collector. That has certainly been the experience of other schemes of voluntary saving, such as the National Savings movement. In fact, house-to-house collection may very well be an essential part of voluntary industrial assurance—and, apart from the proposed Funeral Benefit, compulsory assurance has not been, and obviously should not be, suggested. It may be, therefore, that in the final analysis the argument comes down to this—Is there a case for (a) a compulsory Death Benefit, and (b) a State monopoly of industrial assurance, still depending upon house-to-house collection?

### Nor Any Drop to Drink

In total war everything is scarce, including, apparently, water. Last year's lack of rainfall was ominously like that of 1934 and 1938. The levels of wells are down to danger level; and there is barely two months of the "fill dyke" season to put matters right. A serious shortage of water for domestic, industrial and agricultural purposes is possible. Wartime farming makes bigger demands, because of its bigger scale, than peacetime farming; and wartime shifts of population throw sudden large strains upon the system of water supply, which varies astonishingly in character, resources and organisation, from place to place. Periodically since the last war efforts have been made to improve the country's water defences against drought, but the position remains almost as precarious as ever. In some country districts the inhabitants have already spent waterless Christmases. The trouble is that droughts are too soon forgotten for adequate precautions to be taken against the next one; and, in wartime circumstances, the prospect is more of a facing than usual, when Service requirements are high and hardly calculable, and when both time and equipment are lacking for rapid remedies. It will be odd, but in line with the traditional confidence of Britons in their famous rainfall, if water has to be added to the list of rationed articles in 1944.

### Water, Water Everywhere

There is no reason why this country's water supplies should not be sufficient, even after low rainfall. There is no reason, indeed, according to the experts, why it should not be sufficient in bad years and good, for a much higher consumption of water than before the war, when the consumption per head in the London Metropolitan Area for all purposes was less than two-fifths of all-American consumption, and British rural consumption per head, which was less than half London's, was barely half the consumption of most European countries. It is a question, first, of calculating all the supplies available, underground and overground; secondly, of tapping these supplies fully and effectively; and, thirdly, of distributing them evenly throughout the country. The present methods of organising supply and distribution are inadequate to carry out these tasks; this has been proved time and again when the rain has failed. There has been some attempt recently to make this matter an issue of private versus public interest. This is misleading. It matters little by whom the tasks of development, supply and distribution are done, provided they are carried out according to an effective national plan to make available all the nation's water, in the most efficient way, to all the nation's consumers. At present, the basis of organisation—and of planning and policy—is mainly local and scattered. There are just over a thousand statutory water undertakings, four-fifths of them local authorities or joint boards, and the rest companies; and about the same number of water suppliers without special statutory powers, almost all private proprietors. There is little or no control over the sinking of wells, and no national, or even regional, programme to make the most of the supplies available, regardless of local or private interests. It is true that some steps have been taken. In 1924 and again in 1934, some sort of survey of inland water resources was set on foot—by the timing of these, each ten years, another survey is surely due. But underground resources remain largely unknown and a matter for guesswork. In 1930, the Land Drainage Act set up Catchment Boards to prevent flooding, provide drainage and thus exercise some control of over-ground water; and in 1934 nine regional advisory committees were set up. But the initiative remains entirely in the hands of local authorities without national guidance, except when the worst happens, and economy in consumption must be commanded.

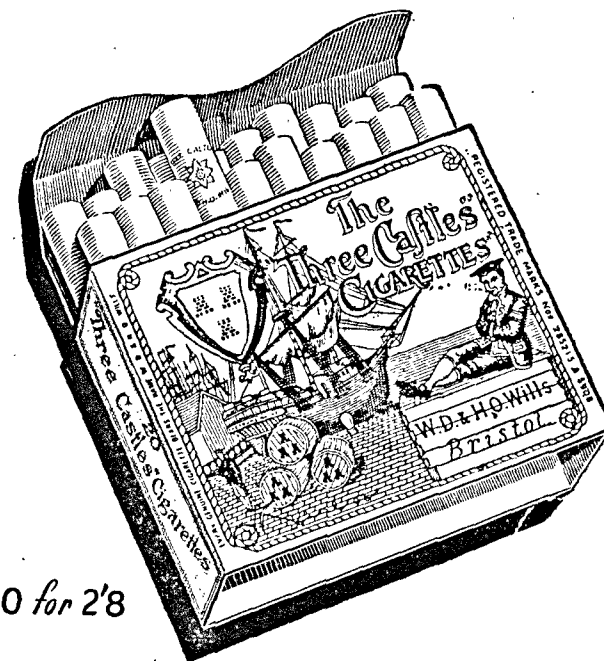
The whole business of water supply is unco-ordinated. Some of the multitude of local authorities are small, poor, rural undertakings, drawing upon narrow areas for their water, often by means of shallow and unhygienic wells and with no up-to-date equipment. The large cities have sufficient resources to run large undertakings, drawing upon larger areas for their water, and provided with adequate storage capacity; but, even here, sudden shifts of population and shortages of rain cause difficulties, while the growth of dormitory towns and suburbs in the countryside has often much dislocated water supplies. In 1929 the borrowing

powers of rural authorities for the supply of water were increased, and county grants instituted. Five years later, an emergency grant of £1,000,000 was established for the poorer water authorities. But, as the events of this year may unhappily show, the problem was at the best mitigated, not solved. It has been plain ever since 1908, when a Royal Commission reported, that some kind of central water authority is necessary to plan and procure the fullest exploitation of the nation's water supplies; and that, however reasonable it may be to preserve the present mixture of public and private, local and industrial, large and small undertakers, a much greater degree of common policy, co-operation and the pooling of resources is urgently required. Unfortunately, the process of obtaining statutory powers only tends to make confusion worse confounded; it is cumbersome, competitive and costly. Until the whole system has been overhauled the danger of drought, reaching serious dimensions in some districts, will always be just round the corner.

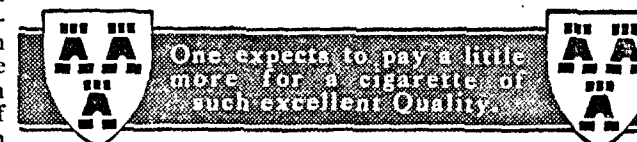
### German-Swedish Trade Agreement

For some time past, a kind of political tug-of-war has gone on between Sweden and Germany, the Swedes protesting about the treatment of Norway and discovering that technical difficulties made it essential to reduce shipments of iron ore from the north, the Germans rudely dismissing the protests and cancelling safe conduct permits for Swedish ships through the Skagerrak. While this went on, a new trade agreement was under discussion between the two Governments, and its terms, which have been published this week, suggest that the political balance between the two countries has not been very seriously changed by the events of 1943. Neither side has secured fresh concessions, and the figures of German exports and imports is fixed at about the 1943 figure, Rm. 900 million. Judged by the results of earlier years, such a figure would mean that Germany would provide about half Sweden's total imports, and over one-third of Sweden's exports would go to Germany. It has been suggested by some reports that one

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result of Germany's military defeats has been the insertion by the Swedes of an escape clause. If Germany again falls short in deliveries, they will severely cut exports of iron ore.

### Ciano's Execution

In the fantastic nightmare world of Axis Europe, dog bites dog, quislings are shot by other quislings and gradually any pattern or semblance of rationality fades from the bloody and hate-crazed gangs which carry the insignia of office. The shooting of Ciano is only a rather more sensational example of the fury of killing which is descending on Europe. He, the arch fascist and arch friend of Germany, has been shot by fascists acting under German orders. Why should the Germans, if they mean to keep up any farce of "republican fascism," limit still further their circle of Italian supporters by shooting eighteen fascists who have in their turn their own followers and hangers on? All these are men committed to fascism who would have had no chance on the Allied side and who, on their own showing, got rid of Mussolini in the belief that Badoglio would fight the war more successfully. The truth is that the Germans are abandoning the farce of fascism. The "fascist" radio station at Munich has been closed down long since, and more and more the organisation all over the north is being approximated to the German military administration of the Rome area. The Italians are not in a mental, moral or physical position to provide themselves with a functioning governmental system. The collapse appears to be as complete in the south. Hunger, disease, the barest struggle for existence occupy the feeble energies of the civilian population. Seen against this background, the execution of Ciano, De Bono, and their companions has no political significance. It can neither rally nor appal the fundamentally apathetic. It is the sheerest act of spite.

### Amery on India

In announcing the end of "the chapter of actual famine" in his speech on the Indian situation at York on Saturday, Mr Amery apparently brought good tidings. But a second reading of his words shows that they must not be interpreted too optimistically. All that "the chapter of actual famine" may mean is that the deepest trough of starvation has been passed, and that the prospect of increased food supplies is now more assured. In fact, no more favourable interpretation is yet possible. Food shortage, disease and deaths are still reported from Bengal, though in smaller numbers. But there are nevertheless several signs of improvement. It is encouraging to learn that the rice harvest is expected to be well over the average, and that the Central Government has been able to make a definite undertaking to find all the food required for Calcutta in the coming year. Even so, the dragging effects of the worst famine period cannot possibly disappear for a long time. Some of the effects of malnutrition, especially on the children, are permanent. In less severe cases prompt medical treatment might do much to remove the marks of starvation from the people of Bengal. Diseases of all kinds have been aggravated, and if adequate preventive action is not taken and maintained, epidemics may prove a worse menace than famine itself. It is to be hoped that the 18 military hospitals and 30 mobile treatment centres drafted to the Province from the Army will, in addition to the 200 existing civil hospitals, be sufficient. The civil government cannot depend indefinitely on the military for help in these crises, and, when he assumes his duties, Mr Casey, the Governor Designate, will be under the obligation of initiating new measures, as well as rendering full support for "all measures calculated to prevent any recurrence of the ordeal, first of famine, then of disease."

### Colonial Regionalism in Practice

The modern tendency to regard regionalism as a solution for all problems makes the first report of the Anglo-American Caribbean Commission a document of considerable importance. Here is an example of two powers co-operating in social and economic matters for the development of their territories in a certain region; and since, in the only official pronouncement on colonial regionalism, the Secretary of State for the Colonies specifically referred to the Caribbean Commission as the idea to be followed in other spheres, the experience of the Commission will be studied

closely. Its first report does not, it is true, give a normal picture of how it will function. For, as soon as it was established, it had to consider the abnormal problems arising from the submarine menace in the Caribbean; in particular, it had to consider the best means of averting the threat of starvation in the islands. The local governments themselves had already realised the importance of increasing local production of food, but the Commission was able to make recommendations on how sugar production could best be regulated in order to leave maximum land storage capacity for other foodstuffs. It was also instrumental in the opening of the "Emergency Land-Water Highway," which provided a safe transport service from the mainland of the United States to Puerto Rico, and in the organisation of the West Indies Schooner Pool. But the submarine danger in the Caribbean has now receded, and the Commission is at present concerned with its original function of mutual collaboration on long-term social and economic problems. For this purpose three regional organisations have been set up: the Commission itself; the Caribbean Research Council, which acts as an advisory body to the Commission; and on which the Netherlands are represented; and a regular system of West Indian Conferences, to which each territory is to send two delegates, for the discussion of Caribbean affairs by the territories concerned themselves, the chairman being one of the joint chairmen of the Commission. By this means it is intended to keep in touch with local opinion, though how far it will be successful in this depends on how the delegates themselves are chosen in view of the nature of the constitutions of many of the islands. Possibly, the Conference may turn out to be the most important development of the Commission. It is at present only to be an advisory body, like the Commission itself, but it is envisaged that it should become "really influential" and

it would be open at any time to the interested Governments to agree . . . to delegate to it any specific powers which they might think desirable.

Thus has the way been prepared, not only for mutual advice, co-operation and collaboration between the colonial powers, but for common action by the colonies themselves.

### Labour's Food Policy

The Labour Party's adoption of a memorandum prepared by Sir John Orr as their own official nutrition policy, is perhaps a welcome sign of a non-partisan approach to the vitally important problem of food. Sir John Orr is not a member of the Labour Party, nor of any other political party; but he is one of the world's greatest food experts, and did more than any one else to focus attention on the pre-war under-nourishment of the lower income groups of our population. His central thesis in this, as in his other writings, is the relation between food and income, a relation made even more evident by the war. During the war full employment and the application of a roughly scientific nutrition policy in the determination and distribution of rations have led to tremendous improvements in the nation's well-being. Consumption of milk among the poorer classes has increased by about 30 per cent, especially among mothers and children. A survey of families in Scottish industrial towns showed an increase of about 20 per cent during the war in the intake of important vitamins and minerals. But there is still a long way to go. According to a recent estimate by a House of Lords Committee, to bring the diet of the whole population up to reasonable health standards would necessitate an increase of 65 per cent in present supplies of milk; of 70 per cent in fruit supplies; of 60 per cent in eggs and vegetables; and of 25 per cent in meat. The Labour Party's policy, as set out by Sir John Orr, is fundamentally the same as that agreed upon by the nations at the Hot Springs Conference. The proposal is made for a permanent Food Commission, appointed by the Minister of Food, which would act as a Food Import Board and undertake the wholesale buying and selling of basic foods. The Commission would take over the main food depôts and processing centres and improve them in order to ensure the maximum saving in food, and the maximum reduction in distribution costs—a crucial question. The Commission would be a non-profit-making body: "its only dividend would be in the form of improved health and physique and the extension of the expectation of life." During the war, private enterprise has acted, with reasonable efficiency, as the agent of a set public policy; and, though the food trades might conceivably be picked out as

suitable for state control, for social as well as economic reasons, there is nothing inherently hostile to national diet and nutrition in the making of profits. It is more than a pity that nothing is said in this report about the food production end and very little about the actual mechanism of distribution. The question of why it should be more efficient and socially valuable to have a non-profit-making body in charge of food distribution is not—except in the most general and undocumented terms—answered.

### Contradicting the Contradictions

The American Communist Party has celebrated the twentieth anniversary of Lenin's death in a somewhat surprising fashion. Mr Earl Browder announced, in effect, the New Revolution: capitalism and socialism have now found a way to peaceful and prosperous co-existence and collaboration in the future; the lion and the lamb can now lie down together. Political parties do, of course, change with the times, but it has always been assumed that parties based on doctrine, as distinct from parties based on personalities and passing policies, must hold their central faiths steady. For tactical reasons, they may adopt this or that line according to circumstances, but the Communist, it was believed until lately, must still remain a Communist, in his own Marxist sense. This is not after all, true. The once-despised Social Democrats are now, it seems, right: "Labour will achieve its ends through the instruments of collective bargaining." Painless prosperity, under free enterprise, and with perpetual popular fronts, is just round the corner. No longer is it believed that capitalism must collapse because of its inherent economic contradictions. On the contrary, there will be jam to-morrow, the day after and the day after that, without any old-fashioned revolution or dictatorship of the proletariat, without even any nationalisation of banks, railways or industries, without any socialism, without even any radical reform. Frankly and logically, therefore, the American Communist Party has, in effect, liquidated itself. In future it will be known as "The Communist Association for Political Education"; it will work within the frame of "the two-party system traditional in our country . . . without partisan or class advantages." There must be some interest after this move in the next steps of the Communist Party of Great Britain. This would not be the first time that coming events have cast their first shadows on the other side of the Atlantic; the American Communist Party left the Comintern before that body, too, went into liquidation. Obviously the great transformations that have taken place in wartime Russia have deeply affected the notions as well as the deeds of Communists elsewhere.

### Pioneers of Planning

The chairman of First Garden City, Sir Eric Macfadyen, has outlined again the advantages of creating new towns as self-contained units. Their economic life can be integrated, so that there is a diversity of work for all on the spot. Their layout can be planned, so that industry gets suitable sites and does not jostle housing. Their size can be regulated, so that the countryside is kept within walking distance and neighbouring farmers can supply the town market. What is less realised—when the question is asked of how these desirable places can be brought into being, by what policy, persuasive or compulsory—is that towns of this kind can be promoted by private companies, as experience proves, while nothing approaching the completeness of such schemes has been undertaken by any public authority. The essential condition for such a town is unified control of land use which a company can obtain by outright purchase of an appropriate area. Further, Sir Eric Macfadyen maintained that the finance of such concerns is capable of proving self-liquidating as has happened in the case of Letchworth, though not in the case of Welwyn, where the land was purchased at boom prices after the last war. There is scope in the pattern of the post-war building programme for new private schemes. Such schemes are greatly preferable to the unco-ordinated private development of land. It will be a pity, however, if they are forced, in the absence of guidance to select sites without reference to some scheme of national planning policy. It is also to be hoped that individual ventures of this nature are not to represent the only attempts made to integrate urban life. Not all England can be made into a garden city, even were this desirable. The Government's task, in making policy, is to put First Garden City into its proper perspective as a pioneer, and not to regard it as a stunt or, alternatively, as the last, or even the most important, word on planning.

### Shorter Note

A long dispute between panel doctors and the Ministry of Health has been temporarily settled by the offer, which has been accepted, of an increase of 9d. in the former's capitation fee, bringing it up to 10s. 6d. a year. The doctors have based their claim for an increase partly on the rise in the cost of living, but also on the fact that the drafting of the healthier members of the population into the Forces has increased the proportion of the unhealthy on their panels and therefore made them bad risks—or at least worse risks than when the previous capitation fee was negotiated. In earlier discussions the Ministry has refused to accept the argument, and has pleaded that it must await the Beveridge Report—an excuse which is no longer available.

## AMERICAN SURVEY

### A Win-the-War Deal

The President's Message to Congress seems to give some evidence that he has decided to return to that earlier bold leadership which his supporters have been demanding and for which the obstructionist and dilatory tactics on Capitol Hill have provided so admirable an opportunity. The New Deal may have gone into temporary retirement, but its spirit goes marching on. Mr Roosevelt's new slogan of "Win the War and Peace" is to have the benefit of all his old force and fighting spirit. There will be widespread, though perhaps not unanimous, satisfaction that he chose to pull no punches in his references to faulty perspectives in Washington, to the noisy clamour of the pressure groups, to the dangerous growth of over-confidence, and the continuance of "business as usual, politics as usual, luxuries as usual." The substance of the Message was perhaps less startling than the vigour with which it was expressed. On only one new issue did the President demonstrate his willingness to do battle. That was the question of the soldier's vote. Mr Roosevelt left no doubts that the action of the Senate in leaving the absentee Serviceman's vote purely to state laws would, in fact, disfranchise the majority, and that

this was thoroughly understood by the Forces; and he buttressed his argument by the statement of the Army and Navy that it would be impossible for them to administer effectively the voting laws of 48 states. His five-point programme, which was the heart of the address, in effect offered a bargain to the Conservatives in Congress. If that body adopts a "realistic" tax law, ceases its attempts to weaken the machinery for recovery of excess profits on war contracts, and supports the Administration's food programme and extends the Stabilisation Act, Mr Roosevelt announced that he was ready to support a National Service Act. Beyond this, he proposed what many will regard as a post-war resurrection of the New Deal, in the form of a second Bill of Rights based on economic security for all. Urging Congress to take steps to implement this new basis of security and prosperity, he gave the warning that if no adequate progress was made, "I am certain that the nation will be conscious of this fact." No doubt Mr Roosevelt will do his share to stimulate the awareness. The suspicions of the Opposition that the New Deal would prove an all too punctual Phoenix have been proved not far wrong.



## National Service de Luxe

Details of Mr Roosevelt's five-point plan were necessarily kept to a minimum in the address, but on at least two of them the President appears to have been guilty of a certain optimistic gloss. The definition of a "realistic" Tax Bill might well have stressed the need for increased taxation on middle-incomes, as well as war profits—indeed, with that omission, it is hardly "realistic" at all; and the description of the proposed National Service Act showed similar signs of a desire to have the best of both worlds. A Bill to establish the responsibility of all able-bodied adults to undertake National Service (the Austin-Wadsworth Bill) has been in existence for many months, and has had the support of the Services, but has hitherto failed to secure the President's blessing. It would give powers of compulsion to the Manpower Commission in cases where voluntary methods were proved to have failed. The main considerations which led Mr Roosevelt to give the principle his conditional endorsement almost certainly are the Administration's difficulties with the unions and the violence of the anti-strike feeling in Congress, throughout the country and in the Services. Probably it is the President's hope that a National Service Act would head off the inevitable Congressional agitation for drastic extension of the Smith-Connally-Harness anti-strike Act of last summer, and that the unions would accept the restrictions of this "essentially democratic way of waging war" more gracefully than an anti-strike curb aimed purely at labour. According to Mr Roosevelt, such an Act would be a means of extending the "inner satisfaction" which comes from participation in the war effort; it would be a "unifying moral force." But he was on more dubious ground when he argued that, in the light of experience in Britain and other democracies, it would not involve widespread compulsion, and would not mean reduction in wages, loss of seniority rights, or any substantial disturbance of workers. On the contrary, British experience suggests that if a national service law is to serve any practical purpose it must involve all these, in varying degree. On the President's interpretation, it would become a pious hope, perhaps a moral force, but not an effective instrument of total mobilisation. But the chances of its becoming law are probably remote. The President himself admitted the Act was not essential to victory, although it would hasten the day; and, rightly or wrongly, the defenders of the rights of the individual will certainly point to the current cancellation of war contracts as further evidence of the lack of urgency. The labour unions are already on the warpath. Congress, indeed, is all too likely to regard the whole proposition as a bold bluff to secure its co-operation on the very points on which it has most clearly proved its obstinacy. Mr Roosevelt himself is probably not over-optimistic about the prospects of collaboration on Capitol Hill. But at least the record is clear. The responsibility is firmly passed to Congress. The country will have its say next November.

## Weapon for Victory

Education in the history of the methods and the consequences of Lend-Lease has reached flood-tide this week, with the publication in the United States, by the Macmillan Co., of Mr Stettinius's book, "Lend-Lease, Weapon of Victory," and by the President's Thirteenth Lend-Lease Report, which brings the picture up-to-date. As the outstandingly successful administrator of Lend-Lease from August, 1941, until his appointment as Under-Secretary of State last year, Mr Stettinius brings to his story of the growth of Lend-Lease a comprehension and a wealth of detail as yet available to no one else. After the war there may be freedom to expand on the later stages in a way not yet possible, but this is an invaluable and most timely contribution to American understanding of how Lend-Lease came about, and how it has worked as a weapon for victory. It is usefully supplemented by the latest Lend-Lease Report, which, beside providing the most recent figures on the size and distribution of American aid, lays the unruly ghosts of some of the rumours started at the time of the Five Senators' return from their world tour. The total of Lend-Lease aid furnished from March, 1941, to November 30, 1943, totals \$18.6 billions, of which \$10 billions was provided in the first 11 months of 1943. Lend-Lease now has absorbed 13.5 per cent of American war expenditures. Within the total the most striking trend is the increased export of finished munitions, which has risen from 21 per

cent in 1941 to 61 per cent in 1943, an index of the achievements of the American war production programme. The most interesting aspect of the present report is its emphasis upon the equality of the contributions made by other countries, whether in terms of men, weapons, or ruined cities, the degree of self-help they have manifested, and the fact that Lend-Lease has been in most cases only a supplement, though an essential one, to their own productive efforts.

In this vein the Report goes on to answer the endemic criticisms of the inadequacy of Reverse Lend-Lease, and of the responsibility of Lend-Lease for shortages of farm machinery, butter, coal and petroleum. The most incisive passages deal with the export of petrol, in which it is pointed out that total war exports are a smaller proportion (12 per cent) of American production of crude petroleum than peace-time exports were in 1938 (18 per cent). Allegations of misuse of petrol abroad, and of the failure to share alarm over the future of US reserves, the Report urges that after the war fair and equal access by all nations to petroleum will be guaranteed by agreed action for the expansion of production, the elimination of discriminatory treatment, and the reduction of trade barriers. Another vexed question—that of access to American-built airfields—should, it is suggested, be left to the continuing collaboration of the United Nations in international commerce and the development of a system of general military security. This is the most vivid, comprehensive and vigorous Report the Lend-Lease Administration has yet submitted. But such reports are read by comparatively few. Mr Stettinius's book shows every promise of catching the imagination of many thousands of readers, and winning for the historic concept of Lend-Lease a popular appreciation of its immense contribution to victory.

## Tu Quoque

Mr Willkie, who only a few months ago warned the British not to meddle in American politics, has this week been himself rebuked, in no uncertain terms, by *Pravda* for interfering in Russian affairs. The cause of the trouble was an article in the *New York Times* called, innocently enough, "Don't Stir Mistrust of Russia," in which Mr Willkie at one point remarked that

What Russia intends to do about the political integrity of the small states around her borders, Finland, Poland, the Baltic and Balkan States, is one of the most pressing problems in everybody's mind.

*Pravda* said flatly that Mr Willkie must not meddle in Russian internal affairs, and charged him with "muddying the waters" and being a political gambler. Mr Willkie, who has prided himself on being the sympathetic interpreter of Russia to America, was described as being stunned into silence at being thus wounded in the house of a friend. The State Department must have blended a gentle amusement with its sympathy at the discomfiture of the eminent amateur diplomat. The Russian attack may well have been the culmination of a series of irritations with earlier American comment, which has, on occasion, been far less friendly than Mr Willkie's mild observation. This comment, as might have been expected, has been stimulated by the incident, with most of the American papers rallying to Mr Willkie's defence. The *New York Times* warned the Russians that "any attempt to settle the problem of frontiers unilaterally or on the basis of force will greatly discourage American participation in any future organisation to uphold post-war settlements." There is no doubt that, in many quarters, the Polish frontier is regarded as a test case, not only of Russian intentions, but of the validity of the Atlantic Charter. The stream is not altogether as pure as this, however. There are enemies of the whole concept of collaboration who are not above using the Atlantic Charter to make any practical agreements impossible. Nor can the existence of a substantial Polish vote in the United States be left out of the account. There are said to be something like five and a half million citizens of Polish origin in the United States, and they are largely centred in key states such as New York, Michigan and Pennsylvania. At the last election, the Polish vote inclined heavily to Mr Roosevelt, in some cities by as much as 10 to 1. The Poles can also be expected to carry with them the sympathies of many of their co-religionists. A political stake of this magnitude cannot fail to be reflected in the attitude toward the Polish question.

## The Favourite Son Crop

The Republican Convention, at which the party's presidential candidate will be chosen, has been fixed to take place at Chicago on June 26th. Already there are firm prospects of a bumper crop of favourite sons. The newest candidate is Governor Warren, of California, whose gracious yielding to the demands of the Republican state organisation throws doubt upon earlier reports that he had agreed to stand down in favour of Mr Willkie. Governor Bricker last week edged himself out of the shadows with an attack on President's Roosevelt's "Win the War" slogan, which he declared belonged, not to the Democratic party, but to every citizen. General MacArthur's name is already down in Illinois, and Governor Stassen's supporters are busy in Minnesota. This nation-wide activity is probably not unconnected with the recent trip round the country of Mr John D. M. Hamilton, Mr Landon's campaign manager in 1936 and popularly believed to be the spark-plug of the anti-Willkie forces. The theory is that, with a sufficient number of favourite-son delegations, a deadlock might ensue at the convention which would provide the opportunity for a back-stage wangle eliminating Mr Willkie. The fact that isolationist Chicago has been chosen as the convention city is also regarded as a blow for Mr Willkie, who, it is thought, would have preferred the more sympathetic background of interventionist New York. The dress rehearsal of Republican ma donnas at Chicago certainly has an anti-Willkie cast. A warning of Governor Wills, of Vermont, that only Mr Willkie could be certain of beating Mr Roosevelt brought the sharp reply from the National Chairman that the Republicans could elect any candidate they chose. In his exhilaration Mr Spangler referred to a so-called poll of American soldiers in Great Britain which purported to show that they would vote Republican by an impressive proportion—an evidence of political concern and activity which the War Department is said to regard with disfavour. Meanwhile, the favourite of all favourite sons—the man who might be called the rising son if it were not for certain unpleasant connotations—is still discreetly silent on his political future, though admirably energetic in pushing popular post-war measures in New York. Recent polls have shown Governor Dewey leading Mr Willkie by 35 per cent to 22 per cent in the latter's home state and by even more in the East Central states. But Mr Willkie's legendary unpredictability is still fluttering Republican dovescotes. The most recent rumours report the possibility of a deal between Mr Dewey and Mr Willkie to eliminate any Middle Western non-interventionist from the running, and even a deal between Mr Roosevelt and Mr Willkie whereby the latter would become President—if nominated—on condition that Mr Roosevelt headed the peace delegation. The early industry of Mr Willkie's opponents in the party shows that they mean to take no chances.

## Crusade Against Monopoly

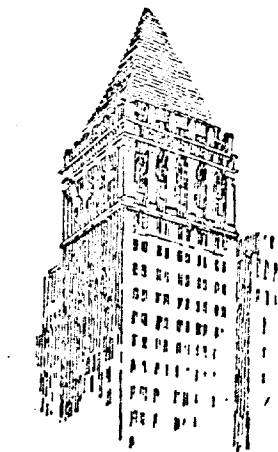
The deep-seated and historic American distrust of big business found fresh expression this week with the filing, in the New York courts, of a suit charging Imperial Chemical Industries, Limited, and the American DuPont de Nemours Company with violating the Sherman Anti-Trust Act. The allegation is of a "conspiracy" or cartel

agreement to divide up world markets in certain chemical products, dating from before 1920. A vigorous denial has been issued by Lord McGowan for ICI, defending the company's policy of co-operation with the American corporation on the grounds that it was of public benefit both in the United States and Great Britain. The Attorney-General, after a lengthy recital of the Government charges, stated that the aim of the United States was to obtain the abrogation of the alleged illegal contracts and a perpetual injunction against ICI from violating the American Anti-Trust Acts. The procedure of a big anti-trust case in the United States is strange to British ideas, and calls for some explanation. It may well begin with the unusual spectacle of the Assistant Attorney-General in charge of the case devoting a press conference to denouncing the defendants. There follows the preliminary trial in the newspapers, in which the comments, if made in Britain, would bring speedy reprisals in the form of charges of contempt of court, if not libel. The process, in other words, is as much a political as a judicial one, and has been ever since Theodore Roosevelt found that the reformist zeal of the country could be satisfied by trust-busting. It made the little man feel that his interests were being protected; it made the Western Liberals happy, because the trusts were usually concentrations of Eastern capital. The interest of the present suit is that for the first time a British corporation has been associated with an American in a spectacular anti-trust case. This will not make the spectacle less popular. The occasion is being taken to stress the differences between British and American practice, rather along the lines of Mr Eric Johnston's sorrow at the hankering after monopolies and cartels shown by the British business men he met last summer. Thus the political debate which conventionally accompanies an anti-trust suit may, in this case, have wide repercussions on the American attitude toward post-war economic collaboration.

## Shorter Notes

The American press has shown considerable restraint in its comments on the Bengal famine. When this tragedy was at its peak, both news reports and leading articles showed a manifest unwillingness to add to the difficulties of the British. Recently, however, a series of "horror pictures" of the famine have been appearing in a number of daily newspapers and weekly journals. These pictures are the result of normal journalistic enterprise. There have been demands—some of them from quarters inimical to Britain—that American food should be sent to India, or that the machinery of UNRRA be extended to include relief in Bengal.

Warning that housing, transportation and other community facilities were strained to the utmost in Pacific Coast areas, President Roosevelt's committee for congested production areas has appealed to every one except qualified and registered war workers to stay away from this expanding war industries area. The statement of the committee, which represents all the major war production agencies, said that the physical capacity of all community facilities had been exhausted.



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# THE WORLD OVERSEAS

## Saving Canada's Bacon

(From Our Ottawa Correspondent)

December 6th

THE new bacon agreement, under which Canada will supply 450 million pounds to the United Kingdom in 1944 and in 1945, compared with 675 million pounds in 1943, has come in for a great deal of criticism, some of which is a testimony to the affection of Canadians towards the people of Britain and the wish of Canadians to pull their fair weight in the distribution of sacrifices. We on this side of the Atlantic have been acutely conscious of our good fortune; and the proposal that Canadians restrict their consumption of bacon and pork products so that Britons could enrich a somewhat monotonous diet met with approval and co-operation. It was a small thing to do, but Canadians liked the idea that it was being done. Now it is suggested that as a result of the new agreement the British ration may fall from four ounces to three ounces a week, and sharp comment is being printed. The *Winnipeg Free Press* predicts that "consternation and anger will be felt by Canadians generally" at the result, adding that the Canadian people do not share the views of the Government on the subject, and hoping that the matter can still be re-opened. What especially annoys the *Free Press* is that we are not only cutting down our shipments of bacon to the United Kingdom but are taking off the restrictions on home supply at the same time, so that we ourselves will be allowed to eat all the bacon we can buy under our own very generous rationing system. A writer in *MacLean's Magazine* asserts:

You could have knocked out a lot of Ottawa people with much less than a feather when knowledge of the new bacon contract got around,

and added that the reduction was "a purely political move." Other editors have been equally outspoken.

The truth about the considerations which led the Government to modify the agreement downward by 225 million pounds for each of the next two years came out under this barrage of criticism. The first explanation was that the coarse grain supply available from the 1943 harvest was not adequate to repeat the 1943 production, that under the new coarse grain prices the profits on hog production would fall and some marginal production would cease. This was true, but it was not the whole truth.

If the Government had been determined to maintain the 1943 flow at any cost, it could presumably have been done in spite of the coarse grain problem. Canada has been shipping enormous quantities of coarse grains to the United States. The departmental solution is said to have been to offer a subsidy of three cents a pound to hog producers and to continue restrictions on the flow of pigs into the home market. This step would, presumably, have permitted the export to Britain in 1944 of a total approaching the 1943 level. The Government, however, increased the market value of oats by a bonus of 10 cents a bushel, of barley by 15 cents a bushel, while increasing hog prices by only ½ cent a pound. At the same time, they removed the restrictions on the domestic marketing of hogs.

The Minister of Agriculture, Mr Gardiner, answering the widespread criticism, proceeded to explain that the step was in a measure deliberate and was being taken to protect the interests of Canadian farmers in the post-war transitional period, which might not now be very far away. Having digested the Minister's statement, the *Toronto Star* neatly answers the question, "Why has the reduction been made?" as follows:—

It has been made because at the end of the war Britain will return to her pre-war market for the purchase of bacon, and that market is Denmark, not Canada. And why will Britain not now contract with Canada to take Canadian bacon after the war? Because she prefers Danish bacon, and Denmark will buy British products in payment whereas Canada imposes a tariff upon them.

On behalf of the Minister of Agriculture, it can be said that the abrupt collapse of Canada's export markets for

food products after the First Great War is still a bitter memory, and the Government would not be held blameless if it failed to look ahead and prevent if possible a similar catastrophe this time. If Canadian agriculture is geared to a production of hogs capable of yielding 6 million pounds for export, and the demand suddenly fades even to the pre-war peak of 192 million pounds, the glut and the decline in prices would be ruinous to many thousands of producers (in 1931 Canada shipped only 11 million pounds to Britain). Even after production had been stepped down to the equivalent of 450 million pounds for export, a sudden reduction of British imports to, say, 200 million pounds would create a serious situation. Mr Gardiner is now able to say to the Canadian farmer: "Let us face the fact that peak production of hogs has passed and that we must contemplate post-war export levels more of the order of 200 million pounds. The Government has assured you of markets during 1944 and 1945 of 450 million pounds annually, plus what you can sell in a non-restricted domestic market. This gives you an opportunity to re-adjust your production and cultivate new markets for these or alternative products."

### Liquidation of Hogs

The immediate effect of the new agreement and the higher prices for coarse grains has been a serious congestion at the stockyards and packing plants. Hogs in large numbers have been held in stockyards, and farmers have hauled their loads to town only to be told to haul them home again until the glut was relieved. There have been numerous hot protests to Ottawa. If the farmers keep their hogs on full rations while awaiting shipping facilities, their costs rapidly wipe out all profits. If they do not, the weight of the hogs rapidly declines and they lose in another way.

Among the more thoughtful of the farm leaders the situation has been accepted as inevitable and the Government solution as reasonable. They are grateful for a good guaranteed price for high production for another two years. They feel that the present sharp liquidation of surplus hogs is a better outcome than to wait until after the war for a drastic readjustment. In a few weeks, the present flush run will be over, and the farmers will be able to decide on future policy. If they want to go out of the hog business they can do so in a gradual manner, while those who are well equipped to produce hogs efficiently can stay in the business.

The post-war prospects for Canadian hog producers are bound up in such uncertainties as the length of the war, the speed with which countries like Denmark and Lithuania can resume export sales, and the overall world need of food. The Canadian Government is likely to approach the British Government to enter into a long-term post-war agreement to accept substantially larger quantities of Canadian bacon than before the war. As Dr J. A. Scott Watson, Agricultural Adviser to the British Embassy at Washington, has been saying, this raises the question of where Britain is to get the exchange.

In this connection, it is interesting to note that Canada no longer has a political party committed to high tariffs. John Bracken, who succeeded R. B. Bennett (now Viscount Bennett) as national leader of the Progressive Conservative party, understands perfectly well the intimate relationship between the agricultural prosperity of, say, Manitoba (of which he was premier for about twenty years) and the tariff policy of the Dominion. Recently, Mr Bracken has disavowed the traditional high tariff policy of his party and has come out for relative freedom of international trade. There are powerful interests within his own party opposed to drastic reductions of tariffs, but it is safe to say that if Mr Bracken becomes the next Prime Minister of Canada he will not call a special session immediately afterwards to raise tariffs sky-high against the world.

## Swiss Agriculture

[BY A CORRESPONDENT]

January 10th

IN spite of a great and sustained effort, Switzerland is still dependent on imports for the maintenance of its relatively small food rations. The improvement in the Allied military situation has not eased the situation, and the continuation of the war into a fifth year has meant a new stage in the agricultural effort. At the beginning of the war, when, according to a rough estimate, four-fifths by value of the total consumption of agricultural products was produced at home, the "Wahlen Plan," named after its author, was put into operation. Its main provisions were the reduction of cattle, dairy cows and pigs by one-third and a gradual expansion of arable land by ploughing up pastures, reclaiming waste land and clearing forests until self-sufficiency was reached on the basis of minimum food rations. As long as some imports of cereals for bread and fodder were reasonably certain, the plan could be carried out satisfactorily. Imports of fertilisers were small but adequate. Lack of fuel for tractors was overcome by the use of wood-gas generators. It was, in fact, only the labour shortage that produced difficulties, for already before the war Switzerland had experienced a flight of labour from the land.

Big price increases were a sufficient incentive for most of the peasants and farmers to carry out the instructions laid down in the plan. But though the production plan was comprehensive, the rationing of foodstuffs proceeded piece-meal until, in October, 1942, bread and milk were included. As in other countries, the agricultural production plans were accompanied by the strange propaganda proclaiming the virtues of going back from the specialised dairy industries to the husbandry of mixed farming, where the peasant was again a "real" peasant and not only an industrialised breeder of livestock.

During four years of war, the expansion of arable land has made it possible to reduce imports of bread cereals, amounting to 70 per cent of total consumption before the war, to 50 per cent. In the agricultural season 1942-43, the arable land was almost doubled compared with pre-war years. Cereals, potatoes, sugar-beet, vegetables, oilseed and tobacco cultivation were increased more or less according to plan. The ultimate goal of the Wahlen Plan is an area amounting to 500,000 hectares, and during 1942-43 roughly 400,000 hectares were actually under cultivation. These figures seem small compared with the changes which have been made in other countries. They mean, however, a complete change for Swiss agriculture. If the ultimate goal is reached, the share of grassland in the total agricultural land will have been reduced from 83 per cent in 1937 to 54 per cent in 1944.

Even during the 1942-43 season, the steady progress in expansion could no longer be maintained, and the new season seems to have seen a limit put to a further overall expansion. The agricultural plan aims, therefore, at intensification, in other words, at higher yields from the land already under the plough. The peasants appear to be reluctant to expand arable land by clearing forests. Apart from this reluctance, which is motivated by the high labour costs of the work and the difficulty of maintaining the expanded area under the plough after the war, when unrestricted imports of cereals should again be possible, the peasants have also stopped reducing their livestock herds. Since the end of last year a slight increase in the number of cattle and pigs has even been noticed.

The 1943-44 agricultural plan indicates that Swiss agriculture has reached its limit. It cannot escape the problems faced by other countries when planning their wartime agriculture. The expansion in the cultivation of cereals and root crops involves a reduction in the number of livestock. But when expansion has been carried to its practicable limits and intensification is attempted, it is found that higher yields of cereals and root crops cannot be achieved because of the inevitable shortage of labour, machinery and fertilisers. Switzerland is to all intents and purposes fully mobilised, and general conditions are in this respect not different from those in belligerent countries.

Owing to the strenuous efforts made, there has so far been no shortage of potatoes and vegetables. At the same time there has been a steady reduction in the consumption of meat and fats. A particularly interesting feature of Swiss agriculture is that the rations or allowances for the so-called self-suppliers, that is, the peasants, are generous. The result is that there is a tendency to black market activities which

cannot be limited simply by exhortation and propaganda. Townspeople naturally try to augment their rations by breeding rabbits and by allotment gardening.

### Uneven Price Changes

Superficially, the finances of agriculture seem to have improved. The Swiss Peasant Secretariat has estimated the value of the agricultural production as follows:

(In million Swiss francs)

|                               | 1938         | 1941         | 1942         |
|-------------------------------|--------------|--------------|--------------|
| <b>Total production</b> ..... | <b>1,297</b> | <b>1,707</b> | <b>1,784</b> |
| Potatoes .....                | 39           | 95           | 136          |
| Cereals .....                 | 88           | 92           | 107          |
| Vegetables .....              | 68           | 92           | 133          |
| Fruit .....                   | 66           | 154          | 171          |
| Dairy products .....          | 472          | 522          | 550          |
| Pig breeding .....            | 166          | 199          | 167          |
| Cattle breeding .....         | 242          | 292          | 231          |

The total value increased during this period by 37.5 per cent. The value of the cattle and pig breeding decreased, but whereas the total milk output was smaller in 1941, the value had increased by 17 per cent. On the whole, the table reveals an uneven price development, and it can be assumed that certain sections of the agricultural industry even incurred losses, whereas others gained considerable profits. The hazard of these far-reaching changes is actually greater in Switzerland than in other countries. There are many instances where prices were changed for purely political reasons, and the conditions of a compulsory war economy, with rationing and price fixing, make it impossible to arrive at prices which are justifiable for purely economic reasons.

It may be doubted whether there has been an actual increase in agricultural production measured in terms of nutrition. No doubt, the bulk has certainly increased. Generally speaking, it can, however, be said that a policy of agricultural self-sufficiency in peacetime has been rejected by Switzerland. Experience shows that it can never be achieved. The country depends on its highly specialised industries, and the present population could never be maintained on the agricultural products of the Swiss soil.

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## Germany at War

### The Housing Disaster

AT the beginning of the war, there was an acute housing shortage in Germany. Official sources estimated that from 2½ to 4½ million additional flats would be necessary, if the population in Greater Germany were to be housed adequately. The building of flats in single houses or in blocks of flats was stopped in February, 1940, and the total number of flats completed and built under special permission during four years of war has been estimated by Dr Ley, the Housing Commissar, at roughly 400,000, or slightly more than the net increase in flats in Greater Germany during the record building year before the war. At the end of the second year of war, the additional number of flats needed after the war was estimated at six million, and the press discussed whether the building programme for the post-war period should be spread over ten or twenty years.

Before the war, Autobahnen, palatial party buildings, public buildings in large towns, new factories, barracks and fortifications were built, and no labour or material was left for an adequate housing programme. Serious overcrowding of small flats again developed in many German towns, and particularly in the industrial towns of central Germany, which were still villages when Hitler came to power. Most of the boasted housing programmes remained plans. A number of workers' and peasant settlements were created as show pieces.

After two years of heavy bombing, the housing situation in Germany is more than a problem; by normal standards, it is more like a disaster. Industrial and military building cannot be stopped. If millions of people have become homeless as the result of bombing, no major part of building machinery, labour and material can be diverted to the construction of dwellings. It is not necessary to search for statistical proof of the extent of the housing shortage; the so-called "housing emergency work" inaugurated by Dr Ley in the autumn of last year confirms it. The immediate solution is the construction of makeshift dwellings in or around the bombed towns.

#### Hut Dwellers

It is a characteristic feature of German towns that generations of industrial workers and small businessmen have tended small plots of land on the fringe of the towns, usually known as the "gardens of the little man." Each of these gardens had a "summer house," varying in quality according to the skill of the gardener. Most of these summer houses were small wooden structures, but large enough to accommodate a family for the best part of the summer. These summer houses, or *Lauben*, are the models for Dr Ley's makeshift houses, the shelters of the bombed-out families. There is no provision for modern sanitation, for main water, gas or electricity. There is no lack of beautiful designs for these *Lauben*. Exhibitions have been opened, and simple instructions have been published for building them. It is an essential part of the relief scheme that, where possible, the bombed-out people are urged to build these huts themselves, preferably from salvaged material.

Phase by phase, the housing situation in Germany has reflected the changing fortunes of the war. Shortly after Hitler came to power before the war, tens of thousands of large flats in big towns were redivided into small flats of one or two rooms, mostly at great cost in material and labour. Innumerable new state organisations converted flats into offices, and the general trend was that more people were crowded into smaller flats. It was estimated that, before the war, at least 17 to 20 per cent of the flats in towns were overcrowded. The building industry was so seriously overtaxed that major military and public constructions were only possible by using forced labour, which found its clearest expression in the Todt organisation. Dr. Todt's buildings were at least of real military importance apart from the Autobahnen. The pre-war schemes of the present Minister for War Production, Speer, were just grandiose; the finest materials were used. But for human dwellings, the use of iron and steel was cut down to a minimum, bricks were replaced by inferior substitutes, cheap plastics replaced metals, and so on.

In the war there have been two distinct stages. After the defeat of France, a grandiose plan of "social building" was announced, and Dr Ley was made Commissar for Social Building after the war. At the same time, innumerable military and civil departments took over more flats for offices; and already in 1940 flats, and even single rooms, were put under compulsory administration, which meant that no landlord was able to let out or sell his property. During 1941, the experience of 1934-35 was repeated, and a campaign was begun for dividing the large flats that had survived into still smaller units. This time, however, actual conversions remained negligible in number, because of the lack of labour and material. At the same time, bombing on a large scale began.

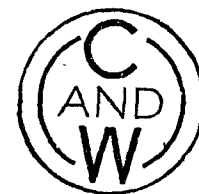
During 1942, the authorities remembered that a large number of flats and whole houses had been converted into offices. Organisations and administrative departments were therefore forbidden to take over any flats. A campaign was made at the same time for moving offices out of former flats; and offices as a rule had to find accommodation in huts built of timber. At that time, it seemed still relatively easy to get enough timber from Sweden and Finland for these purposes. Plans were made for erecting, in addition, prefabricated wooden houses imported from abroad. Yet more and more wooden barracks had to be constructed for prisoners of war, and millions of foreign workers, who were crowded in barracks near factories and on large estates.

#### Shifting the Burden

At the beginning of 1943, it seemed clear that the Government had given up any hope of relieving the shortage of dwellings by new construction. A decree entitled the "dwelling space steering order" was introduced, whose main point was a stop on taking up residence in a number of large German towns. From time to time, fresh towns were added to the list, and at present practically all large German towns are closed areas. Meanwhile, Dr Ley had been appointed Supreme Dwelling Commissar, and decree after decree has followed.

Each decree was designed to make better use of available flats. First, people were forbidden to have more than one flat, until it was stipulated that one room was the maximum that could be allowed for one person. As usual, statistics were prepared to show that these equalitarian principles actually produced a surplus of rooms; and Dr. Ley announced that, for the 89 million inhabitants of Greater Germany, which includes Bohemia and Moravia, 92 million rooms, kitchen and the corridors not counted, had been available, and that, at that time, June, 1943, only one million rooms had been destroyed by bombing. The stark contrast between this figure and the earlier estimate that there was a shortage of several millions of flats is impressive. It shows the supreme irresponsibility of totalitarian politicians. The stricter use of available flats has reached its limits. Rebuilding of destroyed houses is impossible because of the lack of material. So people have to live either in repaired houses or in makeshift huts like the *Lauben* on the outskirts of the large town.

An impressive organisation has been built up for repairing damaged houses, in spite of the fact that the greater part of building workers and independent artisans are engaged on war work. At the same time, all building material still in the yards of builders and building firms has been requisitioned for the purpose of preserving stocks for necessary industrial and war building purposes. Bombed-out people are therefore either crowded together in houses that are still standing, and little more, or live in undamaged shelters, or are engaged in constructing somewhere with salvaged material wooden huts. The millions of foreigners who live in large camps are probably as well housed as the majority of bombed-out people. This is the actual, as compared with the statistical, situation. It is, however, not uniform all over Germany, nor equally bad for all Germans. The totalitarian regime is a hierarchy, and the actual differences in housing are indicated by constantly changing priorities. Disabled and decorated soldiers have first claim to a flat. Bombed-out people must be accepted in any flat. Large families are also on the priority list. In short, there are some at least who have not lost the hope of getting better accommodation.



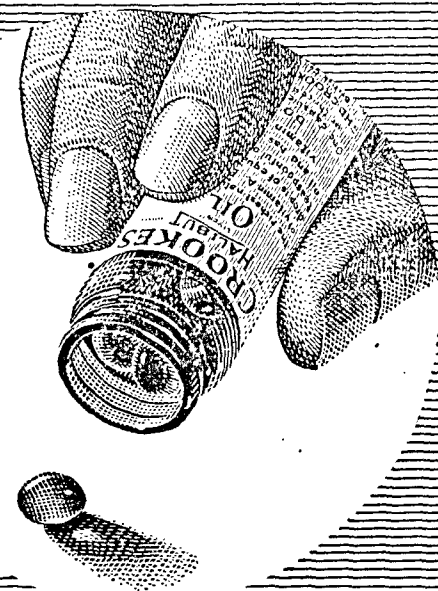
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# THE BUSINESS WORLD

## British Cinema Prospects

JUDGED by the rise in cinema share prices at the turn of the year, one of the Stock Exchange's New Year resolutions is to go more often to the pictures in 1944. But the markets, like true film fanciers, are hitching their wagon to their favourite star; for recent demand has been concentrated on the companies with which Mr J. Arthur Rank's name is associated and has passed others by. There have been many aspirants for leadership of the British cinema industry, but Mr Rank is the only one who has, so to speak, received the official insignia, by way of a request from the President of the Board of Trade that he should bring no new major film organisations under his banner.

It is difficult, at present, to envisage the future of the British cinema industry except in terms of Mr Rank and his projects. Possibly, the share market's emphasis is unduly exclusive, since the largest film exhibiting circuit in the country, owned by Associated British Pictures, is outside his control, and the organisation which aims to become the largest single film production concern after the war—Metro-Goldwyn-Mayer-London Films, Ltd.—is American-financed, under the chairmanship and managing directorship of Sir Alexander Korda. But Mr Rank has undoubtedly captured the public imagination and whetted it by his own recent speeches suggesting far-reaching post-war developments. He came with a reputation as a shrewd—even "hard"—but courageous man of business who had served a long and profitable apprenticeship with the great flour-milling concern which carries his family name, and with which he is still directly associated. He entered the film industry on the renting side, and became chairman of the board of Odeon Theatres on the death of Mr Oscar

Deutsch, who had built up a very profitable chain of super-cinemas. In 1939, before Mr Rank became chairman, Odeon had announced its intention of making an offer for Gaumont-British, the second (Associated British being the other) of the two large integrated groups in the industry. The projected merger fell through; but in 1941 it was announced that Mr Arthur Rank, apparently *in propria persona*, had succeeded in acquiring the majority holding of the brothers Ostrer in the Metropolis and Bradford Trust, which gave voting control of Gaumont-British.

The background and details of the resulting position have already been described in *The Economist* on July 3, 1943. Since *The Economist's* article was written, no further major acquisitions by Odeon or Gaumont-British have been announced—though the "gentlemen's agreement" between Mr Rank and the Board of Trade made an exception for contracts under negotiation at the time it was arrived at, and this, apparently, covered such deals as the acquisition, last October, by Odeon of the six cinemas owned by Joseph Mears Theatres. But there have been two developments which, jointly, seem to suggest that the outlook is much less settled than at one time it seemed to be. The Board of Trade's intervention was generally believed to have, as one of its aims at least, the prevention of any acquisition by Mr Rank of even a substantial voting interest in Associated British Pictures. The Government, generally, seemed to have gained its objective of ensuring the maintenance of reasonably competitive working conditions, and the position among the giants seemed fairly clear-cut, with Associated British on one side of the river and Gaumont-British and Odeon, under common leadership, on the other. But recent news has made it difficult to say what the strength of the link between the two last-named organisations really is.

In the first place, it has been disclosed in *The Financial News*, and subsequently confirmed by Mr Rank himself, that the transfer of the shares giving control of Gaumont-British to Mr Rank has not been made effective, because the necessary consent of the American interests holding the minority of the voting shares has not been given. Mr Rank has stated that the matter has been discussed in letters, but needs personal contact, which it has been impossible so far to arrange. In view of the fact that the deal took place over two years ago, and the American interests concerned had shown in the clearest possible way that they regarded their giving or withholding of permission as something much more than a mere formality—by vetoing an earlier attempted transfer of the controlling shares to the late Mr John Maxwell—the delay seems inexplicable, except on the assumption that the American consent, whenever it is asked for, will not necessarily be a foregone conclusion. In the meantime, both the brothers Ostrer, Mark and Maurice, remain on the Gaumont-British board, and one is joint managing director. The position is unusual in many ways. What it appears to amount to, in fact, is that Mr Rank holds something resembling a power of attorney from the brothers Ostrer to exercise the rights attaching to what are still their shares (because they have not been, and cannot be, without American consent, transferred to Mr Rank or anyone else), in return for a considerable sum of money which, presumably, is still in the nature of a deposit or pledge. If this interpretation were correct, the question would arise whether frustration might be pleaded, and the *status quo* restored, at the will of either party, if the conditions for "completion" of the ultimate transfer proved impossible and the pledge money were returned. It may, for the time at least, suit both parties that Mr Rank should control the Gaumont-British board without being legal owner of the majority voting shares. But from Mr Rank's viewpoint there is a material difference between *de facto* and *de jure* ownership, since any hypothetical future rival for Gaumont-British control, who was prepared to pay the price and was *persona grata* to the American interests, would be bound to approach Mr Rank himself if he were the out-and-out owner of the shares, but could go direct to the ultimate owners if he were not.

Whatever its precise legal status, in practice Mr Rank's protectorate over Gaumont-British can hardly be regarded as being on the same firm footing as his control of Odeon, and this seems to be the view taken by Mr Rank himself. At the last meeting, he expressed his ambition to see an Odeon theatre in "all the major cities" of Britain—including, inferentially, cities already served by Gaumont theatres. At the same time, he announced that the Odeon directors had been "exploring the possibility" of taking interests in theatres in liberated countries of Europe. This would indeed be an adventure into the unknown, and if the exploration has been really serious, something on a considerable scale would seem to be intended. Its declared object—to ensure "fair representation" on the Continent for British pictures—would be achievable only if the proposed chain of British-owned theatres were sufficiently widespread, numerous and attractive to compete successfully in a fair number of coun-

Odeon ordinary, respectively, suggest that investors are thinking in terms of higher future dividends, and, further, are differentiating in favour of companies in Mr Rank's orbit. By contrast, the present dividend yield on Associated British ordinary is as high as 5.00 per cent.

How far is this attitude soundly based? Clearly, there are two distinct factors in the equation, one industrial and the other personal. The film industry in all its branches—film exhibiting not excepted—has always hitherto been reckoned among the more "speculative" domestic trades, from the investor's angle. A vigorously progressive policy may be what the industry needs after the war—certainly, the Odeon super-theatres, with their studious care for patrons' tastes and comfort, have paid handsomely. But future development on the scale recently canvassed is obviously going to be costly—all the more so because it now seems certain to be carried out in a competitive environment. Mr Rank's challenge, if made effective, can scarcely be disregarded by the rest of the industry. Further, it may raise interesting questions about the relationship of different groups inside Mr Rank's own orbit. Many Gaumont houses are older and have less drawing power than the Odeon theatres. They might well feel the keen edge of competition if the latter were established in every large town in the country. Up to now, it has been impossible to say whether Euphelia or Chloe has the warmer corner in Mr Rank's heart, but as his affection constitutes the main link between them, the question may ultimately have importance in many varied and perhaps unexpected ways.

On a broader view, the maintenance of the industry's exceptionally high current profits depends partly on the maintenance or otherwise of the national income after the end of the European war and the subsequent transition period. Before the war, seating accommodation, in the country as a whole, was admittedly generous, if not excessive. The projected additions to its capacity will doubtless have to yield priority in construction to more urgent requirements for homes, municipal buildings and, probably, certain business premises. If so, the programme may well come to fruition at a time when many other activities, competitive with the pictures but now restricted or dormant, are re-established as claimants for popular favour. When the black-out has gone and a redistributed population (possibly with less overtime earnings) is free to choose between the pictures, football, dogs, horses, beer, shops with replenished shelves, holidays, "trips" and, not least, the restored amenities of its own homes, including television—then the cinema industry will need to be exceptionally enterprising or fortunate, or both together, to maintain its earnings at anything like their quasi-monopoly wartime level.

In the long run, nevertheless, Mr Rank may quite probably be right. A policy of steadily raising the quality of the industry's service may be the surest way—perhaps the only way—of maintaining or increasing its hold on the public purse. The post-war reduction or final disappearance of EPT will provide an appreciable "cushion" for shareholders against a fall in earnings; but a lavish dividend distribution policy would be difficult to defend in the conditions suggested in this article. All in all, the future of the cinematograph industry as a popular entertainer may be assured, for as far ahead as one would care to prophesy. But the claim of its leading shares to "investment" as distinct from "speculative industrial" ranking, will perhaps be more appropriate when its post-war programme has been completed, and when its outstanding personalities have proved the quality of their leadership, than it is at the present time.

### ORDINARY SHARE POSITION

| Company<br>(and Balance Sheet Date)                                                             | Gaumont-<br>British<br>Picture<br>Corporation<br>(March 31) | Odeon<br>Theatres<br>(June 26) | Associated<br>British<br>Picture<br>Corporation<br>(March 31) |
|-------------------------------------------------------------------------------------------------|-------------------------------------------------------------|--------------------------------|---------------------------------------------------------------|
|                                                                                                 | %                                                           | %                              | %                                                             |
| Earnings for Ordinary :-                                                                        |                                                             |                                |                                                               |
| 1939 .....                                                                                      | 5.5                                                         | 36.9                           | 37.3                                                          |
| 1940 .....                                                                                      | 0.6                                                         | 20.4                           | 10.6                                                          |
| 1941 .....                                                                                      | 5.2                                                         | 8.4                            | 11.9                                                          |
| 1942 .....                                                                                      | 7.1                                                         | 38.0                           | 31.7                                                          |
| 1943 .....                                                                                      | 7.2                                                         | 43.2                           | 29.9                                                          |
| Paid on Ordinary :-                                                                             |                                                             |                                |                                                               |
| 1939 .....                                                                                      | Nil                                                         | 10                             | 20                                                            |
| 1940 .....                                                                                      | Nil                                                         | Nil                            | Nil                                                           |
| 1941 .....                                                                                      | Nil                                                         | Nil                            | Nil                                                           |
| 1942 .....                                                                                      | 6                                                           | 10                             | 15                                                            |
| 1943 .....                                                                                      | 6                                                           | 15                             | 17½                                                           |
| Excess of Current Liabilities*<br>over Liquid Assets, 1943.<br>(Consolidated Bal. Sheet, £'000) | 736                                                         | 1,351                          | 1,934                                                         |
| Ordinary Shares :-                                                                              |                                                             |                                |                                                               |
| Denomination .....                                                                              | 10/-                                                        | 5/-                            | 5/-                                                           |
| Present Price .....                                                                             | 18/6                                                        | 31/-                           | 17/6                                                          |
| Yield on Last Div. (%) .....                                                                    | 3.24                                                        | 2.42                           | 5.00                                                          |
| Yield on Earnings (%) .....                                                                     | 3.89                                                        | 6.97                           | 8.54                                                          |

\* Including taxation provision.

tries with the continental, and still more the Hollywood, product—and that would be no light undertaking.

From the investor's viewpoint, it seems virtually certain that the post-war expansion programme which Mr Rank has suggested would demand a very large capital expenditure. That, in turn, would suggest a highly conservative dividend policy in the meantime. The table above shows that a severe drop in earning power was suffered in the early years of the war by all the leading cinema groups—by Associated, as well as by Gaumont and Odeon. That position has now been reversed. Cinema profits are running high at a time when "the pictures" are one of the few forms of unrationed expenditure available to a fully employed population, many of whose members have been uprooted from their homes and deprived of normal "satisfactions." Some of the greatly increased gross takings of the theatres have percolated through to shareholders in increased dividends. But taxation—especially EPT—is taking a substantial toll of earnings. And the current financial position of all the groups is anything but liquid. Their consolidated balance-sheets, in every case, show a substantial excess of current liabilities over liquid assets. Nevertheless, dividend yields of 3.24 per cent and 2.42 per cent on Gaumont-British ordinary and

## Business Notes

### The Gold Cure

The process of combating inflation by sales of gold in the Middle East and India is gaining persistent momentum, and is apparently meeting with considerable, though still rather localised, success. In Egypt and the Middle East, the "gold cure" for inflation is now effective. The cost of living in Cairo has kept fairly stable since last summer, when it had reached a level nearly three times that of the first half of 1939. The volume of official gold sales needed to arrest the development of further inflation (no attempt has been made to correct the inflation which preceded the new policy) has been comparatively modest. The gold price in Alexandria has kept steady at 169.2 piastres per dirhem in recent

weeks. This is equivalent to a sterling price of slightly under £16 per ounce. In India the scale of official sales of gold has been gradually increasing. Last week about 50,000 ounces were sold in the Bombay market on official account. This week, this record will have been easily exceeded, for on Tuesday and Wednesday alone official sales totalled over 62,000 ounces. The official price, which was around Rs 78 per ounce when official sales began last autumn, has been reduced to Rs. 71½, at which it has remained since mid-December. Even at this lower figure the Bombay quotation, which is for one tola of fine gold, gives a sterling equivalent of £14 4s. 6d. per ounce. It will thus be seen that the volume of these official sales of gold is becoming substantial—

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### SEROCALCIN PREVENTS COLDS

Harwoods Laboratories Ltd., Rickmansworth Rd., Watford, Herts



£700,000 last week and a figure probably approaching £1,000,000 this week. It is not altogether surprising that the progress of the Indian experiment in counter-inflation should be watched with a touch of apprehension in this country. It is remembered how insatiable a sink for the precious metals India proved in the half-century prior to 1931. The absorption of gold could, under present inflationary conditions, outdo any comparable achievement in the great days of India's gold acquisitions. It is, therefore, to be hoped that the other methods of combating inflation which the Indian authorities have prepared will soon come into operation. In particular, the premium bond issue is awaited with the keenest interest. While it is admitted that gold sales have proved a useful element in helping to mop up inflated purchasing power in India, it is asking a lot of gold to attempt single-handed the task of bridging the inflationary gap which is in essence equal to the amount of British and American Government expenditure in that country. South Africa's gold could be put to much better use than doing a job for which the Indian fiscal machine should be responsible.

### The Empire's Dollars

Interesting allegations of trade discrimination against American exports to British Empire countries were made this week at a meeting of American exporters held in New York. The specific accusation was that, although India had in recent years accumulated large dollar balances in the course of its trade with the United States, these dollars were apparently converted into sterling "as part of a deliberate effort by the British to bar Americans from the Indian market." This is as good an example of the demand to have one's cake and to eat it as has yet come from the United States. Admittedly, the dollar income of the British Empire and of other countries now within the sterling bloc is pooled and cleared through London. But the reason for this pooling is not to bar Americans from these sterling area markets but to mobilise every available dollar required to pay for essential imports from the United States. America cannot expect Britain to use the dollars twice over. If at the end of this war the dollar reserves of the sterling countries appear too exiguous for the liking of American exporters, the fault will lie not with any deep-laid British plot, but with the vigour with which the US Treasury will have encouraged the Empire to empty its pockets of dollars.

### Miners' Bonus

The fact that only one district (Leicestershire) qualified for the output bonus last month—the latest coal production figures are given on page 88—emphasises the unsatisfactory nature of the present bonus system. The Mineworkers' Federation have accepted Lord Greene's recommendation that the bonus should be transferred from a district to a pit basis, as a means of providing greater incentive, and the Government agreed, subject to acceptance by both sides of the industry. The owners' counter-proposal (as reported in *The Economist* of December 25th) is to increase the attendance bonus during the last two days of the week, making in all 10s. 6d. for a full six-day week worked, instead of the present 6s. (1s. a day would be paid for the first four days' attendance, 3s. for the fifth and 3s. 6d. for the sixth day). The present district output bonus scheme could be retained, and they suggest that the whole of the attendance bonus, now paid by the owners, should be paid from the Coal Charges Account. One of the miners' leaders, Mr Joseph Hall, of Yorkshire, has expressed himself as personally in favour of the owners' proposal, but the Federation as a whole has not made its view known. Their decision to change from a district to a pit bonus was reached on the basis of a vote taken in the districts. An attendance bonus of course bears no direct relation to output, except in so far as it would reduce absenteeism during the last two days of the week, when output tends to decline. It is not a "personal" bonus for increased output—such as would be provided by increased piecework earnings. The miners' leaders have also discussed with the Government ways and means of reducing absenteeism and improving discipline, in particular the extension of the system of voluntary fining as an alternative to prosecution in the Courts, and the speeding up of the settlement of local disputes. The miners' special delegate conference is meeting on January 27th, by which time it may be hoped that some of these matters will be positively settled.

### Housing for Pit Recruits

The controversy about whether it is better that the youths who are being directed into the mines should be billeted with miners' families or live in hostels is beside the point. If accommodation can be found in mining villages which is satisfactory and will not increase congestion in the miners' homes or add unduly to the burdens of miners' wives, then it is probably preferable that the temporary miners should live as miners, with miners, while they are in the pits. If there is a shortage of suitable billets, and there undoubtedly is in most coalfields, then the youths must live in hostels, and the Departments concerned must get on with the job of building them. Alternatively, there may be big houses in the neighbourhood which could be used, and, if so, transport will have to be arranged. Accommodation near training centres is not likely to be so hard to find as when the recruits are actually posted to work. Even so, shortage of accommodation may well slow up the rate of intake of trainees, and it is unlikely that Mr Bevin will get more than a fifth of his projected 30,000 recruits by the end of April. Most of the districts have already got plans for hostels, though building has not been begun. In Durham, two-thirds of the 3,000 recruits whom the county hopes to absorb by October are to be housed in five hostels. In Nottinghamshire, conditions are easier and miners' houses are more up-to-date. Yorkshire is planning to build twelve or thirteen hostels this year. The object of compulsory recruitment is to introduce productive workers who will help to produce more coal, and not to provide a sociological experience for a cross-section of British youth, valuable as this may be. It would, therefore, be unfortunate if the Minister of Fuel were to proceed on the basis of distributing recruits as evenly as possible between the different coalfields, so as not to offend the susceptibilities of district associations. It would be more useful to send them where the greatest contribution to production can be expected. And, in any case, it is plain that the recruitment and training of these youths, interesting and important though the process may be, cannot seriously be expected to solve the present coal problem.

### Essential Work

More than eight million workers are covered by Essential Work Orders, and on the whole the machinery has been operated smoothly, with the co-operation of most employers and workpeople. There are, however, anomalies in the Order, which lead to injustice in individual cases. A constant source of friction is the clause relating to "serious misconduct" as a reason for the dismissal of workers, otherwise forbidden; and the Trades Union Congress passed a resolution last year calling for an amendment of the Order to define this term more precisely. The TUC alleged that continual breaches by employers were left unchallenged. The case of Mr V. J. Jackson, shop stewards' convener at Desoutters, Ltd., a firm of machine-tool makers in the London area, has raised sharply the question of employers' compliance with the Order. Mr Jackson was discharged, so far as the facts are known, for placing a trade union notice on the factory notice board—an act which in the firm's opinion (nothing has been reported about Mr Jackson's previous conduct and attitude) constituted "serious misconduct." The Appeal Board upheld Mr Jackson's contention that he had been wrongfully dismissed. The National Service Officer directed the firm to reinstate him in his previous employment. Messrs Desoutters, according to Mr Bevin's statement in the House of Commons on December 1st, "maintained that they had no work to give Mr Jackson and complied with the reinstatement direction only to the extent of paying him his wages." A further notice, served on November 11th, to reinstate him was ignored. Mr Bevin then said that he had no alternative but to cancel the certificate which scheduled the firm under the Essential Work Order. Oddly, as it may seem, the work which Desoutters were doing became abruptly non-essential because of this unfortunate incident; the law must be applied. This was the first occasion on which a firm has been "descheduled" for failure to obey the National Service Officer. A statement issued by the Ministry of Labour last week reports that the Minister now contemplates prosecuting the firm. Quite apart from the fact that the firm appears to have taken the opportunity, scandalously, to discharge a worker who, as an active trade unionist, was no *persona grata* to them, Messrs Desoutters did deliberately flout the decision of the Appeal Board. On the other hand the problem of factory discipline—often not capable of

proof one way or the other by demonstrable evidence—is too important and ubiquitous for the incident to be wholly written off as one firm's unpardonable recalcitrance. If and when Mr Bevin decides to prosecute, he may well have a very strong case; but the problem, which vexes good as well as bad employers, will remain.

### Licence of Right

The latest contribution to the discussion on reform of the Patents Act is a pamphlet published by ICI entitled "Patents and Licences of Right." The object of the writer is to examine the relative merits of the exclusive patent and a wider licensing, and the conclusion reached is that

of all proposals to change the patent laws, compulsory licensing is probably the most dangerous to the effectiveness of the patent system for its intended purpose.

The argument falls into two sections of which the first is designed to show that, if cases exist in which Licences of Right ought to be granted, the position is covered by Sections 24, 27 and 38a of the Patents Act. To this there are two answers. First, the cost of putting the law in operation may be prohibitive—this appears to be admitted. Secondly, Section 27(2)(c) lays upon the Controller the task of determining whether "the demand for the patented article in the United Kingdom is not being met to an adequate extent and on reasonable terms." It has yet to be shown that there exists any means, other than the operation of competition, of determining what is in fact the elasticity of demand for an article. Certainly there is no reason to suppose that any enquiry which the Controller could be expected to make would put him in a position to give a ruling which took all important factors into account. The second part of the Pamphlet is designed to show that, under a general system of compulsory licensing, the public, industry and the inventor will all be worse off than at present. Most of the arguments advanced—and some which are not—were mentioned in articles which appeared in *The Economist* on January 16th and 23rd and May 15th of last year. Essentially the writer of the ICI pamphlet claims that, without a considerable period of monopoly exploitation after patenting, industry will not engage in research, and, if it does, will either conceal the results or fail to make use of them because the risk of loss is too high. It is to be noted that, with scarcely an exception, the statement reads as though the subject matter of patents were some article for sale to the consuming public, whereas some of the more valuable patents are those designed to cheapen production. It is surely very odd that the stress should fall in this particular manner. Surely the truth is that, under reasonably competitive conditions, industry will be compelled to research and to use the effects of research. What is required is that everybody should be free to use the results of research on payment of a reasonable fee. What the ICI pamphlet fears is that competition will lower prices and so make past investment in research and capital equipment unremunerative. What it nowhere mentions is that continuing research ought to be directed to new inventions which will reduce costs of production and so render possible a wider sale of the particular product in question. The real danger is that a period of restrictionist legislation may have so sapped the energies of the British industrialist that he is no longer prepared to exercise his proper function of risk-taking.

### Banking Profits

The results of all the English banks of which the bulk of the shares is held by the public and those of Williams Deacon's and the two Scottish banks affiliated to the Midland are now available. In every case the dividends are unchanged, but in all cases but one, the Midland, the profit is higher. There is no apparent reason why the experience of the Midland should differ from that of other banks, but a year ago its rise was smaller than that of any other of the big five, and it may be that the discrepancy is a result of a more conservative policy. In any case, the point is not worth a great deal of attention for it seems evident that the rise in disclosed profits is a large understatement of the expansion in net earnings. The actual increase is some £470,000, after all taxation, to £8,728,600 compared with an expansion of £410,000 for 1942 over 1941. A conservative calculation, based on the figures for eleven months, suggests an expansion in gross earnings of

the order of £4,000,000. Even so it is understood that the banks have not yet reached the point where they are paying EPT, so that the strengthening of hidden reserves must again have been very material. Since the profits are up and the dividends unchanged the percentage available for provisions and reserves is, of course, higher on the year.

Millions of Pounds

|                                | 1941    |          | 1942    |          | 1943    |          |
|--------------------------------|---------|----------|---------|----------|---------|----------|
|                                |         | Profit % |         | Profit % |         | Profit % |
| Published profit after all tax | 7,848.8 | ...      | 8,258.9 | ...      | 8,728.6 | ...      |
| Premises and defd. repairs...  | 410.0   | 5.2      | 460.0   | 5.6      | 760.0   | 8.7      |
| Pensions, including Widows'    | 880.0   | 11.2     | 700.0   | 8.5      | 600.0   | 6.9      |
| War Contingencies Res....      | 100.0   | 1.3      | 500.0   | 6.1      | 500.0   | 5.7      |
| Gen. and Contingencies Res.    | 1,200.0 | 15.3     | 1,300.0 | 15.7     | 1,400.0 | 16.0     |
| Dividends (net) .....          | 5,229.0 | 66.5     | 5,231.8 | 63.3     | 5,238.4 | 60.1     |
| Carry Forward (plus) .....     | 29.8    | 0.4      | 67.1    | 0.8      | 230.2   | 2.6      |

As is shown by the accompanying table, which covers the results of the big five and the two independent Lancashire banks, the District and Martins, the additional money has gone mainly to premises accounts, including provision for deferred repairs and rebuilding, while free reserves and carry forward are the next most important beneficiaries.

### Bank Share Yields

It may be recalled that the figures of *The Actuaries' Investment Index* showed a rise of some 5 per cent, from 111.7 to 117.4, in bank and discount company shares during the year 1943. The prices of all the English bank shares are now ex dividend, and it is possible to split up the general picture into its component parts. In the following table the ex dividend prices and yields on each of the shares of the seven English banks which are dealt in have been compared with the corresponding figures of a year ago. There are three classes of share to be considered: those with maximum dividends—these are all fully paid—and the partly and fully paid shares whose payments may still fluctuate. The movements are not consistent throughout, but in general the maximum dividend shares have fallen on

|               | Capital Value |       | Div. % | Price 1943 | Yield 1943 | Price 1944 | Yield 1944 |
|---------------|---------------|-------|--------|------------|------------|------------|------------|
|               | Nom.          | Paid  |        |            |            |            |            |
| Barclays:     |               |       |        |            |            |            |            |
| "A" .....     | £4            | Fully | 10     | 54/-       | 3.71       | 53/6       | 3.74       |
| "B" .....     | £1            | "     | 14     | 76/-       | 3.68       | 77/6       | 3.62       |
| District:     |               |       |        |            |            |            |            |
| "A" .....     | £5            | £1    | 18     | 87/-       | 4.14       | 92/-       | 3.91       |
| "B" .....     | £1            | Fully | 10     | 56/3       | 3.56       | 54/-       | 3.70       |
| "C" .....     | £1            | "     | 18     | 96/6       | 3.73       | 98/6       | 3.66       |
| Lloyds:       |               |       |        |            |            |            |            |
| "A" .....     | £5            | £1    | 12     | 57/6       | 4.18       | 60/6       | 3.96       |
| "B" .....     | £1            | Fully | 15     | 29/6       | 3.38       | 29/-       | 3.44       |
| Martin's:     |               |       |        |            |            |            |            |
| "A" .....     | £20           | £2    | 15     | 178/9      | 4.19       | 183/9      | 4.09       |
| "B" .....     | £1            | Fully | 15     | 83/-       | 3.62       | 85/6       | 3.50       |
| Midland:      |               |       |        |            |            |            |            |
| "A" .....     | £12           | £2    | 16     | 198/9      | 4.03       | 206/3      | 3.88       |
| "B" .....     | £2            | Fully | 16     | 217/6      | 3.68       | 222/6      | 3.60       |
| "C" .....     | £1            | "     | 16     | 89/6       | 3.58       | 91/6       | 3.49       |
| Natl. Provl.: |               |       |        |            |            |            |            |
| "A" .....     | £5            | 14/-  | 15     | 51/-       | 4.12       | 51/6       | 4.08       |
| "B" .....     | £5            | £1    | 15     | 73/-       | 4.11       | 74/6       | 4.04       |
| "C" .....     | £1            | Fully | 15     | 82/6       | 3.64       | 84/-       | 3.58       |
| Westminster:  |               |       |        |            |            |            |            |
| "A" .....     | £4            | £1    | 18     | 89/6       | 4.02       | 90/6       | 3.98       |
| "B" .....     | £1            | Fully | 12     | 68/-       | 3.68       | 69/6       | 3.60       |

† Maximum dividend. ‡ £12 reserve liability. \* Quotation for £1 of capital.

the year. Meanwhile the fully-paid shares have risen, but they have risen less than the partly paid. In other words, the price and yield margin between the two has narrowed. In terms of yields, the investor will now, on the average, sacrifice about 8s. per cent for the certainty that he will not be asked to put up additional capital, whereas a year ago he was prepared to forgo 9s. The average, however, makes the picture look a good deal more consistent than it really is, for, in the cases of individual banks, not only do the margins vary, but it is difficult to relate the variation to the amount of callable capital. Doubtless it represents a number of factors too complex to be easily

enumerated, but it is none the less strange that the deterrent effect of the remote possibility of a call on bank shares should be so great.

### Brazilian Aftermath

Despite reports to the contrary the agents for the Brazilian loans, with coupons dated January, have now received authority to proceed with the implementation of the agreement, and it is understood that cash payments to those who accept either of the options will shortly be forthcoming on these issues. The market has arranged to give three quotations: the first a "cum all" price for those who have accepted neither option, the other prices being based on this by deducting the net payments to be received by way of either capital or interest. The market continues weak, but so far there has not been enough business for the quotations under options "A" and "B" to have developed any independence of the basic price for the old bonds. That will doubtless come, and bondholders who can afford to go without income for the time being may be well advised to await developments. Holders have the rest of the year in which to reach a decision, and there is some reason for supposing that the present selling pressure will not continue indefinitely. Owing to the fact that the quotation and, therefore, the commission is based on the old holdings, however much these may have been written down by partial repayment, holders who have adopted option "B" are complaining of excessive charges. There is every reason for an overhaul of commission charges, but that does not mean that they would necessarily all be lowered. In this case the bonds are all to bearer, and the charges are based on the supposition that bearer bonds are easier to handle than registered. Under war conditions this is the reverse of the truth, but the commissions have not been raised. So long as the number of pieces of paper which the broker has to handle is not reduced, there is little logical justification for asking him to cut this particular commission. Meanwhile Messrs Lazard Brothers have produced a further statement, this time on the City of Nitcheroy bonds. The general arguments are now familiar, but there is the special point that the City is prosperous and well able to provide the full service of the bonds out of current revenue. Granted that the Federal authorities may still wish to prevent transfers of exchange, there appears to be no justification whatever for preventing the municipality from meeting the charge in local currency, or for insisting that the bonds of cities able to do so should be lumped in a general settlement of Federal debt.

### The Savings Record

Lord Kindersley last week brought up to date his review of the achievements of the war savings campaign. The annual record is as follows:

|             | (In million £'s)   |                    |       |
|-------------|--------------------|--------------------|-------|
|             | "Small"<br>Savings | "Large"<br>Savings | Total |
| 1940 .....  | 490                | 767                | 1,257 |
| 1941 .....  | 621                | 1,134              | 1,755 |
| 1942 .....  | 628                | 1,068              | 1,696 |
| 1943 .....  | 739                | 1,164              | 1,903 |
| Total ..... | 2,478              | 4,133              | 6,611 |

Lord Kindersley compared these savings figures with the estimated totals of wages and salaries since 1938. The figures from 1938 to 1942 are those which appeared in the official estimates of the national income and expenditure. The 1943 estimate has presumably been provided by the Central Statistical Office and thus gives an interesting preview of the figure which will appear in the next Budget White Paper. The estimates of wages and salaries are as follows:—

|            | (£ millions) |
|------------|--------------|
| 1938 ..... | 2,868        |
| 1940 ..... | 3,713        |
| 1941 ..... | 4,308        |
| 1942 ..... | 4,817        |
| 1943 ..... | 5,100        |

There is not complete affinity between these income and savings figures, since some of the savings represent the re-investment of profits and dividends, or direct bank pur-

chases. Nevertheless, the National Savings Committee is to be congratulated on the steady growth of genuine savings canalised to Government loans, especially if the size of the first cut on the national income taken by taxation and the exceptionally severe encroachment of taxation on the lower income groups are borne in mind.

### Record Diamond Sales

World sales of diamonds by the Diamond Trading Company—the selling agency for producers in Africa—reached a record in 1943. Turnover is unofficially estimated between £16 million and £20 million, compared with £10,500,000 in 1942 and the relatively low level of £4,050,000 in 1938. World production, which, according to the US Bureau of Mines, had fallen from the record level of 13,012,525 metric carats in 1940 to 9,254,200 carats in 1942, rose somewhat in 1943, although it is doubtful whether the 10 million limit has again been surpassed. This year there will be a further increase in output; apart from a planned intensification of production in the Belgian Congo and British West Africa, two of the South African gem diamond mines are producing again at a sizeable and growing rate. The reopening of the Kleinzee mine of De Beers last June was followed, in September, by the reopening of the Dutoitspan Mine, also controlled by De Beers. Late in December the directors of De Beers decided to extend operations at Dutoitspan by the introduction of a second shift as soon as sufficient labour could be obtained. The resumption of mining in South Africa—between the middle of 1940 and the middle of 1943 only some alluvial deposits were exploited in that leading gem diamond producing country—suggests that stocks of gem stones held by the selling syndicate have been substantially reduced. The value of the output of the world's diamond mines in 1942—inclusive of industrial stones—was estimated by the US Bureau of Mines at about £7,000,000, and in 1943 it does not appear to have been much higher. If these figures are correct the decline in stocks in the two years, taking 1943 sales at the lower estimate of £16 million, must have been somewhere between £10 million and £15 million. Such a reduction in syndicate stocks would, indeed, change the basic position of the diamond trade. It would enable the syndicate both to face a decline in sales after the war without a corresponding decline in current production and to make arrangements to secure all legitimate needs of industrial diamonds without at the same time endangering the position of the gem stone market. Even if world sales of diamonds in 1944 fail to reach the past year's level, they are likely to remain above the value of current production. The diamond market, therefore, appears to have reason to look into the future with considerable confidence.

### Belgium Stakes a Claim

Post-war preparations in the diamond industry are not confined to the trade in rough stones. In the cutting and polishing section of the industry all centres which have extended their activities since 1940—including the United Kingdom, the United States, Palestine, South Africa, and some smaller areas—are endeavouring to retain their new position after the war. But both Amsterdam and Antwerp, which before the war used to be responsible for over nine-tenths of the world's diamond finishing operations, hope to regain their former lead. Belgian interests, which over two years ago formed a "Correspondence Office of the Diamond Industry" with the aim of preparing the rehabilitation of the Antwerp diamond industry, recently published a report about their activities. It stressed that the Office has succeeded during the war in retarding the growth of overseas cutting and polishing centres by inducing the various authorities to limit shipments of rough stones. At the same time the syndicate has earmarked several millions of carats of rough stones, which are to be shipped to Antwerp as soon as work can be resumed there. Although only a limited section of the 25,000 Belgian diamond workers have succeeded in leaving their country since 1940, the Belgian interests are endeavouring to induce their return after the war. As the Belgian Congo is the world's largest diamond producing country—at least in terms of volume—and the Belgians appear to have made the retention of adequate stocks for Antwerp's post-war trade a condition of their maintenance of Congo production, the Belgian bargaining position is a strong one and Belgium may well succeed in its aims.

### The Clothing Ration

The basic clothing ration for the six months beginning February 1st is to be 24 coupons, the equivalent of four coupons a month. If a new set of coupons is made available on August 1st, this monthly rate will have been maintained for two years and a month. This is, without doubt, a great achievement. The clothing ration—despite the "industrial ten" coupons—presses unevenly on different sections of the population, according to individual stocks of clothing at the beginning of rationing. Unfortunately, it was administratively impossible to take personal stocks into account in fixing the ration, which has, therefore, to be maintained at a rate sufficient to clothe those people with no stocks, who cannot afford to buy clothes with lasting qualities. Inevitably, this places the more fortunate in a better position. The stabilisation of the ration for so long was scarcely to be expected at the outset. It has been maintained by strict economy in the use of material and labour, and by the concentration of the clothing industry—now nearing completion. The President of the Board of Trade declared last week that the clothing ration would be continued during the transition from war to peace conditions. Apart from the relief of Europe, the civilian clothing requirements of the demobilised Armed Forces will make the continuation of rationing absolutely necessary for a time.

### National Dock Labour Corporation

The formation of the National Dock Labour Corporation in 1939 marked an important advance in the decasualisation of the most casual industry of the country. The speech of the Chairman, Mr R. E. Garrett, at the Corpora-

tion's third annual general meeting in December shows that the scheme has been amply justified, and that the Corporation has done well both financially and operationally. It has been able to wipe out a deficit and accumulate a credit balance on its management fund and has substantially increased its reserve fund. In consequence, the Corporation has decided to discontinue the levy for the reserve fund and to reduce the normal percentage payments from 25 per cent to 12½ per cent in the case of allocated workers, and from 18½ per cent to 8 per cent in respect of weekly workers, the new rates of employers' contributions being subject to review after six months. The Corporation has extended the scope of its operations and the number of ports dealt with has increased from 32 to 59. It now covers 1,160 employers and 35,000 workers registered under the Essential Work (Dock Labour) Order. About 33,000 men are concentrated in 20 ports, but the smaller ports are difficult and costly to administer. The scheme has been extended to include coal trimmers, fish dock workers and riggers. One of the main problems has been to find sufficient labour to meet the greatly increased shipping load handled. Within the last few months a further 2,000 men have been added to the registers, but little fresh recruitment is likely. Training schemes for specialised workers have been developed. In the year ended last June, the average daily surplus of labour in the Corporation ports was 6,800; since June, it has only been 3,100. The surpluses are generally of short duration and coincide with shortages at many ports. In general the number of long distance transfers from port to port have been kept at a minimum, though the number of transfers on a daily basis have been increased and is now at the rate of 2,000 a week. It is satisfactory to learn that the rate of avoidable absenteeism has been low. In the first quarter of this year, it was 3.3 per cent of the live register,

## The National City Bank of New York

(Incorporated with limited liability under the National Bank Act of the United States of America)

### Condensed Statement of Condition as of December 31, 1943

INCLUDING DOMESTIC AND FOREIGN BRANCHES

#### ASSETS

|                                                                         |                        |
|-------------------------------------------------------------------------|------------------------|
| Cash and Due from Banks and Bankers .....                               | \$ 885,401,994         |
| United States Government Obligations (Direct or Fully Guaranteed) ..... | 2,174,265,961          |
| Obligations of Other Federal Agencies .....                             | 36,204,882             |
| State and Municipal Securities .....                                    | 130,284,824            |
| Other Securities .....                                                  | 47,038,098             |
| Loans, Discounts and Bankers' Acceptances .....                         | 633,126,637            |
| Real Estate Loans and Securities .....                                  | 4,783,329              |
| Customers' Liability for Acceptances .....                              | 4,471,464              |
| Stock in Federal Reserve Bank .....                                     | 5,625,000              |
| Ownership of International Banking Corporation .....                    | 7,000,000              |
| Bank Premises .....                                                     | 36,649,081             |
| Items in Transit with Branches .....                                    | 1,917,734              |
| Other Assets .....                                                      | 1,050,345              |
| <b>Total .....</b>                                                      | <b>\$3,967,819,349</b> |

#### LIABILITIES

|                                                         |                        |
|---------------------------------------------------------|------------------------|
| Deposits .....                                          | \$3,733,649,246        |
| (Includes United States War Loan Deposit \$409,714,667) |                        |
| Liability on Acceptances and Bills .....                | \$8,209,196            |
| Less: Own Acceptances in Portfolio .....                | 2,791,171              |
|                                                         | 5,418,025              |
| Reserves for:                                           |                        |
| Unearned Discount and Other Unearned Income .....       | 1,402,585              |
| Interest, Taxes, Other Accrued Expenses, etc. ....      | 12,695,897             |
| Dividend .....                                          | 3,100,000              |
| Capital .....                                           | \$77,500,000           |
| Surplus .....                                           | 110,000,000            |
| Undivided Profits .....                                 | 24,053,596             |
|                                                         | 211,653,596            |
| <b>Total .....</b>                                      | <b>\$3,967,819,349</b> |

Figures of Foreign Branches are included as of December 23, 1943, except those for enemy-occupied branches, which are prior to occupation but less reserves. \$572,456,453 of United States Government Obligations and \$5,398,354 of other assets are deposited to secure \$539,525,139 of Public and Trust Deposits and for other purposes required or permitted by law.

(Member Federal Deposit Insurance Corporation.)



Established 1812

#### HEAD OFFICE:

55 Wall Street,  
New York

#### LONDON OFFICES:

117 Old Broad Street  
11 Waterloo Place



and in the second, 2.4 per cent. This rate compares favourably with that in some other industries. On the other hand, the occurrence of unofficial strikes, which have often held up important shipments, has been a disturbing feature of the past year.

#### Merchant Bank Alliance

It has been announced this week that Arbuthnot, Latham and Company have acquired the whole of the issued share capital of John K. Gilliat and Company. Both firms are well known as merchant bankers in the truest sense of the word, with the emphasis of their activities falling as much on merchanting as on banking. Arbuthnot, Latham and Co., founded in 1833, thrived on the tea trade, but in the course of its business with India and Ceylon had, before the war, developed an important acceptance business. Gilliat's have been more interested in coffee and sisal and, therefore, with Central America and East Africa. They can trace their origin to 1786 and in 1921 merged with the firm of Wm. LeLacheur and Co., founded in 1860. The subscribed and paid up capital of Gilliat's is £190,000 and that of Arbuthnot Latham £590,000. The link up of these two institutions should prove to the advantage of all concerned. It conforms to a trend towards greater integration of the merchant banking firms of the city, which has been in evidence for some time past and which is likely to make further progress in the near future.

#### The Credit Turnover

The turnover at the Bankers' Clearing House in 1943 set up the expected high record, reaching £57,107,109,000, an increase of 17.3 per cent on the previous record made in 1942. This increase in clearings compares with an expansion of 11.3 per cent in clearing bank deposits if the average of these for the first eleven months of 1943 is taken and compared with the monthly average for 1942. This indication that the velocity of circulation of bank credit has increased between 1942 and 1943 is also borne out by the Bank of England's compilations separating clearing bank deposits into current and deposit accounts. These show that current accounts averaged £2,148 million in 1942 and £2,432 million in the first eleven months of 1943, an increase of 13.1 per cent. Deposit accounts, on the other hand, increased by 7.6 per cent only. The disparity between the increase in clearings and that in current accounts is explained in part by the fact that from July 1943 several of the provincial clearings were curtailed and part of the cheques until then cleared through them were routed through the Bankers' Clearing House at Stoke. The effect of this limitation of provincial clearing is responsible for the decrease of £312,299,000, or 21 per cent, in the aggregate of the eleven provincial clearings for 1943. The grand total of clearings—central and provincial—for the year show an increase of £8,138 million, or 16.2 per cent, on those for 1942. The adjusted evidence, therefore, still points to an increased velocity of circulation of credit.

#### Indian Railway Purchase

A further reduction of the opportunities for the British investor to participate in the development of India is imminent as a result of the negotiations for the Secretary of State for India to take over the Madras and Southern Mahratta Railway Company. The contract could be determined at the end of next year, or at any five-yearly period thereafter, and it was evident that the earliest date would be chosen. By agreement with the board, it has now been decided that, subject to the approval of the stockholders, the transfer shall take place at the end of March. The contractual payment is the guaranteed interest and share of surplus profits to the date of determination, plus par for the capital stock of £5,000,000. The offer is interest and surplus profit to March 31st, plus the capital amount plus £275,000 for the loss of 21 months' interest and profit. In recent years, the amount earned for dividend has declined considerably and this offer is almost exactly the equivalent of recent earnings, so there is no reason to suppose that the offer will not be accepted. It will permit a payment of £110 per cent in April, with some further distribution whose amount will depend mainly on costs, including tax assessments. The shareholders are being asked to provide

£5,200 for compensation for loss of office to the directors and £11,800 for similar payments to the London staff. In considering the payment likely to be received by the shareholders, it should be remembered that for some years past they have received payments of 1 per cent tax free out of reserves. Apart from the annuities, whose service is already covered, and certain debentures, the only railway stocks outstanding are £1,000,000 of South Indian Railway, repayable end 1945, and £3,000,000 of Bengal Nagpur, repayable five-years later.

#### Trade Union Membership

From data supplied by the Chief Registrar of Friendly Societies, the Ministry of Labour has compiled figures of the size of trade union membership at the end of 1942. Total membership was 7,781,000. It has only twice been higher: in 1919 it was 7,926,000, and in 1920 8,348,000. The rise between 1941 and 1942 was 9.7 per cent, as is shown in the accompanying table of the number of unions and total membership at the end of each year since 1937, taken from the *Ministry of Labour Gazette* for November. The increase in female membership was proportionately greater, at 21.4 per cent, than male membership, at 6.9, mainly due to the large numbers of women mobilised for industry during 1942. Engineering and metal industries absorbed the largest proportion of the increase in male membership, and the general labour unions in female membership. As the labour force reaches its maximum size—and if any additions can

| Year       | No. of Trade Unions | MEMBERSHIP  |           |             | Increased Membership from Previous Year |
|------------|---------------------|-------------|-----------|-------------|-----------------------------------------|
|            |                     | Males       | Females   | Total       |                                         |
| 1937 ..... | 1,032               | '000s 4,947 | '000s 895 | '000s 5,842 | % 10.3                                  |
| 1938 ..... | 1,024               | 5,127       | 926       | 6,053       | 3.6                                     |
| 1939 ..... | 1,028               | 5,258       | 975       | 6,231       | 2.9                                     |
| 1940 ..... | 1,089               | 5,460       | 1,082     | 6,542       | 5.0                                     |
| 1941 ..... | 983                 | 5,719       | 1,374     | 7,093       | 8.4                                     |
| 1942 ..... | 976                 | 6,113       | 1,668     | 7,781       | 9.7                                     |

be made, they are small—the trade unions can expect few new members from among recruits to industry. Any increase will have to be made from existing non-union workers. Since 1928 there has been a slow but steady decrease in the number of new unions. New unions are formed, but not in sufficient numbers to offset dissolutions and amalgamations. During 1942 two unions passed the 100,000 membership mark, and raised the number of unions in this class to sixteen, between them controlling 4,647,000 trade unionists, nearly 60 per cent of the total. There were eleven unions of between 50,000 and 100,000, with a membership of 846,000 between them, some of which may have overflowed into the largest class by now. If the experience after the last war is repeated, trade union membership can be expected to increase in the immediate post-war period.

## Company Results

#### Houlder Line (Shipping).—

|                                    | Years to December 31, |           |           |
|------------------------------------|-----------------------|-----------|-----------|
|                                    | 1941                  | 1942      | 1943      |
| Total profit after taxation† ..... | 101,261               | 61,720    | 74,316    |
| Depreciation .....                 | 23,402                | 12,542    | 26,118    |
| Expenses .....                     | 8,510                 | 4,524     | 5,279     |
| Preference dividend .....          | 12,375                | 12,375    | 12,375    |
| Ordinary shares:—                  |                       |           |           |
| Earned (net) .....                 | 56,974                | 32,379    | 30,544    |
| Paid (net) .....                   | 20,625                | 20,625    | 20,625    |
| Earned % .....                     | 20.1                  | 11.7      | 11.1      |
| Paid % .....                       | 74                    | 74        | 74        |
| Fleet replacement account .....    | 35,368                | 15,695    | —         |
| Carry forward .....                | 40,580                | 36,539    | 46,458    |
| Valuation of fleet .....           | 373,074               | 551,473   | 973,596   |
| Net liquid assets .....            | 1,677,515             | 1,705,066 | 1,447,766 |
| Fleet Replacement Account .....    | 900,000               | 1,110,000 | 1,239,904 |
| Credit in G.T.R.A. ....            | 76,500                | 61,431    | 39,060    |
| Gross liquid assets .....          | 2,107,769             | 2,081,721 | 1,876,792 |

† No provision for taxation was necessary in 1943.

The £5 ordinary shares, at about 8½, yield £5.10s. 3d. per cent.

## NATURAL v. SYNTHETIC

### A Controversy Among the Nutritional Experts Which is Being Resolved by Wartime Experience

A QUIET and gentlemanly controversy has been going on in laboratories, medical societies, and hospitals between two schools of scientific thought in the field of dietetics. If these two schools were football teams, one might be called the "Naturals"; the other, the "Synthetics."

Both sides are agreed on the vital need for an adequate supply in the national dietary of the protective food factors (vitamins). Moreover, neither side disputes the fact that the food we eat is often lacking in an adequate quantity of them for one reason or another.

Sometimes the vitamins have been destroyed in the refinement of food: white bread, in which the B vitamins have been largely milled out of the flour, is an example. Cooking often reduces the potency of vitamins. Time is an enemy of the vitamins: transport and storage account for a serious reduction in the vitamin content. Vitamin-bearing foods themselves vary in their potency. And on top of all this there is the

fact that an uninformed choice of food may deprive the family of an adequate vitamin supply.

#### TWO VIEWS

Where the two schools of thought do split is on the question of how to correct the vitamin deficiency in the post-war world.

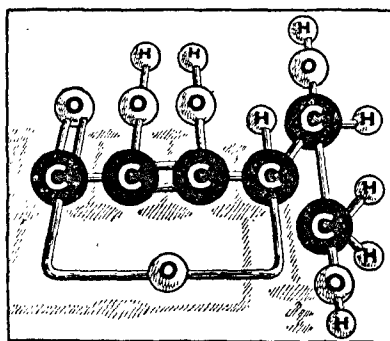
The "Natural" school says: Don't refine foods; prohibit the milling of white flour. Educate the public to choose the right foods; to eat raw vegetables and fruit; to cook properly. Speed up distribution from grower to consumer. Provide plenty: in a world free from want there will be no vitamin shortage.

The "Synthetic" school, on the other hand, says: Let us do everything we can along these lines, but let us recognize, too, that this cannot be done in a short space of time and that the average person may not willingly consume enough of the right foods to give him the necessary natural vitamins. Therefore, fortify his food with vitamins made by man.

The opponents of this course are agreed that vitamins synthesized in a laboratory and mass-produced in a fine-chemical plant are the very same thing as the same vitamins synthesized by nature. Once the chemical formula of a natural vitamin has been discovered by isolation and analysis, there is usually no insurmountable difficulty in reproducing an identical vitamin in unlimited quantities. Nor can the "Natural" school deny that

synthesized vitamins are uniform and, in the form in which they are distributed, stable; and that they can be added in definite quantities.

Even so, the "Naturals" contend, it is safer to trust Mother Nature. If you substitute synthesized vitamins for the known natural ones, how can you be sure that there may not be undiscovered qualities natural to the food that you are not making good by supplying the known missing factors only? Not long ago, Vitamin B<sub>1</sub> (or B, as it was then called) was the only vitamin known to be



BLUE-PRINT OF A VITAMIN: A wooden model representing the chemical formula of Vitamin C (L-ascorbic acid), a water-soluble, crystalline substance. This formula is, of course, exactly the same whether for natural or synthesized Vitamin C. The two are identical.

affected by the milling of white flour; since then, the B Complex has been discovered, and it is now realized that some of the other vitamins of this complex are also partly milled out of the grain.

#### COMPROMISE

Granted, answer the "Synthetics." Let us not by any means abandon natural food. But let us at the same time, for safety's sake, supplement the diet of the people with synthesized vitamins; let us fortify or "enrich" our natural food. And when the natural food is difficult or impossible to provide, let us not despise our knowledge because it is limited; let us supply the known vitamins at least! This was done at Tobruk when fruit and vegetables were lacking; if it could have been done at Kut in 1916, many brave lives would have been saved from the dread diseases, scurvy and beri-beri.

This line of reasoning has pretty well won over the "Natural" school. They may prefer that the starving children of the occupied countries of Europe should get their Vitamin A from butter and fish, their Vitamin B from wholemeal bread, their Vitamin C from green vegetables and fruits, their Vitamin D from cod-liver oil. But they are at the same time glad to know that the children will at first get a life-saving supply of all four out of one block of "vitaminized" chocolate.

ROCHE  
PRODUCTS LIMITED  
Makers of Synthesized Vitamins

# New Year Attraction

to subscribers to

3% Savings Bonds

and

2½% National

War Bonds

Subscriptions to Bank

of England issues of

3% Savings Bonds and

2½% National War

Bonds are now accepted

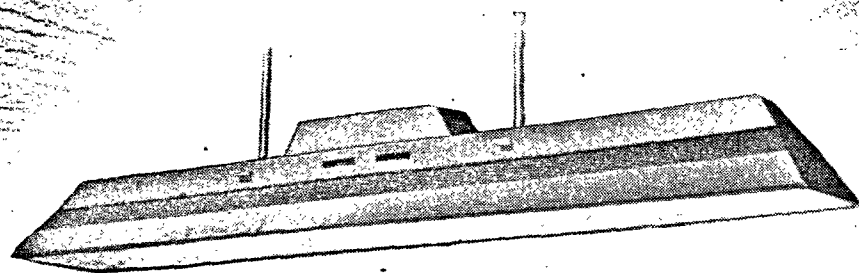
in any odd amount

inclusive of shillings

and pence provided it is

not less than £50

There is no change in the arrangements for subscriptions to the Post Office and Trustee Savings Banks issues.



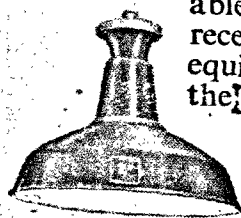
## LIGHTING SERVICE

A worker's output depends upon his ability to work well and that depends upon his ability to see well.

Lighting is an essential service in every industry, a service which can add to the efficient working of the whole plant if it is well planned to suit the needs of all the workers. It has been proved that good lighting pays, but it has also become well established that it requires skill and knowledge to plan good lighting.

That is a service offered you by Benjamin. For over thirty-five years Benjamin have been engaged in the provision of industrial lighting equipment, not only have they seen the many innovations in lighting technique, but Benjamin laboratories and Benjamin engineers have taken part in the pioneer work and have led the way in many developments.

To-day and in the approaching post-war period, a wide range of equipment and of methods are available; the best lighting is vastly improved since even recent years, and the Benjamin organisation is fully equipped and ready to help you to fit your lighting to the needs of your production.



# BENJAMIN

FLUORESCENT — DISCHARGE — FILAMENT

The Benjamin Electric Ltd., Brantwood Works, Tottenham, London, N.17  
 Telegrams: "Benjalect, Southtot, London"  
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### COMPANY MEETINGS

## FIRST GARDEN CITY, LIMITED

### THE POST-WAR HOUSING PROGRAMME

### SUCCESS OF LETCHWORTH EXPERIMENT

### SIR ERIC MACFADYEN'S VIEWS

The fortieth ordinary general meeting of the First Garden City, Limited, was held, on the thirteenth instant, at the Great Northern Hotel, King's Cross, London, N., Sir Eric Macfadyen, M.A., J.P. (chairman of the company), presiding.

The chairman said: Ladies and gentlemen,—Turning to the balance-sheet, the audited capital remains at £250,000 in ordinary and £150,000 in preference shares. Loan capital is higher at £962,299. The total of sundry creditors is on balance little altered at £136,799. Only two other items call for comment on the liabilities side of the balance-sheet—depreciation and renewals account is up from £387,355 to £424,487 and the reserve for contingencies is brought up to £17,158 by an appropriation from profit and loss account. The magnitude of our operations is continually expanding and our reserves must be augmented from time to time. On the present occasion your directors consider that an addition of £10,000 to contingencies reserve is called for. On the other side of the balance-sheet, fixed assets now stand at £1,853,910 compared with £1,727,358 a year ago. Sundry debtors and loans are rather down, while sinking fund policies are up by a roughly similar amount.

The profit available for appropriation is £24,461 against £19,495, and we have further available £8,300 released from taxation account owing to the settlement of questions which had been outstanding between the company and the revenue. The payment of the 5 per cent. dividend to which you have so long been accustomed and the appropriation to contingencies reserve to which I have already alluded will leave the carry forward appreciably higher at £31,327. I think you will agree that, having regard to the difficulties created by present conditions, and to heavily increased expenses, this is a satisfactory result. We are looking forward eagerly to the extension and improvement of the town when opportunity offers and are husbanding our resources with that in view.

### POST-WAR DEVELOPMENT

The Ministry of Health forecast a post-war housing programme of some 4,000,000 houses, and Lord Portal has envisaged a post-war labour force of a million and a quarter in the building industry. With up-to-date methods of construction the industry, so expanded, should be equal to delivering 400,000 houses per annum in addition to the other demands it will have to meet.

We may consequently anticipate that within a decade the face of the limited land we live in will largely be settled for some generations. Local authorities, including our friends of the Letchworth U.D.C., have received instructions to be ready for immediate action and are planning their housing programmes. They are doing so without guidance in terms of any constructive and comprehensive central policy, in the absence of which it is already apparent that we shall witness a new outbreak of the uncoordinated development which, in the past, has brought in its train so much social confusion and economic waste.

### CORRELATION OF HOUSING AND INDUSTRY

The lines along which our physical reorganisation should proceed have been exhaustively explored—the need to correlate the housing of the people with the

siting of industry; to check further aggregation where industry is already over-concentrated; to diversify the activities of existing single-purpose urban complexes; and to divert a proportion of both industry and population into smaller towns which, by-passed by the coal and railway age, are to-day qualified, thanks to modern road transport and the dispersal of electric power, to resume their place in the main stream of the national effort. In economic efficiency the country has as much to gain from orderly integration of its industrial assets as has an old-established industrial plant from conversion to a modern streamlined lay-out.

To any such reorganisation of the productive resources of the nation an important contribution will be made by the completely new industrial centre, designed, *ab initio* for a rational balance of population and industry. Letchworth, the freehold of which is owned by our company, was started and has consistently been developed as an experiment in the establishment of just such a town. Although the earliest, it is not, of course, the only pattern of the kind; but its experience is of special interest because its success, in the face of very slender original resources, provides the more convincing evidence of the soundness of the underlying principle. As a pioneer, Letchworth has had plenty of difficulties, and has not altogether avoided mistakes; but that it is a success there is no question.

### A NEW INDUSTRIAL TOWN

The town of Letchworth was designed for a population of 35,000. It covers at present about one-third of the 4,562 acres owned by the company; when it reaches maturity the remaining land will be reserved for agriculture in perpetuity. Starting operations before the earliest town-planning legislation, the company had no choice but to acquire the ownership of its own "green belt" in order to anticipate the land speculator. It could then ill-afford to do so; but we have had abundant reason to congratulate ourselves on the foresight in this respect of the original projectors.

The land is well farmed; the farms gain much from the market provided by the town; and the preservation of the countryside is one of the town's greatest assets. No part of the town has more than 12 houses to the acre; every house has its garden; and it is interesting to find that the gardens rival the farms in food production. One-seventh of the built-up area is occupied by recreation grounds, football and cricket fields, tennis courts, bathing pools, parks, a pleasant golf course, etc., and no house is a mile from open fields. The factory areas are compact and grouped round the power station and gasworks and the railway sidings. The residential areas are handy but segregated. People walk or cycle to their day's work; everyone living in Letchworth can go home to his dinner. There are trees and lawns everywhere. Even factory entrances have flower beds.

### AMENITIES OFFERED

The town at present accommodates about 22,000 people. It was growing rapidly before the war, and once we are able to resume development it will not be very long before we reach the 35,000 aimed at. It is an industrial town—but with a difference. It comprises 4,939 houses or, as I prefer to say, homes, 192 shops, four hotels, 216 factories and workshops, 15 places of worship, seven elementary and

three secondary schools, two cinemas, a theatre, a hospital, a maternity home, a public library, a public museum and so on. Its industries are the typically modern ones: they tend to expand. The company facilitates actively the establishment of new undertakings. Local administration for more than 20 years has been in the hands of a progressive Urban District Council. Its vital statistics are noteworthy—the more so at a time when population trends are a subject of general interest. For 1942 the birthrate was 16.6 per mille as against 15.8 for England and Wales urban and rural. The death rate was 9.06 against 11.6. The infant mortality rate (perhaps the most sensitive of demographic barometers) was the astonishingly low one of 14 per thousand live births, against 49. There has been no maternal death at childbirth since 1931.

The company lets land for buildings on a standard lease for 99 years, or in selected cases 999 years, with covenants conforming to our general objects. House building has been carried out by private enterprise, by the U.D.C., and by housing societies. More than half the homes of Letchworth have been erected with no subsidy: a result facilitated by the low ground rents. The demand for public utilities has been met by the company, which supplies power, gas, water and other services, and which constructed the original roads, sewers, etc., in the days before the U.D.C. was constituted.

### LESSONS OF LETCHWORTH

Our issued capital was at the outset £98,403, and even to-day is only £400,000 (in ordinary and preference shares), and as our fixed assets now stand in our balance-sheet in the neighbourhood of two million pounds, it will be obvious that finance has presented some problems. The company was engaged on what, to many wise heads, appeared a somewhat visionary project, and its future for a time looked precarious. Earnings for a good many years had to be ploughed back into the business and money borrowed at what, viewed in the light of the credit standing the company now enjoys, after paying annual dividends of 5 per cent. for more than 20 years, seem burdensome rates. With our experience behind us, I have no hesitation in saying that a similar project, which could count on the backing of public credit in one form or another, could be carried to fruition in a quarter of the time over which our experiment has extended; and that under skilled control completely new towns of thirty to fifty or sixty thousand inhabitants can be planted in the country, and to the great benefit of the countryside, on a self-liquidating basis as regards finance: towns which will furnish every facility for modern industry and offer conditions of life for the workers which will amount to a social revolution.

And may I add this on the strength not only of our own but of other later experiments in town-building? There is no question of life in such a town being dull and restricted. The corporate existence of a place like Letchworth is marked by vigour, public spirit, and independence. It has its own tradition. It tends to become a place in which people generally take their share in common activities, instead of merely looking on at them. Cultural, educational, recreational needs can be amply cared for in a place of quite moderate size, and the amenities of modern life can be more freely provided than in the unplanned chaotic industrial town. From the social point of view it should be a prime object of policy at this stage to promote and facilitate the free development of new towns of moderate size by local regional or central authorities, by the great municipalities, and by specifically authorised associations. From the economic point of view, there being no waste of capital, the new town is the most paying proposition in rehousing and the dispersal of industry.

The report and accounts were adopted and the retiring directors re-elected.



# UNION BANK OF AUSTRALIA, LIMITED

## DIVIDEND OF 6 PER CENT.

The annual general meeting of the Union Bank of Australia, Limited, will be held, on the 31st instant, at 71, Cornhill, London.

The following is an extract from the statement of the chairman, Major-General Sir John H. Davidson, K.C.M.G., C.B., D.S.O., circulated with the report and accounts:

Since my review of a year ago the war situation in the South-West Pacific has appreciably changed for the better. In

Australia the 1942-43 wool clip totalled approximately 3½ million bales. The wheat harvest yielded about 156 million bushels. Seasonal conditions have been somewhat variable. In New Zealand the wool clip amounted to approximately 962,000 bales, compared with 986,000 for the previous season. Seasonal conditions generally were only fair.

In the balance-sheet, the item deposits, bills payable, etc., calls for comment. An increase of about £8½ million is shown, mainly in demand deposits, and is almost entirely due to expansion of credit brought about by increased Government expenditure and the depletion of stocks for civil consumption. The increase in our deposits' funds is reflected in our larger holdings of Treasury bills and public securities,

each more by some £2,000,000, and by the substantial increase of over £5,000,000 in the special wartime deposit with the Commonwealth Bank of Australia. With those items totalling some £29,000,000, it will be seen that the abnormally high degree of liquidity to which I referred last year has been accentuated. Loans, advances, etc., show a small increase, and this may be regarded as satisfactory in view of Government restrictions on loans to the public.

Gross profits total £1,451,795, a decrease of £48,932. Expenses under all heads are down. The net profit is £173,144 (last year £174,068). The interim dividend was 2½ per cent., less tax, and we have declared a final dividend of 3½ per cent., less tax.

# RECORDS and STATISTICS

## INDUSTRY AND TRADE

**Coal Output.**—The output of saleable coal in the four weeks ended December 25th averaged 3,662,600 tons, compared with 3,815,100 tons per week in the previous four weeks.

## AVERAGE WEEKLY OUTPUT OF COAL (Weekly Standard Tonnage 4,161,800 tons)

| Four Weeks ended* | 1941 tons | 1942 tons | Four Weeks ended* | 1942 tons | 1943 tons |
|-------------------|-----------|-----------|-------------------|-----------|-----------|
| Dec. 26th         | 3,853,400 | 3,880,100 | July 10th         | 3,987,200 | 3,579,700 |
|                   | 1942      | 1943      | Aug. 7th          | 3,339,300 | 3,097,600 |
| Jan. 23rd         | 3,824,800 | 3,813,400 | Sept. 4th         | 3,978,900 | 3,767,800 |
| Feb. 20th         | 4,028,000 | 4,016,400 | Oct. 2nd          | 4,076,100 | 3,819,400 |
| March 20th        | 4,074,600 | 4,013,700 | Oct. 30th         | 4,124,500 | 3,908,000 |
| April 17th        | 3,739,800 | 4,005,200 | Nov. 27th         | 4,126,600 | 3,815,000 |
| May 15th          | 4,103,900 | 3,624,600 | Dec. 25th         | 3,880,100 | 3,662,600 |
| June 12th         | 3,724,800 | 3,936,600 |                   |           |           |

\* The actual dates given relate to 1942 and 1943.

The production from opencast workings averaged 86,613 tons per week. During the previous four weeks, an average of 107,400 tons per week was produced. Only Leicestershire qualifies for the output bonus.

**Retail Trade.**—The index (1937 = 100) of the average value of daily sales fell from 109 in October, 1943, to 106 in November, according to the retail trade report published in the *Board of Trade Journal* for January 8, 1944. The greatest fall was in apparel sales, from 104 to 88; this is 12 points below the average for the year ending October, 1943. There was a rise only in the food and perishables category.

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

|                              | Daily Average Sales |       |       | Stocks<br>(at cost<br>end Nov. |
|------------------------------|---------------------|-------|-------|--------------------------------|
|                              | 1943                |       |       |                                |
|                              | Sept.               | Oct.  | Nov.  |                                |
| By Commodities               |                     |       |       |                                |
| Non-food Merchandise :—      |                     |       |       |                                |
| Piece-goods .....            | +12.8               | +17.4 | +12.4 | +42.7                          |
| Women's Wear .....           | +27.4               | +16.0 | +15.2 | +11.1                          |
| Men's and Boys' Wear .....   | +30.2               | +8.8  | +19.8 | +15.6                          |
| Boots and Shoes .....        | +21.0               | +16.9 | +12.2 | +14.5                          |
| Furnishing Departments ..... | +11.7               | +9.4  | +13.3 | +12.1                          |
| Hardware .....               | +7.5                | +0.7  | +1.7  | +11.6                          |
| Fancy Departments .....      | +4.5                | +14.1 | +6.0  | +19.2                          |
| Sports and Travel .....      | +12.1               | +6.4  | +5.8  | +0.7                           |
| Miscellaneous .....          | +5.0                | +5.1  | +3.5  | +17.0                          |
| Total :—                     |                     |       |       |                                |
| Non-food Merchandise .....   | +15.1               | +10.5 | +7.3  | +11.4                          |
| Food and Perishables .....   | +2.1                | +3.7  | +5.2  | +9.0                           |
| Total :—                     |                     |       |       |                                |
| All Departments .....        | +7.5                | +2.8  | +0.7  | +11.2                          |

Source: Board of Trade Journal.

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

|                | Jan. 6, 1944  | Jan. 7, 1944  | Jan. 10, 1944 | Jan. 11, 1944 | Jan. 12, 1944 |
|----------------|---------------|---------------|---------------|---------------|---------------|
| Crops          | 122.9         | 122.9         | 123.0         | 123.0         | 123.0         |
| Raw materials  | 185.5         | 185.5         | 185.5         | 185.0         | 185.0         |
| Complete Index | 151.0         | 151.0         | 151.1         | 151.1         | 151.1         |
|                | Mar. 31, 1937 | Aug. 31, 1939 | Jan. 12, 1943 | Dec. 13, 1943 | Jan. 5, 1944  |
| Crops          | 147.9         | 92.2          | 119.4         | 122.9         | 122.9         |
| Raw materials  | 207.3         | 122.9         | 172.7         | 182.3         | 185.5         |
| Complete Index | 175.1         | 106.4         | 143.6         | 149.7         | 151.0         |

\* Highest level reached during 1932-37 recovery.

## BRITISH WHOLESALE PRICES

| CEREALS AND MISCELLANEOUS          |                                   | Jan. 4, 1944 | Jan. 11, 1944 |
|------------------------------------|-----------------------------------|--------------|---------------|
| GRAIN, etc.                        |                                   |              |               |
| Wheat                              | No. 1 N.Mt. 496 lb. f.o.b. St. J. | 50 9         | 50 10         |
| Eng. Gaz. av. per cwt. (c)         |                                   | 15 1         | 15 0          |
| Barley Eng. Gaz., av. per cwt. (c) |                                   | 27 8         | 27 9          |
| Oats (c)                           |                                   | 15 10        | 16 5          |
| JUTE (per ton)                     | Daisie 2/3 c. and f. Dundee       | 38/10/0      | 40/5/0        |
| NON-FERROUS METALS (per ton)       | Tin—Standard cash                 | 300/0/0      | 300/0/0       |
| CHEMICALS                          | Ammonia, Sulphate                 | 9/19/0       | 9/19/0        |
| HIDES (per lb.)                    | Dry Capes, 18/20 lb.              | 0 10         | 0 10          |
| VEGETABLE OILS (per ton net)       | Linseed, raw                      | 60/0/0       | 60/0/0        |
| Rape, crude                        |                                   | 70/0/0       | 70/0/0        |
| Oil Seeds, Linseed                 |                                   | Nom.         | Nom.          |
| Bombay                             |                                   | 32/0/0       | Nom.          |
| Calcutta                           |                                   |              |               |

(e) Average for weeks ended Jan. 1 and Jan. 8.

## AMERICAN WHOLESALE PRICES

| GRAINS (per bushel)                                    |  | Jan. 4, 1944 | Jan. 11, 1944 |
|--------------------------------------------------------|--|--------------|---------------|
| Wheat, Chicago, May                                    |  | 169½         | 172           |
| Oats, Chicago, May                                     |  | 78½          | 78            |
| Rye, Chicago, May                                      |  | 128½         | 132½          |
| MISCELLANEOUS (per lb.)                                |  |              |               |
| Cotton, N.Y., Am. mid., spot                           |  | 20.45        | 20.70         |
| Am. mid., Jan.                                         |  | 19.56        | 19.80         |
| Cotton Oil, N.Y., May                                  |  | 14.31        | 14.31         |
| Moody's Index of staple commodities, Dec. 31, 1931=100 |  | 247.4        | 247.4         |

## FINANCE AND BANKING

**THE MONEY MARKET.**—Although the banks have had substantial transfers of tax money to make to the Exchequer this week, credit has remained in ample supply. The position has been helped by the £10,000,000 excess of Treasury bill maturities over payments. Treasury Deposit Receipt payments, amounting to £40,000,000 have been approximately balanced by the effective maturities. The Bank return provides ample explanation of the prevailing ease. The cash basis is still considerably extended, and the year-end inflation of this item has not as yet been corrected. Bankers' deposits last Wednesday totalled £188,216,000, showing an increase of £4,162,000 on the week. There was a net return of £8,634,000 of notes from circulation, and this partly explains the increase in bankers' deposits, though it should be noted that a contraction of £7,116,000 in Government securities accompanied the reflux of notes and largely neutralised its impact on bank cash. Open market sales of securities have not been in evidence this week, though on the evidence of the Bank return they would not have come amiss. The position should, however, be largely corrected by the heavy tax transfers made towards the close of this week.

**MONEY RATES, LONDON.**—The following rates remained unchanged between Jan. 7th and Jan. 13th:—

Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days, 1½%; 3 months, 1½%; 4 months, 1½-1¼%; 6 months, 1½-1¼%. Treasury Bills: 2 months, 1-1¼%; 3 months, 1-1¼%. Day-to-day money, 1-1¼%. Short Loans, 1-1¼%. Bank deposit rates 1%. Discount deposit at call ½%; at notice 1%.

**Exchange Rates.**—The following rates fixed by the Bank of England remained unchanged between Jan. 7th and Jan. 13th. (Figures in brackets are par of exchange.)

United States. \$ (4-8½) 4-02½-03½; mail transfers 4-02½-03½. Canada. \$ (4-8½) 4-43-47; mail transfers 4-43-47. Switzerland. Francs (25-22½) 17-50-40. Sweden. Krona (18-150) T.T. 16-85-95. Dutch West Indies. Florin (12-11) 7-58-62. Portugal. Escudos (110) 99-80-100-20; mail transfers 99-80-100-30. Panama. 54-02-04; mail transfers 4-02-04½. Brazil. 83-64½ cr. (buying). Uruguay. 7-6597 p. (buying).

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

**Market Rates.**—The following rates remained unchanged between Jan. 7th and Jan. 13th:

## GOVERNMENT RETURNS

For the 8 days ended Jan. 8, 1944, total ordinary revenue was £87,216,000, against ordinary expenditure of £143,324,000, and issues to sinking funds of £261,384. Thus, including sinking fund allocations of £10,257,119, the deficit accrued since April 1st is £2,455,175,000 against £2,354,120,000 for the corresponding period a year ago.

## ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

| Receipts into the Exchequer (£ thousands) |           | April 1 to Jan. 9, 1943 | April 1 to Jan. 8, 1944 | 9 Days ended Jan. 8, 1944 | 8 Days ended Jan. 8, 1944 |
|-------------------------------------------|-----------|-------------------------|-------------------------|---------------------------|---------------------------|
| ORDINARY REVENUE                          |           |                         |                         |                           |                           |
| Income Tax                                | 117,500   | 455,340                 | 554,187                 | 47,827                    | 40,003                    |
| Excise                                    | 80,000    | 29,509                  | 26,502                  | 8,270                     | 6,150                     |
| Rate, etc.                                | 100,000   | 71,915                  | 74,106                  | 3,043                     | 2,230                     |
| Stamp                                     | 17,000    | 10,470                  | 13,760                  | 1,019                     | 760                       |
| N.D.C.                                    | 500,000   | 21,504                  | 23,738                  | 1,019                     | 760                       |
| E.P.T.                                    | 262,877   | 369,097                 | 9,847                   | 13,278                    |                           |
| Other Ind. Rev.                           | 1,000     | 390                     | 408                     | 70                        | 160                       |
| Total Ind. Rev.                           | 187,300   | 852,005                 | 1,061,798               | 70,076                    | 62,601                    |
| Customs                                   | 525,320   | 353,992                 | 422,015                 | 10,563                    | 14,754                    |
| Excise                                    | 450,180   | 320,800                 | 362,500                 | 3,700                     | 4,105                     |
| Total Customs & Excise                    | 975,500   | 674,792                 | 784,515                 | 14,263                    | 18,859                    |
| Motor Duties                              | 25,000    | 10,529                  | 8,947                   | 4,032                     | 3,487                     |
| Canadian Govt. Contribution               | ...       | 224,719                 | ...                     | ...                       | ...                       |
| P.O. (Net Receipts)                       | 400       | 9,450                   | ...                     | Dr. 300                   | ...                       |
| Wireless Licences                         | 4,700     | 3,090                   | 3,190                   | ...                       | ...                       |
| rown Lands                                | 800       | 720                     | 730                     | ...                       | ...                       |
| Receipts from                             | 4,100     | 2,877                   | 4,541                   | 419                       | ...                       |
| Sundry Loans                              | 24,000    | 78,251                  | 60,858                  | 1,345                     | 2,268                     |
| Isell. Receipts                           | ...       | ...                     | ...                     | ...                       | ...                       |
| Total Ord. Rev.                           | 2,907,500 | 1,856,433               | 1,924,580               | 89,835                    | 87,216                    |
| SELF-BALANCING P.O. & Broadcast           | 110,632   | 81,200                  | 84,000                  | 1,800                     | 1,700                     |
| Total                                     | 3,018,132 | 1,937,633               | 2,008,580               | 91,635                    | 88,916                    |

| Expenditure                     |         | Estimate, 1943-44 | April 1 to Jan. 9, 1943 | April 1 to Jan. 8, 1944 | 9 Days ended Jan. 8, 1944 | 8 Days ended Jan. 8, 1944 |
|---------------------------------|---------|-------------------|-------------------------|-------------------------|---------------------------|---------------------------|
| ORDINARY EXPENDITURE            |         |                   |                         |                         |                           |                           |
| Int. & Man. of Nat. Debt        | 375,000 | 264,268           | 283,449                 | 9,945                   | ...                       | ...                       |
| Payments to N. Ireland          | 9,500   | 5,845             | 5,668                   | 238                     | 332                       | ...                       |
| Other Cons. Fund Services       | 7,500   | 6,841             | 6,650                   | 2,347                   | 2,348                     | ...                       |
| Total                           | 392,000 | 276,953           | 295,766                 | 12,530                  | 2,680                     | ...                       |
| Supply Services                 | 536,675 | 392,448           | 407,371                 | 133,349                 | 140,643                   | ...                       |
| Total Ord. Exp.                 | 578,751 | 420,136           | 436,949                 | 145,879                 | 143,324                   | ...                       |
| SELF-BALANCING P.O. & Broadcast | 110,632 | 81,200            | 84,000                  | 1,800                   | 1,700                     | ...                       |
| Total                           | 589,383 | 428,256           | 445,349                 | 147,679                 | 145,024                   | ...                       |

A charge has been made in the method of showing an excess of Post Office Expenditure over Post Office Revenue. Such excess is now included as ordinary expenditure (under "Total Supply Services") instead of being shown, as up to July 24 inclusive, as a deduction from ordinary revenue.

After increasing Exchequer balances by £466,832 to £3,496,059, the other operations for the week (no longer shown separately) raised the gross National Debt by £46,011,530 to £19,292 million.

| NET ISSUES (£ thousands)  |     |       |
|---------------------------|-----|-------|
| War Damage Act            | ... | 1,000 |
| P.O. and Telegraph        | ... | 250   |
| Overseas Trade Guarantees | ... | 14    |
|                           |     | 1,264 |

| NET RECEIPTS (£ thousands) |     |        |
|----------------------------|-----|--------|
| Defence Loans Act          | ... | 11,928 |
| Tithe Act                  | ... | 160    |
|                            |     | 12,088 |

## FLOATING DEBT

| Treasury Bills |         | Ways and Means Advances |               | Treasury Deposits by Banks | Total Floating Debt |
|----------------|---------|-------------------------|---------------|----------------------------|---------------------|
| Date           | Ten-der | Tap                     | Public Depts. | Bank of England            |                     |
| 1943           |         |                         |               |                            |                     |
| Jan. 9         | 1045-0  |                         | Not available |                            |                     |
| Sept. 4        | 1170-0  |                         | "             |                            |                     |
| " 11           | 1170-0  |                         | "             |                            |                     |
| " 18           | 1170-0  |                         | "             |                            |                     |
| Oct. 9         | 1078-8  | 259-5                   | "             | 1114-5                     | 4452-8              |
| " 16           | 1180-0  |                         | Not available |                            |                     |
| " 23           | 1190-0  |                         | "             |                            |                     |
| " 30           | 1200-0  | 1872-3                  | 326-5         | 16-7                       | 1213-0              |
| Nov. 6         | 1210-0  |                         | Not available |                            |                     |
| " 13           | 1210-0  |                         | "             |                            |                     |
| " 20           | 1210-0  |                         | "             |                            |                     |
| " 27           | 1210-0  | 1868-9                  | 363-6         | 27-0                       | 1291-0              |
| Dec. 4         | 1210-0  |                         | Not available |                            |                     |
| " 11           | 1210-0  |                         | "             |                            |                     |
| " 18           | 1210-0  |                         | "             |                            |                     |
| " 25           | 1210-0  |                         | "             |                            |                     |
| 1944           |         |                         |               |                            |                     |
| Jan. 8         | 1210-0  |                         | 367-0         | 65-2                       | 1401-0              |
|                |         |                         |               |                            | 4948-4              |

## TREASURY BILLS

| Date of Tender |       | Amount  |             | Average Rate of Allotment | Per Cent. Allotted at Min. Rate |
|----------------|-------|---------|-------------|---------------------------|---------------------------------|
|                |       | Offered | Applied for |                           |                                 |
| 1943           |       |         |             |                           |                                 |
| Jan. 8         | 75-0  | 133-9   | 75-0        | s. d.                     | 46                              |
| Sept. 17       | 90-0  | 183-6   | 90-0        | 19 11-10                  | 41                              |
| " 24           | 90-0  | 188-8   | 90-0        | 19 10-97                  | 37                              |
| Oct. 1         | 90-0  | 190-2   | 90-0        | 19 11-96                  | 28                              |
| " 8            | 100-0 | 199-8   | 100-0       | 19 11-95                  | 35                              |
| " 15           | 100-0 | 196-3   | 100-0       | 20 0-36                   | 28                              |
| " 22           | 100-0 | 181-8   | 100-0       | 20 0-62                   | 41                              |
| " 29           | 100-0 | 193-4   | 100-0       | 20 0-48                   | 35                              |
| Nov. 5         | 90-0  | 213-1   | 90-0        | 20 0-04                   | 23                              |
| " 12           | 90-0  | 197-5   | 90-0        | 20 0-29                   | 27                              |
| " 19           | 90-0  | 190-4   | 90-0        | 20 0-23                   | 29                              |
| " 26           | 90-0  | 197-1   | 90-0        | 20 2-19                   | 30                              |
| Dec. 3         | 90-0  | 197-2   | 90-0        | 20 2-54                   | 28                              |
| " 10           | 90-0  | 198-2   | 90-0        | 20 1-68                   | 17                              |
| " 17           | 90-0  | 183-2   | 90-0        | 20 2-10                   | 26                              |
| " 24           | 90-0  | 217-0   | 90-0        | 19 10 83                  | 41                              |
| 1944           |       |         |             |                           |                                 |
| Jan. 7         | 90-0  | 206 4   | 90-0        | 20 2-76                   | 26                              |

On Jan. 7th applications at £99 14s. 11d. per cent. for bills to be paid on Monday of following week were accepted in full. Applications at £99 14s. 11d. for bills to be paid on Tuesday, Wednesday, Thursday, Friday and Saturday were accepted as to about 26 per cent. of the amount applied for, and applications at higher prices in full. £90 millions of Treasury Bills are being offered on Jan. 14th. For the week ending Jan. 15th, the banks will be asked for Treasury deposits to the maximum amount of £40 millions.

## NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BOND SUBSCRIPTIONS

| (£ thousands)  |    |         |                        |                        |                                |
|----------------|----|---------|------------------------|------------------------|--------------------------------|
| Week ended     |    | N.S.C.  | 3%<br>Defence<br>Bonds | 3%<br>Savings<br>Bonds | 2½%<br>War<br>Bonds<br>1952-54 |
| Nov.           | 2  | 4,767   | 1,562                  | 4,493                  | 11,353                         |
|                | 9  | 5,047   | 1,663                  | 5,690                  | 23,049                         |
| "              | 16 | 5,115   | 2,029                  | 5,606                  | 9,872                          |
| "              | 23 | 4,459   | 1,897                  | 5,512                  | 6,383                          |
| "              | 30 | 4,534   | 1,663                  | 3,314                  | 12,108                         |
| Dec.           | 7  | 4,683   | 1,697                  | 4,134                  | 4,490                          |
|                | 14 | 4,115   | 1,555                  | 3,482                  | 13,913                         |
| "              | 21 | 3,557   | 1,362                  | 3,770                  | 5,493                          |
| "              | 28 | 3,320   | 997                    | 2,785                  | 5,397                          |
| Jan.           | 4  | 5,126   | 1,618                  | 5,628                  | 10,285                         |
| "              | 11 |         |                        | 5,963                  | 11,566                         |
| Totals to date |    | 997,611 | 661,050                | 143,944                | 190,255                        |

## OVERSEAS BANK RETURNS

## U.S. FEDERAL RESERVE

| Million \$'s                                | Jan. 1943 | Dec. 1943 | Jan. 1944 | Jan. 1944 |
|---------------------------------------------|-----------|-----------|-----------|-----------|
| 12 U.S.F.R. BANKS                           |           |           |           |           |
| RESOURCES                                   |           |           |           |           |
| Gold certifs. on hand and due from Treasury | 20,511    | 19,628    | 19,615    | 19,512    |
| Total reserves                              | 20,904    | 20,127    | 20,148    | 20,100    |
| Total cash reserves                         | 360       | 291       | 315       | 336       |
| Total U.S. Govt. secs.                      | 6,032     | 11,551    | 11,615    | 11,650    |
| Total bills and secs.                       | 6,049     | 11,632    | 11,726    | 11,691    |
| Total resources                             | 28,609    | 34,380    | 34,252    | 34,081    |
| LIABILITIES                                 |           |           |           |           |
| F.R. notes in circ.                         | 12,177    | 16,809    | 16,875    | 16,908    |
| Excess mr. bank res.                        | 2,330     | 920       | 1,130     | 970       |
| Mr. bank res. dep.                          | 13,464    | 12,677    | 12,769    | 12,602    |
| Govt. deposits                              | 273       | 967       | 764       | 961       |
| Total deposits                              | 14,909    | 15,509    | 15,441    | 15,315    |
| Total liabilities                           | 28,609    | 34,380    | 34,252    | 34,081    |
| Reserve ratio                               | 77.2%     | 62.3%     | 62.3%     | 62.4%     |
| BANK AND TREASURY RESOURCES                 |           |           |           |           |
| Monetary gold stock                         | 22,712    | 22,004    | 22,004    | 21,938    |
| Treasury & bank currency                    | 3,660     | 4,097     | 4,096     | 4,094     |
| LIABILITIES                                 |           |           |           |           |
| Money in circulation                        | 15,393    | 20,382    | 20,428    | 20,436    |
| Treasury cash and dep.                      | 2,465     | 3,292     | 3,080     | 3,275     |

## REICHSBANK

## Million reichsmarks

| Nov. 1942                   | Oct. 1943 | Nov. 1943 | Nov. 1943 |
|-----------------------------|-----------|-----------|-----------|
| ASSETS                      |           |           |           |
| Gold and foreign currencies | 77        | 77        | 77        |
| Bills and cheques           | 25,449    | 36,117    | 35,736    |
| Rentbank notes              | 269       | 457       | 531       |
| Advances                    | 13        | 17        | 39        |
| Securities: for note cover  | 72        | 1         | 1         |
| Other assets                | 1,746     | 2,069     | 2,021     |
| LIABILITIES                 |           |           |           |
| Notes in circulation        | 23,052    | 30,922    | 30,574    |
| Daily maturing liabilities  | 3,241     | 5,967     | 5,891     |
| Other liabilities           | 782       | 1,055     | 1,074     |

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

| Oct. 1942                | July 1943 | Sept. 1943 | Oct. 1943 |
|--------------------------|-----------|------------|-----------|
| ASSETS                   |           |            |           |
| Gold in bars             | 62.9      | 78.7       | 80.1      |
| Cash                     | 34.8      | 23.4       | 18.0      |
| Sight funds              | 15.7      | 15.8       | 15.8      |
| Commercial bills         | 112.2     | 123.3      | 123.5     |
| Treasury bills           | 30.3      | 28.5       | 27.9      |
| Time funds at interest   | 21.0      | 21.4       | 21.4      |
| Sundry bills and invest. | 200.9     | 192.7      | 197.7     |
| LIABILITIES              |           |            |           |
| Deposits:                |           |            |           |
| Annuity                  | 152.7     | 152.7      | 152.7     |
| German                   | 76.3      | 76.3       | 76.3      |
| Central Banks            | 15.5      | 15.8       | 15.3      |
| Other                    | 4.4       | 1.3        | 1.2       |
| Gold                     | 33.7      | 40.9       | 40.8      |

## CENTRAL BANK OF IRELAND

## Million £'s.

| Dec. 1943            | Dec. 1943 | Dec. 1943 | Jan. 1944 |
|----------------------|-----------|-----------|-----------|
| ASSETS               |           |           |           |
| Gold                 | 2.65      | 2.65      | 2.65      |
| British Govt. secs.  | 23.65     | 24.16     | 24.16     |
| Sterling balances    | 2.22      | 1.92      | 1.78      |
| LIABILITIES          |           |           |           |
| Notes in circulation | 28.64     | 28.84     | 28.70     |

## RESERVE BANK OF NEW ZEALAND

## Million £N.Z.'s

| Nov. 1942              | Oct. 1943 | Nov. 1943 | Nov. 1943 |
|------------------------|-----------|-----------|-----------|
| ASSETS                 |           |           |           |
| Gold and stg. exch.    | 28.77     | 31.11     | 31.42     |
| Advances to State      | 26.23     | 39.25     | 39.16     |
| Investments            | 4.46      | 10.32     | 10.32     |
| LIABILITIES            |           |           |           |
| Bank notes             | 27.69     | 34.34     | 34.42     |
| Demand liab. to State  | 10.52     | 15.05     | 16.39     |
| Bank and others        | 20.52     | 30.91     | 29.72     |
| Reserve to sight liab. | 48.6      | 38.68     | 39.01     |

## RESERVE BANK OF INDIA

## Million rupees

| Jan. 1943             | Dec. 1943 | Dec. 1943 | Dec. 1943 | Dec. 1943 |
|-----------------------|-----------|-----------|-----------|-----------|
| ASSETS                |           |           |           |           |
| Gold coin & bullion   | 444       | 444       | 444       | 444       |
| Rupree coin           | 123       | 150       | 144       | 138       |
| Balances abroad       | 669       | 1,307     | 1,297     | 1,246     |
| Sterling securities   | 4,128     | 7,058     | 7,128     | 7,228     |
| Ind. Govt. rup. secs. | 1,224     | 583       | 583       | 583       |
| Investments           | 60        | 76        | 76        | 77        |
| LIABILITIES           |           |           |           |           |
| Notes in circ. India  | 5,783     | 8,156     | 8,206     | 8,286     |
| Deposits: Govt.       | 229       | 281       | 313       | 243       |
| Banks                 | 475       | 960       | 1,008     | 902       |
| Reserve ratio         | 77.3%     | 91.10     | 91.3      | 91.5      |

## AUSTRALIAN COMMONWEALTH BANK—Million £A's

| Nov. 1942                 | Oct. 1943 | Nov. 1943 | Nov. 1943 |
|---------------------------|-----------|-----------|-----------|
| ASSETS                    |           |           |           |
| Gold and English ster.    | 1942      | 1943      | 1943      |
| Other coin, bullion, etc. | 29.83     | 38.98     | 40.7      |
| Call money, London        | 8.64      | 10.27     | 10.86     |
| Secrts. and Treas. bills  | 46.73     | 50.55     | 50.18     |
| Discounts and advances    | 146.21    | 226.66    | 228.72    |
| LIABILITIES               |           |           |           |
| Notes issued              | 114.86    | 153.76    | 155.26    |
| Deposits, etc.            | 163.48    | 171.65    | 168.34    |

## BANK OF CANADA

## Million Can. \$'s

| Dec. 1942            | Nov. 1943 | Nov. 1943 | Dec. 1943 |
|----------------------|-----------|-----------|-----------|
| ASSETS               |           |           |           |
| Reserve: Gold        | 0.5       | 24.61     | 22.91     |
| Other                | 992.1     | 1249.05   | 1260.66   |
| LIABILITIES          |           |           |           |
| Note circulation     | 680.4     | 840.96    | 840.22    |
| Deposits: Dom. Govt. | 37.0      | 72.54     | 66.55     |
| Chartered banks      | 250.3     | 331.50    | 338.78    |

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

## THE ECONOMIST

ESTABLISHED 1843

Vol. CXLVI No. 5239

REGISTERED AS A NEWSPAPER

JANUARY 22, 1944

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

ONE SHILLING

Poland and Russia - - - 93

The Multilateral Approach - 94

The Post Office - - - 96

NOTES OF THE WEEK - - - 98

Music, Maestro, Please; Farmers' Welcome; School Fees; Counter-Thrust; The Marrakesh Meeting; Purges and Trials; Who Represents Poland?; Back to Work; "Back to the Job"; Rehabilitation; Priority for Servicemen; By Their Fruits; Collective Security; Example for Peace; More Colonial Regionalism?; Wartime Strikes; To Speak or Not to Speak; Aliens in Peace; Shorter Notes.

AMERICAN SURVEY - - - 103

Rails and "Little Steel"; The Second One Hundred Billion Dollars; The Double Task; Cold Storage?; Streamlining the State Department; Smoking Dewey Out; Shorter Note.

THE WORLD OVERSEAS - - - 106

Educating the African; Swiss Difficulties; Eire's Finances; Portugal Fights Inflation.

Rails and Little Steel - - - 103

Educating the African - - - 106

American Indices - - - 111

THE BUSINESS WORLD

BUSINESS NOTES - - - 112

The Bankers' Speeches; Waiting On Events; Coal and Steel Prices; Grouping of Coal Mines; BAT Profits Recover; Remuneration of Capital; Purchase Tax in US Imports; Revising Motor Taxation; Future of Gas; Housing Policy; Building Labour; Foreign Loans—Market Representation; Insurance Exports; Research in Shipbuilding; The Discount Year; CPRB Textile Committee; Woolcombers' Wages; Silver Consumption in the US; Hill Sheep Farming.

COMPANY MEETINGS - - - 120

RECORDS AND STATISTICS - - - 128

THE ECONOMIST, BRETENHAM HOUSE, LANCASTER PLACE, LONDON, W.C.2. TELE. TEMPLE BAR 3316. ANNUAL SUBSCRIPTION £3.

## UNITED STATES: MONTHLY STATISTICS

|                                                                                   | Unit of Measurement | Monthly Average |       |        |        |        | 1942   |        |        | 1943   |        |        |        |        |        |        |       |
|-----------------------------------------------------------------------------------|---------------------|-----------------|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|
|                                                                                   |                     | 1929            | 1932  | 1939   | 1940   | 1941   | 1942   | Sept.  | Oct.   | Nov.   | May    | June   | July   | Aug.   | Sept.  | Oct.   | Nov.  |
| Population June, 1940: 131,954,000; Area: 3,026,789 sq. miles; 7,839,432 sq. kms. |                     |                 |       |        |        |        |        |        |        |        |        |        |        |        |        |        |       |
| 1. Industrial production, adj. F.R.B.                                             | 1935-39=100         | 110             | 58    | 108    | 122    | 155    | ...    | 208    | 215    | 220    | 238    | 236    | 239    | 242    | 243    | 245    | 244   |
| 2. " unadj. F.R.B.                                                                | "                   | 110             | 58    | 109    | 125    | 162    | 199    | 213    | 218    | 220    | 239    | 238    | 241    | 244    | 247    | 248    | 244   |
| 3. Manufactures, dur. adj. F.R.B.                                                 | "                   | 132             | 41    | 109    | 139    | 201    | 279    | 299    | 311    | 319    | 359    | 358    | 360    | 365    | 367    | 372    | 372   |
| 4. " non-dur., adj. F.R.B.                                                        | "                   | 93              | 70    | 109    | 115    | 142    | 158    | 161    | 165    | 168    | 176    | 177    | 176    | 177    | 177    | 179    | 178   |
| 5. Minerals, adj. F.R.B.                                                          | "                   | 107             | 67    | 106    | 117    | 125    | 129    | 131    | 129    | 130    | 129    | 117    | 134    | 135    | 139    | 135    | 125   |
| Building contracts awarded:—                                                      |                     |                 |       |        |        |        |        |        |        |        |        |        |        |        |        |        |       |
| 6. Total, adj. F.R.B.                                                             | 1923-25=100         | 117             | 28    | 72     | 81     | 122    | 166    | 179    | 185    | 198    | 52     | 45     | 60     | 59     | 60     | 51     | ...   |
| 7. Residential, adj. F.R.B.                                                       | "                   | 87              | 13    | 60     | 72     | 89     | 81     | 70     | 83     | 90     | 31     | 32     | 36     | 35     | 33     | 36     | ...   |
| 8. Other, adj. F.R.B.                                                             | "                   | 142             | 40    | 81     | 89     | 149    | 236    | 269    | 269    | 286    | 68     | 55     | 80     | 79     | 81     | 63     | ...   |
| 9. Freight-car loadings, adj. F.R.B.                                              | 1935-39=100         | 152             | 78    | 101    | 109    | 130    | 138    | 140    | 140    | 136    | 135    | 127    | 141    | 140    | 140    | 139    | ...   |
| 10. Dept. store sales, adj. F.R.B.                                                | 1923-25=100         | 111             | 69    | 90     | 94     | 110    | 124    | 123    | 128    | 138    | 125    | 129    | 142    | 142    | 132    | 145    | 152   |
| Employment:—                                                                      |                     |                 |       |        |        |        |        |        |        |        |        |        |        |        |        |        |       |
| 11. Non-agricultural, adj. F.R.B.                                                 | '000                | ...             | ...   | 29,757 | 30,992 | 34,409 | 36,986 | 37,645 | 37,962 | 38,325 | 38,222 | 38,345 | 38,276 | 38,003 | 38,686 | 37,956 | ...   |
| 12. " unadj. B.L.S.                                                               | "                   | ...             | ...   | 36,976 | 38,348 | 38,478 | 38,533 | 38,262 | 38,484 | 38,364 | 38,241 | 38,263 | 38,286 | 38,263 | 38,286 | ...    | ...   |
| 13. " adj. F.R.B.                                                                 | 1939=100            | 106.0           | 77.6  | 100.0  | 104.2  | 115.6  | 124.3  | 126.5  | 127.6  | 128.8  | 128.4  | 128.9  | 128.6  | 127.7  | 126.6  | ...    | ...   |
| 14. Factory, adj. F.R.B.                                                          | "                   | 106.1           | 66.4  | 100.0  | 107.5  | 132.1  | 152.3  | 156.9  | 160.7  | 161.9  | 167.2  | 168.8  | 169.6  | 168.8  | 167.7  | 170.0  | ...   |
| 15. " unadj. F.R.B.                                                               | "                   | 119.8           | 50.7  | 100.0  | 114.5  | 167.5  | 242.2  | 261.8  | 270.9  | 280.4  | 313.5  | 317.1  | 315.1  | 322.1  | 328.3  | 333.4  | ...   |
| 16. " payrolls, unadj. F.R.B.                                                     | "                   | ...             | ...   | ...    | ...    | ...    | ...    | 42.4   | 43.6   | 44.0   | 45.2   | 45.1   | 44.4   | 45.0   | 44.7   | ...    | ...   |
| 17. Average hours, B.L.S.                                                         | Number              | ...             | ...   | ...    | ...    | ...    | ...    | 88.6   | 89.3   | 90.5   | 95.3   | 95.9   | 96.3   | 96.5   | 99.3   | ...    | ...   |
| 18. hourly earnings, B.L.S.                                                       | Cents               | ...             | ...   | ...    | ...    | ...    | ...    | 117.8  | 119.0  | 119.8  | 125.1  | 124.8  | 123.9  | 123.4  | 123.9  | ...    | ...   |
| 19. Cost of living, F.R.B.                                                        | 1935-39=100         | 122.5           | 97.6  | 99.4   | 100.2  | 105.2  | 116.5  | 117.8  | 119.0  | 119.8  | 125.1  | 124.8  | 123.9  | 123.4  | 123.9  | ...    | ...   |
| Wholesale prices:—                                                                |                     |                 |       |        |        |        |        |        |        |        |        |        |        |        |        |        |       |
| 20. Farm products, B.L.S.                                                         | 1926=100            | 104.9           | 48.2  | 65.3   | 67.7   | 82.4   | 105.9  | 107.8  | 109.0  | 110.5  | 125.7  | 126.2  | 125.0  | 123.5  | 123.6  | 103.0  | ...   |
| 21. Foods, B.L.S.                                                                 | "                   | 99.4            | 61.0  | 70.4   | 71.3   | 82.7   | 95.6   | 102.4  | 103.4  | 103.8  | 110.5  | 109.6  | 107.2  | 105.8  | 105.2  | 105.1  | ...   |
| 22. Other commodities, B.L.S.                                                     | "                   | 91.6            | 70.2  | 81.3   | 83.0   | 89.0   | 95.5   | 95.5   | 95.5   | 95.5   | 103.8  | 103.8  | 103.8  | 103.8  | 103.8  | 103.8  | ...   |
| 23. Wh'sale com'dity prices, unadj., F.R.B.                                       | "                   | 95.3            | 64.8  | 77.1   | 78.6   | 87.3   | 98.8   | 103.4  | 100.0  | 100.3  | 104.1  | 103.8  | 103.2  | 103.2  | 103.1  | 103.1  | 102.9 |
| Bank Debts:—                                                                      |                     |                 |       |        |        |        |        |        |        |        |        |        |        |        |        |        |       |
| 24. Total, all reporting centres                                                  | Million \$          | 81,878          | ...   | 35,328 | 37,155 | 44,783 | 50,589 | 55,701 | 58,334 | 53,773 | 64,246 | 66,894 | 65,347 | 60,614 | 75,759 | ...    | ...   |
| 25. New York City                                                                 | "                   | 50,257          | ...   | 14,265 | 14,299 | 14,810 | 17,580 | 19,919 | 19,823 | 18,512 | 25,737 | 25,464 | 23,976 | 21,221 | 27,913 | ...    | ...   |
| 26. Gold stock                                                                    | "                   | 3,996           | 3,952 | 17,644 | 21,995 | 22,737 | 22,726 | 22,754 | 22,740 | 22,743 | 22,426 | 22,388 | 22,335 | 22,243 | 22,175 | ...    | ...   |
| 27. Money in circulation                                                          | "                   | 4,476           | 5,328 | 7,171  | 7,901  | 9,816  | ...    | 13,703 | 14,210 | 14,805 | 17,114 | 17,421 | 17,955 | 18,529 | 18,844 | ...    | ...   |
| 28. Member Bank Res. Balances                                                     | "                   | 2,358           | 2,114 | 10,466 | 13,331 | ...    | ...    | 11,592 | 12,735 | 13,208 | 12,031 | 12,085 | 12,590 | 12,855 | 11,864 | ...    | ...   |
| 29. Excess Reserves                                                               | "                   | 43              | 256   | 4,469  | 6,376  | ...    | ...    | 1,690  | 2,644  | 2,909  | 1,728  | 1,212  | 1,268  | 1,123  | 1,684  | ...    | ...   |
| 30. Capital issues, C.F. Chronicle                                                | "                   | 595             | 99    | 186    | 163    | 238    | 89     | 45     | 28     | 31     | 44     | 41     | 31     | 29     | 20     | ...    | ...   |
| 31. 354 Indus. securities, Stand. Statistics                                      | 1939=100            | ...             | ...   | ...    | ...    | ...    | ...    | 77     | 83     | 84     | 105    | 107    | 109    | 104    | ...    | ...    | ...   |
| 32. Yield on Govt. bonds                                                          | %                   | 3.60            | 3.66  | 2.36   | 2.21   | 1.95   | 2.02   | 2.03   | 2.05   | 2.06   | 1.92   | 1.85   | 1.82   | 1.83   | 1.80   | ...    | ...   |
| 33. Income payments, adj.                                                         | 1935-39=100         | 122.9           | 70.6  | 105.5  | 113.8  | 137.3  | 169.4  | 178.4  | 183.0  | 189.2  | 208.7  | 211.3  | 213.1  | 215.3  | 218.6  | ...    | ...   |
| 34. Treasury receipts                                                             | Million \$          | 4,032           | 2,076 | 5,955  | 7,606  | 8,269  | 13,668 | 2,528  | 648    | 830    | 1,742  | 4,569  | 2,048  | 3,005  | 5,418  | 2,069  | ...   |
| 35. " expend., national defence.                                                  | "                   | ...             | ...   | ...    | ...    | 6,301  | 26,011 | 5,384  | 5,481  | 6,042  | 7,092  | 7,469  | 6,432  | 7,232  | 6,532  | 6,789  | ...   |
| 36. " total                                                                       | "                   | 3,852           | 4,320 | 9,528  | 12,774 | 12,711 | 32,397 | 5,931  | 5,937  | 6,363  | 7,435  | 8,327  | 7,112  | 7,617  | 7,635  | 7,456  | ...   |



the removal of named members of the Polish Government naturally lead to fears that the "strong and independent" Poland that Moscow desires will turn out to be nothing but a Soviet Poland. (The representative character of the Polish Government is discussed in a Note on page 100.)

These mutual suspicions, to repeat, are only too natural. The prospect of a satisfactory issue thus turns on the efforts that each country will make to fight down its distrust. The basis of suspicion is fear, and there can be no question that the Russians have far less to fear than the Poles. They possess overwhelming strength; their armies are advancing victoriously across territory that was Polish; nothing that this or any other Polish Government could do in isolation could interfere seriously with any plan the Soviet Union might have for a settlement in



Poland; with the defeat of Germany there will be no other Great Power in the world with either the desire or the ability to take any action in that area. Beyond question the Russians should have shown the greater willingness to conciliate, to allay fears, to display magnanimity. But it is the Poles, in the recent phases of the dispute, who have behaved with moderation—what better proof could there be than the willingness to discuss the cession of a third of the national territory?—while the Russians

have based the most sweeping actions on the smallest pretexts, and if they have offered any concessions, it has been only to snatch them away. Only men determined to take offence could have twisted the Polish statement of January 14th to mean a rejection of the Curzon Line. It is not pleasant to record these judgments—on the contrary, it is most painful—but none other is consistent with the truth.

It is difficult to see what can be done next. The Russian attitude will only strengthen the influence of the intransigents among the Poles, whereas the opening of negotiations would have led almost automatically to the exclusion or self-exclusion of the anti-Soviet elements. The ascendancy of the intransigents may well be taken by the Russians—though they will themselves have brought it about—as proof of their contention. The British and American authorities are clutching at the word "official" in the Soviet statement—"the Soviet Government is not in a position to enter into official negotiations with [the Polish] Government"—and they are pinning their hopes to the possibility of bringing the two sides together unofficially and without publicity.

But will American and British mediation be accepted? The Polish statement of January 14th was known to be favourably regarded by the British Government, and its summary rejection must be read as a rebuff to others as well as the Poles. The publication in *Pravda* of the astonishing allegation that high British officials had been negotiating "not without result" with Ribbentrop for a separate peace is another straw in the wind. Added together, the Russian reply and the Russian *canard* look very much like a war of nerves against Britain and America on the eve of the Second Front.

It would be incorrect—or at least uncharitable—to ascribe this attitude to any weakening in the basic Russian attachment to the alliance of the United Nations. Their purpose, no doubt, is to insist on a free hand for themselves in the eastern settlement, in return, presumably, for a free hand for the democracies in the western settlement. If this is so, then there is a misunderstanding to be cleared up. No interests of Britain or America are involved in the location of the frontier between Russia and Poland. But they are vitally concerned with the methods by which the settlement is reached. Nor is this merely a punctilious insistence on the diplomatic proprieties. It arises from the belief that no nation can be dictated to by another without harm to the fabric of world peace. British and American adherence to this principle has not, in the past, been unwavering; but nothing has been more conclusively proved by events than that "peace is indivisible." Without acceptance of this principle, the hopes, so widely based on the Teheran Conference, that a solid peace could be constructed upon an American-British-Russian basis will turn out to be mere delusions.

#### The Principles of Trade—IV

## The Multilateral Approach

THE point at which the argument of this series of articles has arrived may now usefully be summarised. It has been argued that there is nothing in the circumstances of the modern world which substantially diminishes either the necessity or the desirability of reliance by the British community on international trade. The two new factors—the severe disequilibrium in the nations' accounts which will be left by the war, and the concentration of national economic policies upon the attainment of full employment—in no way contradict the desire to have a large and increasing volume of international trade. On the contrary, it is only within a framework of flourishing international trade that either one of these problems can be satisfactorily solved. On the other hand, neither one is likely to be solved, or even advanced towards a solution, merely by a return to the "orthodox" state of affairs in which trade was either free or, if interfered with at all, was not planned as a whole.

Whatever else may solve the problem of the balance of payments of the United Kingdom, the United States and other countries, leaving it alone will certainly not. Full employment requires that any limping balance of payments shall be cured by lengthening the short leg, not by shortening the long leg, and this, to judge by past experience, is most unlikely to happen in an uncontrolled system. Some degree of purposive direction of international trade is necessary.

This is an important preliminary conclusion. But it leads at once to a further question. Should and can this purposive direction be aimed at the reconstruction and maintenance of a universal system of trade, one that is world-wide, one in which all countries are treated with substantial equality, one in which there is the fullest scope for three-cornered, four-cornered and multilateral trade? Or does the purposive direction of international trade necessarily involve a recourse to discriminating,

regional and bilateral arrangements? If a nation starts to plan its international transactions, will it find that they have to be planned separately in relation to every other country in the world, or will some overall direction, leaving room for freedom and elasticity, be enough? The present article is intended to discuss these questions.

#### Advantages of Multilateral Trade

There is no room for doubt about which answer should be hoped for. Both in general and also more particularly for a country in the position of Great Britain, a world-wide, multilateral system, if it can be attained is very much to be preferred to a system of barter, or of restricted bargains. Only if, in the particular circumstances, some alternative would produce a larger volume of balanced trade should it be considered. There are three main reasons for this preference.

First, the benefits to be derived from exchange, reposing as they do upon the international division of labour, are obviously greater, other things being equal, the wider is the range of trade. Any limitation of the possibilities of exchange excludes some transactions which could bring benefit to both parties. The extent to which world trade is multilateral has, perhaps, been exaggerated. But it is certainly true that the reconstruction of British foreign trade will start under a grave handicap if it cannot follow the natural channels of exchange wherever they lead. British trade, admittedly, must operate on a basis of paying for what is bought. But if we have to pay each country individually for what we buy from it, the difficulties will be much greater.

Secondly, bilateral arrangements, or anything short of universality, necessarily involve the authorities in fairly close and intimate control of specific transactions. This is objectionable, in part because of the much greater apparatus of administrative supervision that is needed, with all the delay and frustration involved, but also for a more important reason. The great danger in any system of purposive direction is lest, however good the intentions may be at the outset of working for an expansion of trade and of ensuring only the common interest, it may in fact work out to be restrictive in operation and more oliticous of sectional interests against the community than of the general good. Any system of control over foreign trade which operates case by case, or even class by class, runs this danger, which is mortal. If the object of intervention by the state is to maintain a universal system, the danger is reduced to a minimum. If the object is to operate a system into which any element of discrimination enters, the danger is at a maximum.

The third and final reason for preferring a universal system is that it is the solution on which American official policy, and a large and most responsible section of American opinion, have set their hearts. It is true that such a policy serves American interests, at this juncture, more than British. It is also true that American

expositions of the doctrine allow for those departures from it that are in fact practised by the United States and prohibit those that are practised by other countries. But British opinion, which has for so long dominated both the principles and the practice of international trading, can hardly complain of such eminently Anglo-Saxon foibles. And the general desirability, on the highest and widest grounds, of a concert of doctrines between Britain and America would be enough by itself to dictate a preference for that solution which would meet the desires of both countries.

If, then, there is to be purposive direction of international trade, it should, so far as possible, be planned multilaterally.

But how far is this possible? The chief defect of an uncontrolled system is its tendency, especially combined with the gold standard or any other closely cohering currency system, to secure the necessary balancing of trade by cutting down what is excessive. The chief purpose of a directed multilateral system should be to ensure that any balancing is secured by balancing upwards what is deficient. If that could be achieved, international trade would be making its best contribution to the attainment of full employment. And if the general tendency of international trade is upwards, the particular embarrassments of the pound sterling and of other currencies can be expected to disappear. The problem is one of amending the existing peacetime system in such a way that it will tend to secure balance by increasing trade, not by cutting it down.

#### Keynes and White Plans

This aim was very clearly in the minds of the draftsmen of both the British and American currency plans. Their purpose was to remove from a debtor country the pressure of an immediate necessity to secure balance between income and outgo by restricting outgo. The acceptance of either plan, or of an amalgam of the two, would undoubtedly be a step in the right direction. But it would not be a very long step. All that either plan purports to do is to postpone the necessity of restriction for a short time, in the hope that it will disappear. But if the necessity for restriction does not disappear, the plans, so far from removing it, are at pains to enforce it. A country which persistently runs a deficit in its international accounts can draw on its quota only for a limited time. Thereafter—under both schemes—it must take such steps to balance its accounts as the international authority prescribes. And these steps are almost of necessity restrictionist, for almost all of the things that a deficit country can do, of its own motion, are various forms of cutting down its purchases. The one possible exception is exchange depreciation which, in some circumstances (but in those circumstances only), can enlarge the trade of the country applying it; and may even conceivably result in a net increase in the trade of all countries. But the Keynes



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Plan very severely limits the amount of exchange depreciation that is permissible, and the White Plan, for all practical purposes, prohibits it altogether.

It is true that both plans speak of bringing pressure to bear, not only on the deficit countries, but also on the surplus countries, and that corrective measures undertaken by a surplus country *might* be of an expansionist, rather than of a contractionist, nature. But the nature of the pressure to be exercised by the world authority on a surplus country, as described in either plan, was very mild, and it is difficult to treat it as more than a pious hope. There is the germ of a truly expansionist scheme in the provision of the original Keynes Plan whereby the Clearing Union might create *bancor*, over and above the trading surpluses and deficits of its members, but this line of thought (barely hinted at in any case) is not likely to find favour in America.

#### Development Loans

It has, however, been made clear that the currency plans are to be regarded as only one part of a wider scheme, to be completed by arrangements for international lending on a large scale and for the holding of large buffer stocks of standard raw materials. It could be argued that, though a currency scheme by itself can only postpone, and not reverse, the need for cutting down, these further projects will secure the aim.

Here again, the answer must be that anything achieved by these schemes will be of assistance, but that it is very difficult to believe that they will go far enough to resolve the difficulty. The magnitude of the problem should be borne in mind. Even after British exports have regained their pre-war volume, there is likely still to be a gap of at least £250 million (or \$1 billion) on the credit side of the British account—or still more if the value of money is lower than it was in 1938. The gap in the American accounts, though on the debit side, is likely to be still larger. There will be many other deficit countries and several other surplus countries. If these gaps are to be closed by loans, the scale of international lending will have to be very large indeed.

Furthermore, the loans would have to be much larger than the gaps to be filled. The only way in which large and continuing loans can be justified, either economically or politically, is by granting them for the development of backward areas. But it may not be the backward areas that have gaps in their international accounts. Great Britain, for example, is hardly to be classed as a backward area—at least not yet. It is true that a loan granted, say, by America to China would, in a multilateral world,

seep round the world and bring some benefit to Britain, but a great deal of it would be lost on the way. Moreover, a loan relieves the exchange problem only to the extent that it is *not* spent on additional exports from the country making the loan—a proviso that is likely to be most unwelcome to the politicians. By the time allowance has been made for these factors, it might take something like £4 of international development loan to do £1 worth of good to the basic problem of balancing the deficit countries' accounts. And finally, loans—unless the word is to be a euphemism for charity—can never be a permanent solution. Interest has to be paid on them and in due course they have to be repaid. The world has tried once before to buttress a limping multilateral system by means of loans, and the results do not encourage a repetition of the experiment, especially since it would have to be on so much larger a scale.

Much the same arguments apply to the proposed international commodity scheme. If the very great practical difficulties can be solved, such a scheme would be worth while for its own sake. If the finance for it could be drawn from countries with a surplus in their international accounts or as hinted in the Keynes Plan, by the creation of international credit, it would help towards a solution of the problems of international currency and trade. But, even in the most favourable circumstances, the magnitude of the assistance given (except perhaps in the first period of building up the official stocks) would probably be small, and there is no assurance that it would be directed to the countries which, on currency grounds, would need it.

The conclusion of this section of the argument must therefore be that none of the schemes that have been authoritatively propounded seem likely, even in combination, to be large enough to serve the purpose. Moreover, from what is known or can be inferred of the discussions that have been proceeding in Washington, it would appear that the expansionary elements in these proposals have been somewhat whittled down, and that it is the much more rigid and orthodox views of the United States Government that are prevailing. If so, it is even less likely that the element of management that is to be injected into the multilateral system of world trade will be sufficient to make it serve the purposes either of full employment within countries or of expanding balanced trade between them.

The next step will be to enquire whether there are any other means, going beyond those hitherto under official discussion, whereby a multilateral system could be purged of its sin of contraction. This will be the subject of the next article.

## The Post Office

WHATEVER surprises this year's Budget may have in store, it seems improbable that there will be any increase in postage rates. The public in wartime is paying what would normally be regarded as excessive rates for its correspondence, and, like other wartime impositions, the increased charges have been accepted with good grace. A table on p. 132 shows the volume of Post Office business in the past two years, compared with 1938-39. The increased postage rates, introduced in 1940, seem to have made surprisingly little difference to the number of letters written; 6,270 million letters were carried in 1942-43, compared with 8,150 million in 1938-39. At the same time the value of the Post Office's transactions with the public have been doubled (it rose from £1,062 million in 1938-39 to £2,138 million in 1942-43), while the Post Office surplus increased from £10,255,000 in 1938-39 to £26,274,000 in 1942-43.

The Post Office provides a steady and convenient source of revenue for the Exchequer, and, from the point of view of a nation at war, there can be no valid objection to this form of taxation. But for a nation at peace to use the Post Office primarily as a revenue-producing department would amount to applying a clumsy and re-

gressive method of taxation. The Bridgeman Committee on the Post Office in 1932 deprecated a growing tendency to regard it mainly as a source of revenue, which impeded its prime function of serving the public. Cheapness of communication is of vital importance in a progressive and expanding economy. Any loss of revenue which might result from a reduction of postal rates is likely to be more than offset by the encouragement given to trade.

A parallel may be drawn from history. When Rowland Hill first proposed penny postage, a century ago, he was violently criticised on the grounds of the loss of national revenue. The Postmaster-General, the Earl of Lichfield, declared in the House of Lords:

Of all the wild and visionary schemes I have ever heard or read of, it is the most extraordinary.

But there was a tremendous response from the public to the proposal to substitute cheaper carriage and uniform charges for the exorbitant rates and inefficient methods then prevailing. Two hundred petitions were laid before the Speaker, and a deputation of 150 Members of Parliament went to Lord Melbourne, the Prime Minister. The Government was forced to give way, and the penny post became general in 1840. *The Economist*, in its first year,

blessed Rowland Hill, and described the benefits resulting from his invention:

The penny postage suggests manifold feelings of the deepest interest—of increased business and increased intercourse between thousands who only a year ago were too poor to spare even their pence for letters . . . the increased circulation of literature and science; increase, in short, of all that contributes to the social, moral and physical happiness of our country, or to the pleasures and blandishment of private life.

When the revenue of the Post Office dropped from £1 million to £500,000 after one year of penny postage, the critics thought their forebodings more than justified, and Rowland Hill was temporarily disgraced. But after a very short time, the increased traffic vindicated the scheme, and a century of Post Office development has shown the wisdom of the early reform.

The Post Office in 1944 is a very different undertaking from the organisation whose foundations were laid by Rowland Hill. It is by far the largest branch of the civil service, employing about 300,000 people. The Bridgeman Committee described it as "the largest trading organisation in the country." Its functions extend far beyond the carriage of mail, though postal services still represented some 50 per cent of its revenue before the war. The telephone and telegraph services, postal and money orders, the inspection of wireless and wireless licences, the payment of old age pensions, and the collection of contributions not only for these but also for national health insurance and unemployment insurance, are all a part of its multifarious routine business. The war has added many activities to the list. The Post Office has helped in the distribution of ration books and identity cards; it has often had to act as a kind of advice and information bureau, and there has been a tremendous increase in war pensions, service and billeting allowances, and in savings business. The number of telephone calls, in spite of appeals to the public to "use the phone less," has increased, mainly as a result of extended Government and industrial activity, and so has the number of telegrams. The only branch which has declined is the postal order business, the number having dropped by nearly a third, with the decline of football pools.

At the same time the war has created many organisational difficulties for the Post Office. One out of every three of its employees is serving in the Forces, and the places of skilled men have been filled by inexperienced, or part-time, workers. Women now represent nearly half the total number of its employees. The organisation has shown an adaptability to war conditions not generally associated with public concerns. Its record during the air raids, when telephone cables had to be repaired overnight and communications rapidly restored, was highly creditable. The introduction of the airgraph service is an example of public enterprise, and also of its successful marriage with private enterprise. Kodak, Ltd., is responsible for the technical arrangements of the service, and the GPO for its organisation. Since airgraphs were first introduced as a tentative experiment in April, 1941, to enable troops in the Middle East to send messages home, about 180 million messages have been sent to and from this country.

The Post Office, in common with other organisations, both public and private, is beginning to think about the future and how to adapt itself to the needs of a peacetime economy. There should be plenty of scope for development and for the fulfilment of plans interrupted by the war. For instance, there might be a rapid extension and cheapening of telephone facilities. Britain stands only ninth in the list of countries, with 5.4 telephones per 100 inhabitants, against 13.7 for the United States and 11 for Canada. The telephone is regarded as a luxury by most working-class people, and with apprehension by many. But the elasticity of demand for the service is shown by the fact that when the night trunk calls maximum of 1s. for any distance was introduced in 1934, the number of such calls increased by 169 per cent. The Post Office can play a valuable part in breaking down the isolation of country districts by developing rural communica-

tions. There might well be further development of automatic exchanges—about 70 per cent of London exchanges are automatic—with a saving of time and temper, as subscribers to the remaining manual exchanges in London will testify. Even on the automatic exchanges, the technical efficiency of the service before the war was very much less than in the United States and in several European countries. Another field for development is in air mail services. The improvements in facilities and the progressive cheapening of rates before the war brought about an increase in the number of air mail letters carried from just half a million in 1927 to 19 million in 1936. A revision of the regulations concerning the posting of newspapers and periodicals is long overdue. The existing regulations impose unnecessary and old-fashioned restrictions upon format. The convenience of publishers, of subscribers, and (almost certainly) of the Post Office itself, would be served if newspapers and magazines could be posted flat and unwrapped, with the address stencilled on the margin of the paper itself, as in America. The mechanism of the Post Office Savings Bank might well be made less cumbersome, and there is also an obvious field of activity for the Post Office as a paying and receiving agency in connection with extended schemes of social security. It might, indeed, become a general purpose department for detailed contact between the state and its citizens.

The Post Office, on the whole, has a reputation for efficiency, but the needs of postwar communications will call for improvements in its organisation and methods. There is a danger, inherent in any undertaking of its size, that it may become unwieldy and bureaucratic. A scheme for increasing the degree of democracy within the organisation has been put forward by the Union of Post Office workers. The proposal indeed is not new—it is based on a conference resolution of 1916. It suggests setting up a Post Office Administrative Council, composed of equal representatives of administrators and the union, under the chairmanship of the Postmaster-General and the vice-chairmanship of a trade unionist, which would be directly responsible to Parliament. Sectional councils would deal with the different branches of activity, and sub-committees with staff problems and welfare. The union's argument is that the active participation of the workers' representatives in the organisation would increase their desire to provide the public with an efficient service. It is certainly desirable that the Post Office workers should feel they have a voice in management. But it would be a disaster if the idea grew up that the Post Office should be run solely in the interests of its staff—a frequent failing of public utilities.

There is another scheme which the Post Office might do well to consider, a proposal which the Postal Reform League has been patiently advocating for many years past. It is that non-urgent communications, posted before mid-day, should be charged at a lower rate than late posted matter, so as to relieve the pressure on the evening collections and morning deliveries. The League estimates that 50 per cent of letters and 90 per cent of printed matter can be regarded as non-urgent and that their scheme would clear the decks for the more rapid handling of really urgent material. Successive Postmaster-Generals have inclined favourably to the proposal, but continuity in office has not been their characteristic, and the Post Office has continued to rely on voluntary appeals to the public to post early, rather than adopt a system of differential rates. The chief objection to the scheme is said to be the purely practical one of getting the public to comply. According to a recent survey, nearly 60 per cent of the letters posted in the London area were wrongly posted or addressed, and the public apparently finds it difficult to put letters for London and the country in the appropriate boxes. This argument is a sorry reflection on the level of intelligence in a democracy.

The really important thing, in any schemes for reform, is that the Post Office should not forget the lessons of 1940, and should never lose sight of the fact that it is first and foremost a public service whose principal objectives



## NOTES OF THE WEEK

### Music, Maestro, Please

There was a sense of early spring in London this week, despite mists and murk in the Straits of Dover. The reason was the return, in buoyant health, of Mr Churchill. It is an indication of the Prime Minister's quite remarkable position and prestige that his mere appearance on the scene gives hope, on all sides, that the pace of events will at once be speeded up, that dull doubts and delays will be ended and history hastened on. His reception, in London, in Parliament, in the press and wherever men meet, was very like the peacetime ovation given to a Test team, successful at Manchester and Leeds, coming out to play at the Oval. He has on his hands not only a Second Front but also a second chance in twenty-five years to place the social and economic destiny of this country under conscious guidance, to release by apt measures the springs of enterprise and achievement that persist among the people, and to give the country he has saved in war the chance to lead again, by its example and sagacity, in the arts of peace and the science of industry. There are, admittedly, doubts in some places about the batting strength of his team, about the quality of his bowlers, and even about the wisdom and sufficiency of their captain's instructions for the coming match. To vary the metaphor, there is unqualified praise for the conductor's skill and artistry, but some reservations about the range of his repertoire, and some disposition to disagree with his insistence upon being, simultaneously, first violin. His preference for martial music has indeed been more than justified by the performance, but he still has the first movement at least of a New World Symphony to get through before the leaves fall again.

### Farmers' Welcome

The farmers had their own special greeting for Mr Churchill on his return. The National Farmers' Union sent him a telegram—demanding an audience before the forthcoming debate on farm prices. In the debate Mr Hudson will state the Government's case, with facts and figures. Alarmed at this prospect, the NFU hastens to deny both the case and the facts and figures, before they have been made public. The farmers' contention is that the Government was pledged to increase prices *pari passu* with costs, while the Government says in reply, very reasonably, that turnover and profits must also be taken into account in making the calculation. The Minister's statement, unless the NFU succeeds in silencing him, will presumably give details of all the items in the agricultural balance sheet to show precisely where the farmers stand. The farmers' retort is a double one: first, that these facts are irrelevant; secondly, that the figures are wrong. Probably Mr Churchill will not find time, or be inclined, to intervene. Certainly, if the Government's pledge had been in the terms claimed by the NFU, it would have been contrary to public policy. Equally certainly, it is Mr Hudson's duty to go ahead undeterred and tell everything.

### School Fees

Any fight that there is to be over the Education Bill has been postponed to the Committee stage, and this week's second reading debate produced little that was new. Meanwhile, the London Labour Party, by a resolution passed at a special conference, is urging an amendment to the Bill, which would prohibit the charging of any fees whatever by schools receiving money from public funds. This would clearly be aimed at those "Direct Grant" schools where, although the Bill will provide for a greater proportion of State-aided scholars than ever before, there will still remain a large number of children whose education is paid for entirely by their parents. Lord Latham, the leader of the LCC, has denounced this system as "a travesty of equal educational opportunity." The London Labour Party is not alone in deploring any system of education which allows of a differentiation in the quality of education given to different classes. But there is surely a confusion of ideas in this protest; whether or not the education given to the children of

the rich and the poor is "equal" will not be settled by an abolition of fees in all varieties of secondary schools, "direct aid" as well as those maintained or aided by local authorities. Indeed, it can be argued that, so long as school education to the age of 18 is not universal, the abolition of fees, at the expense of rates and taxes, compels those who cannot afford to keep their children at school to pay for those who can. This is an unfortunate instance of the misdirection of an admirable motive. Although the Labour Party might not feel inclined to do more than take a hint from the domestic policy of Soviet Russia, there is a clear hint waiting for them, whatever way they wish to take it, in the decision taken some years ago to reintroduce fees in Russian secondary schools.

### Counter-Thrust

The main feature of last week's fighting was Manstein's counter-offensive in the Ukraine between Vinnitza and Uman. It was here that Vatutin's offensive had created the gravest threat to German supply lines, and especially to Zhmerinka junction on the Lvov-Odessa railway. The counter-offensive does not seem to have taken the Russians by surprise; they had rightly expected a thrust from the Upper Bug. After vigorous fighting, which lasted six days, the counter-offensive has now been brought to a standstill in the Vinnitza region, as well as at Uman. Manstein's armies have not even been able to push back the Russians for any considerable distance. Compared with the German counter-offensive against the Kiev salient in November and December the result suggests a further weakening in German striking power. Zhmerinka is so important for the Germans in the Ukraine that a renewal of their efforts to relieve it from the Russian threat would not be surprising. On all the other sectors of the front the Russians have recorded new gains, though none of them is comparable with Vatutin's earlier drive from the Kiev salient. In Poland, the Russians have advanced from Sarny along the railway which runs to Kovel; and they have advanced towards Rovno, the main centre in Volhynia. Further to the north they have taken Mozyr and Kalinkovich, the "gates" to the centre part of the Pripiet marshes, a region swarming with well-armed and numerous guerrillas. The Germans are likely to evacuate this region by the railway to Pinsk and Brest Litovsk, the only line available. The fighting on this sector may thus shift rapidly far to the west, beyond the marshes. Should this happen, then the German position in the whole of Byelorussia will become suddenly much worse and enormous salients, similar to those thrusting into the Ukraine, will be formed, stretching the front line to the utmost. In the far north, Russian penetrations are reported from the region of Lake Ilmen and from the Leningrad sector; but none so far is comparable with the gains in the Ukraine and Eastern Poland.

### The Marrakesh Meeting

The meeting between Mr Churchill and General de Gaulle at Marrakesh took place against the background of intensified preparations at Algiers for the liberation of France. The Prime Minister's previous visits to North Africa had occurred when the political horizon there was more clouded. During the Casablanca meeting, the aftermath of the *affaire Darlan* was still fresh. At the time of the Lebanese crisis there was tension and uneasiness. Throughout, the Prime Minister remained the devoted and staunch friend of France. The tradition of the *Entente Cordiale* survives in him despite France's defeat, collapse and humiliation under Vichy. In his vision of the world after the war, France has not been relegated to the grey background. At Marrakesh Mr Churchill could see the first fruit of his untiring work for the recovery of France. He saw the French army once again marching with the Allied armies towards victory. And, in his talks with General de Gaulle, he undoubtedly reviewed the problems that arise from the ardent desire of Frenchmen to play the most active part in the liberation of their country. Almost on the eve of the meeting at Marrakesh, the Consultative Assembly at Algiers unanimously passed a resolution asking the Allies for more military aid for the French underground movement. M. D'Astier, Commissioner for the In-

terior, stated in the debate that the "shock troops" of Fighting France have so far been able to arm only one in twenty of their men. The Assembly expressed the view that the French underground, if it is well armed, and recognised by the Allies as their vanguard fighting in France itself, could inflict more harm on the German war-machine in France than even Allied bombing; and that it could do so in a way less costly to and destructive of French life and property as well as of Allied matériel. This is a view that deserves the most friendly consideration and the closest examination.

### Purges and Trials

One of the subjects most prominent in the recent debates of the Consultative Assembly at Algiers was the purging of the French administration and the punishment of collaborators and Vichy-men. The Commissioner of Justice, M. De Menthon, announced the trial of Flandin, Peyrouton, General Bergeret, and 283 other defendants. The trial, he declared, will not be postponed until France is freed. It will be begun within the shortest possible time. A dramatic discussion on the legal basis and procedure of the trials and purges has developed both in the Assembly and the French press. The Commissariat of Justice has expressed the view that the trials should take place before normal courts, and that they should be based on the Penal Code. This viewpoint met with opposition in the Assembly. The members of the Assembly feared that normal legal procedure would not be able to cope with the problem. Can the crimes of the men of Vichy be judged at all on the basis of the Penal Code—they asked—in view of the political character of these crimes? The Assembly unanimously passed a motion asking the National Committee to set up extraordinary courts, and to prepare special laws which would create a legal framework for the purges. This amounted to a vote of no-confidence in the Commissariat of Justice. It remains, however, to be seen which viewpoint—that of the Consultative Assembly or that of the National Committee—will ultimately prevail. The dilemma is not an easy one; and its solution is of the highest importance to French political life. The demand for a radical and thorough purge has undoubtedly become very widespread and outspoken in recent months. The suspicion has been widespread that former supporters of Vichy have only too often been allowed to entrench themselves in the Army and in the Civil Service. Undue leniency to them is likely to breed political cynicism and to heat the atmosphere. On the other hand, the reluctance to enter on the risky path of ruthless reprisals and extraordinary measures is well justified. Once the journey along such a path is started its end can never be foreseen. It may even be the "holy guillotine."

Years of defeat and occupation have produced sad cleavages among Frenchmen, cleavages likely to be further deepened by the recent reshuffle of the Vichy Government. Pétain's new Minister for the Interior is Darnand, the chief of the Militia. His job is to intensify the terror in France on the eve of Allied invasion. The victims of that terror, ruthless enough even before Darnand's appointment, have every right to expect punishment for their French oppressors. The issue has been further complicated by the different shades and degrees of complicity, as well as by the fact that many Frenchmen who at one time or another supported Vichy later joined the movement of resistance. The atmosphere at Algiers has often been disturbed by recriminations and accusations against such people; and the argument that somebody was pro-Vichy at one time or another has tended to confuse the solution of serious political problems. It is to be hoped that common sense will help stop the practice of excessive recrimination; and that the Assembly will refrain from paying too high a tribute to the shadow of Fouquier-Tinville, Attorney-General to Robespierre.

### Who Represents Poland?

Is the Polish Government in London really representative of its people? This question is being asked in connection with the Polish-Soviet conflict. Some answer can be found in an analysis of its composition. M. Mikolajczyk's Cabinet was formed by a coalition of four political parties. These are: one wing of the Nationalist Party; the so-called

Front Morges (the right centre grouped around the Christian Democrats); the Peasant Party; and the Polish Socialist Party. The other wing of the Nationalists and the Pilsudskists, as well as the Communists, have remained outside the coalition. Between 1918 and 1930, when free elections were held in Poland, the Nationalists, Christian Democrats, Peasants and Socialists—that is, in substance, the present Government parties—between them regularly represented roughly four-fifths of the Polish electorate (not counting the votes of the national minorities, Ukrainians, Byelorussians, Jews and Germans, who were represented by their own political parties). Between 1930 and 1939 elections in Poland took place under police terror, and very frequently their result was falsified so as to produce a majority for the party of Pilsudski and Beck; the parties of the present coalition remained in opposition during all that time. But in all municipal elections, where less administrative pressure was applied, they still commanded an absolute majority. The Soviet-sponsored Union of the Polish Patriots, on the other hand, cannot claim to represent any body of Polish opinion. The Polish Communist Party was disbanded by the Comintern a few years before the war as "consisting of enemies of the people"; and the Union of Polish Patriots was only formed in 1941 by non-political "fellow-travellers," artists and poets who played no part in Poland's political life before the war.

### Back to Work

It is only right that a man (or woman) called up for war service should without question get his job back when released; but in many cases, it will be difficult, if possible at all, to do this. The Reinstatement in Civil Employment Bill attempts to recognise both justice and facts. The right to reinstatement, already provided in the National Service Acts and Defence Regulation 60 DAA, is reaffirmed and extended to cover volunteers as well as conscripts; illogically, perhaps, though not unnaturally, it covers only members of the Forces and not men or women directed into factories or ordered into pits. But the corresponding obligations upon employers to reinstate ex-employees, though made very plain, with strict penalties for wilful breach, will in practice be tempered by mercy in cases where it is demonstrably not "reasonable" or "practicable" either to reinstate them at all or to reinstate them in precisely their pre-war work on precisely the terms and conditions of their pre-war employment. The truth is that, often, the pre-war jobs will not exist, certainly not in their pre-war form; it is inevitable, and, from the national standpoint, desirable that no employer should attempt to restore the pre-war structure of employment down to the last detail, and clerk and office-boy. In some cases, as the Bill recognises, the same job has been filled successively by several employees, later called up, who will have the right to reinstatement when the war is over; and only one of them can be reinstated. Nor, similarly, will it by any means be always "reasonable" or "practicable" to keep on reinstated employees for the six-month period suggested in the Bill.



### "Back to the Job"

There is no single claim made by Service men which is more strongly felt, more powerfully supported, and more likely to cause widespread bitterness if not met, than this claim to their old jobs; and it is correspondingly important that the right to determine what is in fact "reasonable" or "practicable" by way of reinstatement, given in the Reinstatement Bill to Ministerial regulation, subject to the findings of committees appointed by the Minister, should be most jealously guarded. This is the view of MPs who are seeking, with good grounds, to expose the Minister's regulations in this matter to positive Parliamentary scrutiny before they take effect. But it is obviously impossible for Parliament to pass judgment on every case of reinstatement, or even on every category of case; and there is an equally obvious danger that individual cases may become the subject of political passion, personal pressure or heated controversy—the same danger as in pension cases. Moreover, it should be recognised that, though the right to work should be unqualified and reinstatement should be automatic wherever possible, with the onus on employers to prove that it is not possible, re-employment and resettlement cannot possibly be provided by reinstatement alone. Side by side with the employer's obligation to take men on again, there is the wider and immutable obligation of the community, through the Government and by means of all forms of enterprise, public and private, to provide jobs for all. Large-scale unemployment will tear the Reinstatement in Civil Employment Bill wide open.

### Rehabilitation

At the end of last week it was announced that the Minister of Health had asked the principal hospitals of England and Wales to develop rehabilitation facilities for their patients. They are to provide not only for fracture cases, but for all sick persons, except where treatment prescribes otherwise, and out-patients will be included. It is suggested that every patient should have a planned day's programme to include—according to the nature of the case—remedial drill and exercises, physiotherapy, handicrafts, organised games, workshop handicrafts and gardening lectures and brains trusts. Considerable success has been achieved on these lines in the Ministry's emergency hospitals, where Service and industrial patients have been treated in the last three years. Most of these patients, however, have been cases of injury. The very laudable aim is to extend it to the sick—to prevent post-operational neurosis from developing, to relieve the boredom, depression and anxiety all too often associated with hospital cases. But, however desirable such full-blown rehabilitation may be, it may be doubted whether hospitals will be able to achieve them in anything like the near future. Training courses are being provided for hospital staffs, and the Ministry is supplying some of the necessary equipment. But rehabilitation of this kind is not the sort of job that can be undertaken in the spare time of the hospital staff. It needs at least one whole-time organiser, quite apart from the physical training instructors and occupational therapists, and it is continual uphill work. It is particularly difficult where medical cases are concerned. For the disabled there is often some excitement in learning to use an artificial limb or in finding the use of his own limbs again. But many of the sick tend to be chronically apathetic, and it seems likely that those who will take part willingly and vigorously in games of deck quoits will be those less in need of being taken out of themselves—who would recover rapidly and completely in any case.

Far the most important aspect of rehabilitation, in fact, is fitting a man to resume his old job, or training him for a new one. Much of the anxiety felt by sick people is caused by fear that they will be out of work after their discharge from hospital. Thus the Tomlinson Bill is the better part of rehabilitation. What the hospitals can best do is perhaps to provide more adequately for the follow-up of cases after they have been discharged. A report by the Department of Health for Scotland,\* issued last October, described the follow-up, after three months and again after six months, of 1,000 men and women invalided out of the Services early in 1942. Of the 975 for whom full records are available, 360 reported that they were having difficulties of varying kinds,

\* "Health and Industrial Efficiency. Scottish Experiments in Social Medicine." 1s. net.

and it was found necessary in 188 cases to take serious exception to the nature of the work done . . . in view of their medical disabilities or, in some cases, their failure to seek medical treatment which they urgently required, and the absence of which could not fail to prejudice their working efficiency.

Rehabilitation may make a man fit for work, and the Tomlinson Bill may ensure that he is given employment, but it still remains to be seen that he obtains the right job in the right conditions.

### Priority for Servicemen

The Committee stage of the Disabled Persons (Employment) Bill was reached in the House of Commons on Tuesday. A sharp controversy arose over the Conservative amendment, moved by Major Manningham-Buller, that

until such time as facilities are available for training all disabled persons, selection for such courses shall be given to those disabled as a result of a war injury, a war risk injury, or detention, or a war service injury

—in other words, that priority shall be given to disabled ex-Servicemen. Both Mr Tomlinson, who had fathered the Bill, and Mr Bevin, who urged the movers not to make this a political issue, promised the House that, in practice, first consideration would be given to disabled servicemen, who would be assured of a place at "the right end of the queue." They argued that the amendment, if carried, would limit the ability of the Ministry of Labour to train civilian disabled, and that it was better to allow the preference to be maintained by administrative action. This assurance did not satisfy the Conservatives, and Mr Bevin finally conceded that he would draft a suitable formula for discussion when the Committee stage was resumed, to meet their point. This is the limit to which concession should go. There can be no question that the public will tend to insist that ex-servicemen should have first call on facilities for retraining. On the other hand, the Conservative amendment—however genuine the motives of its supporters—may well have the effect of driving a wedge between soldiers and industrial workers. There seems no reason why workers in reserved occupations—many of which have a high accident rate—or the young men directed into the mines who would otherwise have been called up for the Forces, should not be treated on an equal level with serving men. And should the women directed into factories, where they often work in conditions highly detrimental to their health, have to stand aside in favour of members of the women's services, where, generally speaking, conditions of work and leave are far better? There is also the point whether it is fair or expedient to give statutory preference to a less severely wounded soldier rather than to a badly disabled civilian. Should not preference, if there is to be any preference, be given to the most sick and the worst injured, and—when it comes to employment—to the more efficient rather than to the less efficient? There is only one answer to the problem, and that is to extend and speed up the provision of rehabilitation and training centres, so that all disabled persons, whatever the origin of their injuries, may benefit. Ultimately, the only safeguard lies in the successful maintenance of something like full employment.

### By Their Fruits

Spanish oranges are suspect, and meanwhile the distribution of a pound a head, to adults as well as children, is delayed. It is not easy to take the idea of Nazi agents painstakingly sewing gun-cotton into empty orange-skins very seriously, but, nevertheless, such a disappointment over an expected treat is bound to demonstrate to the public, in as direct and personal a way as possible, the vices of "non-belligerency." Luckily, no one has yet been injured by these time-bombs, though the labour of examining carefully each case coming from Spain represents an appreciable loss of man-hours to the war effort. The childishness of the affair does not lessen the harm and irritation which it causes, and the Foreign Office has rightly made a strong protest to the Spanish Government, and demanded a satisfactory inquiry. The wording of a protest, whether mild or strong, however, can only be in the nature of a warning. As long as Franco's Government is in control of a strategic Mediterranean coastline, and the Allied position in Southern Europe has not been militarily secured, a limit is imposed on the lengths to which relations with Spain can be strained. At the same time, the Spanish Government, if only for the sake

of post-war trade, would be wise to heed the warning, and in future to keep the flies out of the ointment and the time-bombs out of the oranges.

### Collective Security

Last August, Mr Evatt, Australian Minister for External Affairs and a rising statesman, called for the establishment of "a great South West Pacific zone of security." In Christmas week, the Australian Labour Party, to which Mr Evatt belongs, and of which Mr Curtin, the Prime Minister, is leader, formally renounced its old-established attitude of isolation in foreign policy. Now, at Canberra, the first positive step is being taken towards applying the lessons which the war has so hardly, and so perilously, taught. The first aim of the common foreign policy which the Australian and New Zealand Governments are beginning to work out in conference at Canberra will be, for reasons made obvious by recent history, to provide protection for their two countries by making their northern screen of islands permanently safe against any aggressor. The moral of the Japanese War is very clear: the Dominions cannot themselves defend the islands; nor is the loose, though lasting, connection of the scattered British Commonwealth sufficient to do so; it can only be done by collective action, before wars break out, with other nations having Pacific possessions to defend. The Australian and New Zealand Governments, therefore, intend to work out, with their military staffs, proposals for common defence schemes and joint bases, bringing in the United States, Holland, France and Portugal as well as Britain and themselves. The inner ring of collective security for Australasia will be closer co-operation in defence and foreign policy, in peacetime, within the Empire; and these proposals will be submitted for discussion to the Conference of Commonwealth Prime Ministers which is to meet in London some time soon. The outer ring will be, Mr Curtin hopes, a Pacific Defence Council of all the countries concerned.

### Example for Peace

It is by the making of practical schemes for the joint defence of particular regions, such as the Pacific area, that progress can best be made towards the realisation, in fact, of the wider and more general international pledges of the Great Powers, now leagued against aggression across the world. There can be no suspicion that a Pacific defence system would have aggressive intentions, any more than that the British Commonwealth itself has sought conquest. There are two sides to the medal. On the one hand, security in any region is impossible without the participation of the great industrial powers to furnish the sinews of modern warfare; despite their remarkable wartime efforts, Australia and New Zealand can contribute only a tiny fraction of the munitions and machines required to keep them safe. On the other hand, security calls for the utmost co-operation and self-help from the small as well as the Great Powers; the proportion of resources put into the common pool by countries with similar standards of living must be the same, whatever their size. All this has now been realised by the men at present in full control of Australia's future, despite the past indifference of their party's creed, like that of other Labour parties, to these considerations. It has often been said that the British Commonwealth has provided an example to the world of peaceful co-operation, and of solidarity in danger. If the findings of the Canberra Conference can be translated into deeds, internationally as well as within the Commonwealth, this will be true many times over.

### More Colonial Regionalism?

It was announced at the end of the conference of the New Zealand and Australian Governments that steps would be taken to establish a South Seas Regional Commission, comprising representatives of the United Kingdom, the United States, France, Australia and New Zealand, with advisory functions relating to the welfare of the native populations. This list does not include all the powers with jurisdiction in the region. The absence of Holland must surely be a clerical omission, since it was named by Mr Curtin as one of the countries whose co-operation in Pacific defence is essential. (Or are "the South Seas" being narrowly—and wrongly—defined as merely the present South Pacific area?) Chile is also absent, but its only dependency

is Easter Island, on the far eastern fringe of the group. The third missing power—apart from the conspicuous absence of China, which has many people, if no territory, in the Pacific—is Japan. It may be assumed that, after the Pacific war is over, the Japanese mandated islands will not be handed back to the Japanese. Still less is it likely that they will be restored, in accordance with the declarations of the Cairo Conference, to their previous owner—Germany. But under whatever sovereignty they are ultimately placed, the South Seas powers will still have to take into account the large Japanese population in the mandate, which outnumbers the native population. Few details are yet available of what the Commission's functions, if it is established, are to be, except that they will be advisory, and will be mainly concerned with native welfare. But that there will be work for it to do cannot be doubted. Long before the war, the white man's prestige had suffered in the South Seas because the natives blamed him for the economic depression that hit them badly. Now that their islands have become the white man's battlefield and are only painfully and slowly being won back, this prestige can hardly have recovered. It will need vigorous international co-operation in carrying out development and welfare schemes to convince the natives that their islands are regarded as more than pawn in international strategy.

### War-time Strikes

Professor Bowley has done a valuable service in broadcasting the results of his analysis of the time lost by strikes during the present war. He calculates that the total number of days lost during four and a quarter years of war, officially stated to be 33 million days, if spread over the wage-earning population of just over 50 million, would work out at barely half a day lost. In the last war the strikes were more serious in number and duration; but, even so, they probably averaged less than two days if spread over the working population in the fifty-one months of fighting. Half the days lost by the strikes of this war occurred in coal-mining, where 2,000 disputes were recorded. Professor Bowley estimates that the resulting loss of output has been less than 2½ million tons, less than one per cent in over four years of the pre-war output in a single year. (Incidentally, the rule that "when in Rome, do as the Romans do" seems to apply in the coalfields. The new pit conscripts in the Midlands, after one day's training, threatened to come out on strike unless their pay is raised.) Engineering and shipbuilding accounted for a quarter of the days lost in both this and the last war. The remaining quarter of the days were lost in this war in a variety of industries; compared with the last war, cotton, clothing and building were hardly affected. The great majority of disputes have been localised, and have lasted for less than a week. In many cases, they were due to minor grievances over interpretation of an agreement, or resentment at disciplinary action against individual workers. Surprisingly few were for higher wages, and the negotiating and arbitration machinery seems to have worked smoothly on the whole, despite a few serious and much-publicised exceptions. Professor Bowley concludes that the direct effect of stoppages on production has been "unimportant," except in the key industries, although the indirect effects may be considerable. At the same time, such figures should not be used to excuse strikes. Nearly all are unofficial, frowned upon by trade unions, and tend to jeopardise negotiating and arbitration machinery. It is interesting to compare Britain's strike record with that of the United States. There, in the

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first eleven months of 1943, 12.8 million man-days were lost, compared with 4.2 million in 1942; but two-thirds of the days lost in 1943 were due to coal-mining strikes. Spread over an estimated working population of about 55 million, and excluding coalminers' strikes, days lost up to December 1943 would work out at about three-quarters of a day lost.

\* \* \*

### To Speak or Not to Speak

The newly-elected Common Wealth MP for Skipton, an Army officer, has been forbidden by military order to make political speeches outside his constituency; and the matter has been raised in Parliament, as a question of privilege. There is no suggestion of victimisation. The order is general, and not new, though previously it has been honoured in both the breach and the observance. It derives from the regulation that forbids serving soldiers from taking an active part in politics; but it has not prevented M.P.s from attending and speaking at party conferences—and cannot, of course, prevent them from performing their Parliamentary duties at Westminster, nor, judged by the way in which the rule is phrased, from performing their duties in their constituencies as well. Strictly, the position is anomalous. As an MP, a man is free to speak, protected by privilege; as a soldier he is not. The existing rule is an attempt at compromise, and has worked so far because, on the one hand, blind eyes have been tactfully turned, and, on the other, MPs have not abused their actual freedom. Mr Churchill made it plain, when questioned in the Commons, that he thinks it desirable that this compromise should continue. The argument that a serving MP cannot be allowed to criticise the conduct of the war, and, openly or by implication, his superiors is, admittedly, not watertight when it means, in practice, that he can do this in Parliament and one other district, namely, his constituency, but not elsewhere, even though his platform may be simply in another part of the town or district in which his constituency lies. Perhaps the only really logical solution is the one in force in the United States, that is, to insist on separating the two functions; to require a serving soldier either to put off his uniform when he becomes an MP, or to place his Parliamentary work in abeyance while he serves. Neither remedy would seem entirely satisfactory; the first would rob Parliament of any direct voice from the Forces; the second would either disfranchise whole constituencies, in effect, or make serving soldiers ineligible for election. It will be a pity if common sense, rather than logic, cannot continue to be the guide, as hitherto. But if the matter has to be brought to a head, now or later, it may be that the American rule is the only way out.

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### Aliens in Peace

The day will soon be coming when it will be possible to look beyond the Allied invasion of Europe, to the ebbing tide of European refugees returning to help in the reconstruction of their own countries. The question will then arise—among others—of what to do with those who prefer to stay here. Among these will be members of Allied fighting forces who have married British wives and have little or nothing to return to in Europe; students with British training and qualifications; and others with personal or professional ties with this country. For them, naturalisation will be the easiest and most sensible foundation for their future lives. Their numbers will be relatively small, a mere 6,000 odd (according to an estimate in the latest issue of *Planning*, PEP's broadsheet\*), including Czechs and Poles; and it will not be over them that hot discussion will arise. It is the 50,000 German and Austrian refugees, 90 per cent of them Jewish, for whom provision for the peace-time future must specifically be made. It is estimated by PEP that only 12-16 per cent of them—mainly Austrians and political refugees—will wish to go back, and of those remaining, over 10,000 will probably re-emigrate, if allowed, to the United States, to the Dominions, or to Palestine. The number who will want to remain in Britain will, by this estimate, be about 40,000, or the equivalent of the population of Dover—a percentage of the existing population no greater than the proportion of aliens in 1931. On the evidence of pre-war years—indeed, on the whole evidence of British history—refugees have proved a valuable element in the national economy. The high proportion among the present British-domiciled aliens of skilled professional and business men will not only help in increasing employment, but will assist the British effort to regain and expand foreign trade. In recognition of this, and of their contribution through the International Labour Branch and the armed forces to the war effort, full assistance should be given to them to share in the rights and obligations of British subjects.

### Shorter Notes

The last recorded quarterly returns of the Registrar-General, recently issued, on the third quarter of 1943, show that the birth rate has leapt to the 1930 level, with a surplus of boys over girls of 5,702. This simply reflects the high marriage rate of the early years of the war, now well past its peak, and offers no evidence of any likely turn in the downward trend of the population, which depends, first, on the number of mothers-to-be and, secondly, on the size of families. The number of marriages in the quarter actually fell lower than in any September quarter since 1917, which makes the maintenance of the number of births unlikely.

It was stated in *The Economist* on January 1st, on page 8, that one of the reasons for the grave risk of famine in Italy was the failure of this year's harvest, which proved to be only 65 per cent of normal. The statement should have run that the 1942-43 harvest was only 65 per cent of normal. It was this unexpected shortage, and the consequent scarcity of stocks, which threw out all the calculations upon which the Allies had based their estimates of Italy's civilian needs. Their underestimate, aggravated by German destruction, impossible communications and lack of transport, accounts for the severe shortages.

The following table gives the number of civilian casualties in air-raids since September, 1939:—

|                         | Killed | Injured and<br>Detained in<br>Hospital | Total<br>Serious<br>Casualties |
|-------------------------|--------|----------------------------------------|--------------------------------|
| Sept., 1939-Aug., 1940. | 1,494  | 1,980                                  | 3,474                          |
| Sept.-Dec., 1940.....   | 22,282 | 28,522                                 | 50,804                         |
| Total, 1941.....        | 20,863 | 21,839                                 | 42,702                         |
| Total, 1942.....        | 3,221  | 4,149                                  | 7,370                          |
| 1943:—                  |        |                                        |                                |
| January-June.....       | 1,830  | 2,515                                  | 4,345                          |
| July.....               | 167    | 210                                    | 377                            |
| August.....             | 108    | 164                                    | 272                            |
| September.....          | 5      | 11                                     | 16                             |
| October.....            | 118    | 283                                    | 401                            |
| November.....           | 119    | 238                                    | 357                            |
| December†.....          | 10     | 41                                     | 51                             |
| Totals to date....      | 50,217 | 59,952                                 | 110,169                        |

† Those killed last month included 3 men, 4 women, and 3 children under 16.

\* "Can Refugees be an Asset?" *Planning* No. 216. Published by PEP, 16, Queen Anne's Gate, London, S.W. 1.

# AMERICAN SURVEY

## Rails and "Little Steel"

(From an American Correspondent)

[The letter printed below describes the background of the wage disputes on the American railroads, which at one time threatened to precipitate a strike. The disputes have now all been settled, and the Secretary of War has ordered that the railways be returned to their owners. The settlement with the fifteen unions of non-operating employees, which was the last to be arranged, provides, according to early reports, for a sliding scale of wage increases from nine to eleven cents an hour, which is retroactive to December 27. Presumably this is the "sliding scale" recommended by the Shaw Board, and accepted by the unions several weeks ago. It is not yet clear what action has been taken on the unions' subsequent demands for overtime pay. The President's award to two of the operating unions was extended to and accepted by the other three operating unions last week.—EDITOR.]

Washington, December 6th

THE Senate Interstate Commerce Committee has now reported favourably a resolution upholding a wage increase of eight cents per hour for the 1,100,000 non-operating employees of the railroads (that is, employees other than train crews). Despite the blunt warning by Mr Vinson, the Economic Stabilisation Director, that "Congress itself will have broken the Little Steel formula" and "will have told the country that a privileged group is outside the stabilisation programme," there is little doubt that the Senate and House will pass the resolution by substantial majorities.

The progress of this wage case offers a lesson in how not to apply wage controls. It is now more than a year since the wage movement was begun, and the railroad workers are understandably angry at the long delay without a final decision. The Administration, for its part, has seemingly proceeded on the theory that the lapse of time alone would somehow provide a solution.

The railroad unions first served demands on the carriers in September, 1942. In accordance with the requirements of the Railway Labour Act, negotiations were undertaken, and in due course the National (Railway) Mediation Board was called upon for assistance. When the Mediation Board was unable to compose the parties' differences, a three-man Railroad Emergency Board was appointed in February of 1943.

While the Emergency Board was deliberating, the President issued his "Hold-the-Line" order which narrowly limited the bases upon which wage increases could be justified. On May 12, the "Hold-the-Line" Order was clarified and expanded by a policy directive of the Economic Stabilisation Director. Then, on May 29, the Emergency Board brought forth its report recommending an increase of eight cents per hour for the non-operating railroad workers.

Although the railroad unions went through the customary motions of expressing disappointment at the amount of the increase, it was soon evident that the report would be satisfactory from their point of view. But the newly appointed Director of Economic Stabilisation, Mr Vinson, was not satisfied. In disapproving the Emergency Board recommendations, he suggested that justification for wage increases might nevertheless be found in two of the exceptions allowed by the policy directive of May 12th as reasons for wage increases—namely, those relating to "substandard wages" and "interrelated job classifications."

Then in August, railroad labour and management met together and came to voluntary agreement upon the eight-cent increase. Railroad management qualified its agreement by specifying that the new wage schedules would be applied only with the approval of Director Vinson. Representatives of the employees, on the other hand, expressed the con-

viction that the agreement was valid and binding regardless of approval or disapproval by any Governmental authority, and began talking publicly about taking a strike vote.

The next formal step was a Presidential order creating a further special Emergency Board to make a new investigation of the wage dispute. This Board made known its recommendations on November 4th, and as had been expected, they reflected the views which Stabilisation Director Vinson had put forth earlier. Instead of a flat increase, the recommendations called for a sliding scale of increases beginning with a raise of ten cents per hour for the lowest-paid workers and scaling down to an increase of four cents per hour for the highest-paid groups. This award, Mr Vinson let it be known, would not be disapproved.

It should be noted, parenthetically, that while the sliding scale formula was rather broad as an application of the sub-standard wage rule, it did make good sense. The low-paid groups, made up largely of the maintenance-of-way workers, are most in need of higher wages. A raise in their wages, further, would provide an important incentive from the standpoint of management, since it is here that the railroads have suffered most seriously from manpower shortages. Moreover, the railroad industry's top-heavy wage pattern would be corrected in some measure by narrowing wage differentials.

But the railroad unions, dominated by the skilled craft organisations, would have nothing of this award. Instead, they went ahead with the strike vote and simultaneously went to Congress seeking a legislative mandate upholding the eight-cent increase.

Since rail labour has staunchly supported President Roosevelt for 12 years, the present situation is an extremely unpleasant one for the Administration. Congressional opponents of the President, not excluding those within the Democratic Party, are quite ready to use the wage issue to alienate labour support from the Administration. The President, of course, has no satisfactory means of reply. To appease the railroad workers by overruling Mr Vinson would be to sacrifice a capable administrator along with the wage stabilisation line. And already, Labor, organ of the railroad unions, is hinting that Mr Roosevelt may no longer be labour's good and deserving friend.

The daily press has been inclined to stress the Administration's inept handling of the wage dispute. There is enough substance here to make it unnecessary, as some editors have done, to exaggerate the matter. In fact, the major error was committed before the railroad wage movement was begun. This lay in the Administration's failure to centralise all wage control in one agency. By keeping railroad wages outside the purview of the National War Labour Board, the way was open for an *ad hoc* board to make its own interpretation of wage stabilisation policies. The result may not have been inevitable, but neither was it surprising.

Quite independently of the railroad wage case, both the CIO and AFL have undertaken a large-scale attack on the "Little Steel" formula (which prohibits any increase of more than 15 per cent above the levels of January 1, 1941). The CIO Steel Workers' Union is currently in the van of this move, with other powerful organisations close behind. A new and higher wage line would certainly help the National War Labour Board to weather this storm, but it would also mean another long step toward really dangerous inflation. It is not surprising, therefore, that some voices are being raised for a re-examination of the whole approach to the wage stabilisation problem.

The *New York Times*, for example, is editorially thumping for a wage formula which would permit wage increases only in response to rises in the cost of living. This device, it is argued, would be simple, fair, and non-inflationary. It would put an end to high-pressure drives by organised and articulate workers and it would give clear meaning and

direct support to the price control and food subsidy programmes.

Much of what the *Times* and other critics have been saying must be granted. The wage stabilisation policy does operate to the relative advantage of those workers who have powerful organisations to carry their cases through the complicated and time-consuming procedures of the War Labour Board. In spite of the "Little Steel" formula, there are loopholes which permit the granting of substantial wage increases even to highly paid workers. In the absence of an inflexible formula, the tendency is to look for ways and means of satisfying the demands of strategically placed groups.

But it is to be doubted whether a drastic change in wage policies would be as practicable as the Administration critics seem to believe. There would be considerable administrative difficulties in an inflexible wages-cost of living approach, to say nothing of the strenuous labour resistance that would be aroused. The problem of constructing satisfactory cost-of-living indices would alone be a substantial one. And, unless far more rigid controls were to be placed on other segments of the economy, labour's opposition to wage freezing would deserve a hearing.

There does remain the possibility that a change in wage control standards and procedure will be forced by labour itself. The tripartite character of the National War Labour Board has been a source of both strength and weakness. Labour has been forbearing toward the Board's policies, in part because its own representatives on the Board nominally helped to formulate them. While the public members—Messrs Davis, Graham, Morse, and Taylor—have thoroughly dominated the Board, the place of labour's own men in the inner councils has apparently been reassuring to the unions. Now, however, in the heated atmosphere left by the coal miners' controversy, there are signs that the honeymoon is coming to an end. Recently, the AFL has sharply attacked the public members for making the mild suggestion that present controls over strikes perhaps are inadequate. A concerted resignation of the Board's labour membership would wreck the Board just as effectively as Mr John L. Lewis, in the days before Pearl Harbour, wrecked the National Defence Mediation Board by withdrawing the representatives of the CIO, with which he was still then associated.

Furthermore, organised labour may quite possibly urge a change in the relationship between the National War Labour Board and the Office of Economic Stabilisation. During the past year it has become progressively clearer that basic wage policies are originating in the Stabilisation Director's office and not, as originally contemplated, deriving from the War Labour Board's deliberations. Labour has accepted this development with reluctance and much grumbling. The industry-labour-public organisation, labour's spokesmen insist, should have authority to formulate as well as to administer policy. Lacking this power, it is reasoned, the Board is not the independent judicial arbiter which labour accepted in exchange for its no-strike pledge.

Should labour press vigorously along these lines, the next move is anybody's guess. Weak as the War Labour Board's defences may have been, it is one of the chief bulwarks against inflation and the Administration can ill afford its destruction and the confusion that would necessarily follow.

## American Notes

### The Second One Hundred Billion Dollars

The Budget Message sent to Congress last week by the President estimates total government expenditures for the fiscal year 1945 (ending June 30, 1945), on the assumption that the war continues at full scale, at \$100 billion, approximately the same as for the fiscal year 1944. Of the 1945 total, \$90 billion is for war expenditures, compared with \$92 billion in 1944; \$3.75 billion is for interest on the public debt; and \$1.25 billion is for veterans' pensions and benefits. Both these latter expenditures are, of course, indirectly war costs. The changing apportionment of direct war expenditures is demonstrated in a table which shows the steady increase in the proportion spent on munitions, including ships, from 50% in 1940-41 (the preparedness period) to 63% in fiscal 1945; the decline in construction of war facilities, which reached its peak in 1942 at 22% of the whole, and now stands at 4%; and the relative stability of expenditures on pay and subsistence, including agricultural Lend-Lease which now absorbs 33% of the total. The appropriations for war purposes already made, and those which the President

expects to request in the spring, substantially exceed estimated expenditure, because of the lag between authorisation and spending. For 1944, appropriations will total \$115 billion; for 1945, \$108 billion; and by the end of fiscal 1945 total war appropriations will have reached \$397 billion. Of this total, it is estimated that \$105 billion will then still remain unspent, and will be available either for further military needs, or, if the war is over, for the costs of demobilisation and reconversion to peace-time economy. Under war conditions, the expenditure side of the Budget as submitted by the President, is more realistic than any estimates of revenue, for while Congress has shown an admirable spirit of co-operation in passing the appropriations requested, its willingness to accept the tax proposals of the Administration is far less conspicuous. Estimated net receipts for 1944 stand at \$41 billion, or about 41.4% of total expenditures. Under present tax laws, for fiscal 1945 they will drop to just under that figure, or about 41% of total expenditures. The amounts left to be financed by borrowing in 1944 are \$58 billion, in 1945 \$59 billion. This dependence on heavy borrowings, combined with the size of the American war bill, is responsible for the growing elephantiasis of the public debt, which by June 30, 1944, is estimated at \$198 billion, and a year later at \$258 billion. With interest rates payable at less than 2%, this will mean an annual charge of \$5 billion annually, which, the President suggested, need not prove oppressive if the national income could be maintained at \$125 billion, and with appropriate fiscal and economic policies.

### The Double Task

The major assumption underlying the Budget proposals is that the war will continue through June, 1945. But, as the President pointed out, this does not mean that preparations for peace can be neglected; at this stage the Budget must provide both for victory and the peace which will follow it, which should be conspicuous for high levels of income and standards of living. Already certain problems of the return to a peace-time basis are cropping up. More than \$12 billion of war contracts have been terminated and a million men and women have been discharged from the Services. Among the questions urgently recommended to Congress for consideration were standards for contract termination, the need of assistance both to Servicemen and war workers in finding peace-time employment, the planning of Federal public works to supplement private investment and employment, and the extension of social security, with particular reference to the needs of ex-soldiers for unemployment insurance and other legislation to ease the transition from Service to civilian life. The success of domestic demobilisation schemes would, Mr Roosevelt pointed out, affect the success of arrangements now being made for international economic collaboration through the effect on American willingness to buy abroad. Many of the more vigorous passages were, however, designed as a stimulus to the President's Message last week on the State of the Union. There was a renewed appeal to Congress to reconsider its Tax Bill, which at present adds only \$1.5 billion over \$2 billion to revenue, as opposed to the Treasury's request for a \$10½ billion increase. The failure to enact an adequate tax programme has aggravated the difficulty of maintaining stabilisation, and Congress was warned that if stabilisation was not maintained, Government estimates of expenditure might have to be revised upward. This is the ideal time to increase taxation, it was argued, and the Congressional contention that the country could not bear further increases was refuted by figures showing that individual incomes, after payment of all taxes, Federal, State and local, would be about 40 per cent greater in the calendar year 1944 than in 1941, and that corporate profits, after taxes, were at an all-time high. Wages, profits and farm prices have reached levels which should not be exceeded except for "special war requirements" (an escape clause?). Also connected with the President's five-point programme was his sharp rap at Congressional attempts to emasculate the law governing the renegotiation of war contracts and his warning that next year's planting might be affected by the failure of Congress to pass, without weakening amendments, the Commodity Credit Corporation Bill, which provides for subsidies and support prices. The Budget has been received soberly by the country, although there is some conservative criticism of the failure to support a sales tax and some suspicion of the post-war passages as "campaigning." But it does not yet appear that Congress

will respond any more enthusiastically to White House suggestions conveyed in the Budget than to those of last week's Message.

### Cold Storage?

Response to the President's endorsement of a National Service Act has been heated. While progressives generally have given their grudging approval, stressing the safeguards for labour promised by the President, labour itself and most conservatives have joined hands to call it dictatorship, and at least one Congressman has declared it would violate the Thirteenth Amendment abolishing slavery and involuntary servitude. Paradoxically, this heat looks like putting the proposal on ice, a not unexpected result. The Military Affairs Committee of the House has voted to defer action indefinitely, although the Senate will begin hearings shortly. The fact that national service is being debated on its own merits, and only to a microscopic extent as part of an "all or nothing" programme, would also, as last week's Message made clear, leave it without support from the White House. There is, indeed, some scepticism in informed Washington circles as to whether the proposal was ever meant as more than a demonstration of strong-arm tactics on the home front. Where, it is asked, would one find a man competent to administer such an enormously complicated and delicate mechanism? Mr McNutt, War Manpower Commissioner, who probably would not get the job, has administered a carefully phrased dash of cold water. Even a paper like the *Herald Tribune*, after its initial enthusiasm, is now speculating about whether the proposal was not a bold bluff designed to bring labour into line. Labour leaders themselves have been quick to point out that the main purpose stressed by the President, the elimination of strikes, has not been achieved by the British National Service law. Mr McNutt's estimates of reduced man-power needs in the coming year are also being used by the critics. One aspect of the Presidential bombshell which is securing its full measure of attention is its possible use as a campaign document should Mr Roosevelt choose to stand for a fourth term. So sagacious an observer as Mr Walter Lippmann finds it very good election material indeed. As he points out, the appeal to "blood, toil, sweat and tears"—so alien to American politicians—has succeeded abroad, and might survive transplanting, though it should be added that abroad its use has generally been accompanied by an acute sense of national peril which is not conspicuous in the United States to-day. On this interpretation the consignment of his programme to cold storage might not altogether displease the President. Mr Roosevelt looks like being, next autumn, in the enviable position of a man who appealed for toil and sweat without the practical disadvantages of having had to exact them.

### Streamlining the State Department

Strenuous efforts are being made to bring the State Department up to date and to improve its public relations. It is a sign of the times that the Department recently has gone on the air in a series of programmes designed to explain and popularise its policies and personalities. The reorganisation announced this week is a more solid rejoinder to criticisms, epidemic a few months ago, that the Department's procedure and machinery were hopelessly inadequate to deal with the modern world and its new responsibilities in the field of economic affairs. The main purposes of the overhaul are to free the principal officers of the Department from as many administrative duties as possible so that they may be freer to devote their energies to large issues of foreign policy; and to clarify responsibility by eliminating overlapping jurisdiction. Twelve major "line" offices are created, five to deal with specific geographical areas such as Europe and the Far East and with special political problems. Others are set up to deal with Economic Affairs, Commodities, Financial and Monetary Affairs, and Wartime Economic concerns. One new and encouraging departure establishes an Office of Labour Relations in recognition of the "importance of international labour and social problems and the interest of labour in broad international policy." The Office of Public Information, which groups together various already existing units, includes the dashing innovation of a Motion Picture and Radio Division. Better co-ordination between the higher officers is assured by the creation of two committees, a Policy Committee and a Committee on Post-War Programmes. In addition, an Advisory Council on Post-War Foreign Policy apparently is intended to give the Secretary of State the advantage of consultation

with men of eminence outside the Department's official family, although its three founding members, Mr Norman Davis, Dr Isaiah Bowman and Mr Myron C. Taylor, can hardly be counted as new hands. It is true, as the habitual critics still maintain, that this involves no change in fundamental policies and that no new blood has been brought in. But it is at least proof that last autumn's transfusion—when Mr Stettinius became Under Secretary—has had its intended effect; and that the Department is not so deaf to constructive criticism as might have been suggested by its irritation with the critics. The burden of responsibilities borne by the Department has been enormously increased in the war years. This modernisation of its structure should enable it to deal more efficiently with its duties. It has not come too soon.

### Smoking Dewey Out

Among the rumours which fly thick and fast in a Presidential year is one that Mr Willkie soon will try to "smoke Dewey out," to force him to declare himself in advance, rather than to continue his alleged policy of waiting in the wings until brought forward by last-minute acclamation. *PM*, the New York liberal newspaper, has provided the ready-made slogan: "Dewey or Don't he?" There are some grounds, in American electoral procedure, for thinking that Governor Dewey, if he has receded from his earlier iron-clad self-denying ordinance, might soon come out into the open. Presidential primaries will be held this spring in seventeen states, and in another, Georgia, the State Executive Committee can order a primary if it chooses. At these preliminary elections citizens registered as Republicans, or Democrats, choose state delegations to the party convention and by so doing express their preferences for candidates for their party's nomination. In eight of these seventeen states, the name of no candidate can be put before the voters without his express authorisation. The earliest primary, in New Hampshire, is in March, with others in April, but in Illinois there is a provision that if a candidate wishes to be considered he must go on the record sixty days earlier. In the case of Illinois, Governor Dewey—or his supporters, since in this state the candidate's assent is not needed—would have to take action by February 11th. But Mr Willkie is probably not relying on facts of this kind to disclose Governor Dewey's intentions. If recent evidences of a Dewey landslide inside the Republican party have indeed induced any change of mind, there is every legal opening for the sending of Dewey delegations to the conventions without any prior authorisation having been given. In nine states a candidate can be entered in the primaries without his consent, and there are thirty states with no primaries where the delegations—chosen by party conventions—are not bound by the preferences of the rank and file and where no expressions of intention are required. These last alone send 471 delegates out of the total of 1,003 at the Republican convention. Some test of Governor Dewey's intentions may appear from the vigour with which he takes the steps he has promised to stop any "Dewey-for-President" movement. But Mr Willkie will have to find more tempting bait than this to get a final answer.

### Shorter Note

The House Foreign Affairs Committee has approved a Bill to enable the United States to take part in UNRRA. Limiting amendments set a ceiling for American financial participation at \$1,350 million, and prohibited the use of funds for purposes other than actual relief, rehabilitation and the costs of administration. The Bill now goes to the House for action. This is not an appropriation; another Bill will be necessary to authorise the expenditure.

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# THE WORLD OVERSEAS

## Educating the African

BRITISH colonial policy in Africa has always been based on the principle that progress should not be imposed upon the people, but should be offered to them and they should be taught to accept it. Inevitably, this has meant that progress has been slow and in some respects almost imperceptible. But to its critics the Colonial Office has always pointed out that it has, over most of Africa, avoided creating an unrooted discontented native people with a thin veneer of alien economics and alien culture to which they have been unable to adjust themselves.

Into this slow march of colonial policy the latest report\* of the Colonial Office Advisory Committee on Education comes, therefore, as something of a bombshell. For, in contrast to this principle, it urges that mass education for the African colonies should be achieved by shock tactics; that targets should be set, and "time-schedules" planned. It has been estimated that nineteen out of twenty Africans are illiterate. The Advisory Committee has produced recommendations not only for the wide extension of schooling for children, but also for the abolition of illiteracy among the adult population, urging that

definite objectives and financially realistic targets should be taken in particular areas so that the co-ordinated and comprehensive plans for the general progress of a particular community or group of communities may be put in hand and carried out within a specified period.

It considers adult literacy "of primary importance in the light of present needs of colonial peoples" for several reasons: the attainment of literacy makes people aware of the need for social and economic improvements, and therefore more willing to co-operate with agencies working for them; the rapid changes taking place in family and village life can be understood and acceptable only to a literate people; literacy is a prerequisite of progress towards self-government.

### Combined Operations

The Committee therefore recommends the appointment of mass education officers in different areas to undertake the planning and execution of a mass education project and to co-ordinate and combine the educational activities already being carried out by other agencies. Thus in, for instance, a certain type of rural community there might be official experts, consisting of Europeans and Africans, who are already engaged in improving the community's health or agriculture or in training it in co-operative systems or in trade unionism. These should be mobilised in a team for the carrying out of a mass education project as well, under the directions of a mass education officer. In another community the expert team might be unofficial, consisting of missionaries. In another—a mine or a plantation—the expert team might consist of the welfare workers of the company concerned. But in all, the official team would work in close co-operation with members of the community itself—the literate, advanced members whose enthusiasm should be aroused for the education of their fellows. These should be formed into a local association, which the mass education officer should consult when the local project is drawn up.

How far do these shock tactics fit in with the British system of indirect rule and with the principle that progress must come from within? At first sight, the tactics seem alien. But the strategy is inherently the same. Throughout its report the Committee emphasises that the co-operation of the people is essential.

Africans themselves must be the main agents in improving African life.

Guidance by Governments is "of the first importance," but guidance from above will be cold and ineffective unless it is able to inspire the wise leadership among the people

themselves without which mass education is largely meaningless and fruitless. Measures taken by authority must carry with them the active and understanding participation of the community itself.

That is why the Committee lays so much importance on co-operation between the teams of experts and the local associations formed from the communities themselves, on enlisting the help of the literate Africans and particularly of those who during the war have served in the armed forces, where they have learned lessons in hygiene, in diet, in the three R's, in English, and where, through foreign service and contact with other nationalities, they have come to regard themselves as Africans "even as 'nationals' of a territory such as Northern Rhodesia, playing a part in world affairs."

### New Policy?

This recognition of potential leaders among the rank and file of Africans seems indeed to be a big divergence from official policy. But it is a divergence from the recent practice of British colonial rule rather than its principles. The system of indirect rule has frequently meant that too much reliance has been placed on the native administrations, on the tribal system and the chiefs, even when they are found to be corrupt or inefficient. Thus the principle that progress should be based on indigenous cultures and customs has often given way to the practice of keeping indigenous forces in being, even though through them the people cannot progress. This has had the effect not only of keeping the people more backward than they might have been, but of creating discontent among the more advanced Africans who might otherwise have become their society's leaders. The Education Committee, however, does not agree that backward systems should be bolstered for their own sakes. It recommends, it is true, that an educated and progressive native administration should form an important part of the local association for the mass education project. But

where an area is otherwise suitable for an experiment, that is, where other local elements are progressive and the need is great, we do not think that a backward Native Administration should be allowed to hinder the sanctioning of mass education plans.

Further, there are private individuals, Africans, "who are capable of viewing their community in a more or less critical and objective fashion," who realise that the schools and welfare organisations set up by Governments and voluntary bodies are extraneous, not spontaneous, growths, and are consequently incapable by themselves of leading the community in its need for adjusting itself to the changes inevitably taking place.

We are of opinion that these . . . should be given the fullest recognition in the organisation of a mass education system. . . . It is true that they may be vigorously critical of both local and central Government. . . . Their resentment may be intensified by a belief that they are regarded as ignorant and troublesome aspirants to a position and influence far beyond their merits. But we are convinced that officers in charge of mass education would find many of them potent allies.

There is another aspect in which the Committee's report seems to diverge from official opinion, and that is in its actual objectives. Expert opinion in recent years has pointed out the inadequacy, even the folly, of regarding literacy as an end in itself. The plight of the African clerk, who drifts to the towns in search of work, has been well described by Major Orde Browne, Labour Adviser to the Colonial Office, in his report on labour conditions in West Africa. There has consequently been a tendency to lay more stress on technical education for children, on teaching them the sort of things they need to know in their own, primarily agricultural, background. The right use of the hoe, it is urged, should be taught as much as the use of the pen. But the emphasis placed by the Committee on the attainment of literacy makes the divergence wider than it really is. Universal literacy is essential if a people is to make social, economic and political progress. But neither

in the schools nor in the mass education projects does the Committee regard it as an end in itself.

Widespread literacy should be an immediate objective, but the acquisition of the skill of reading and writing should at no stage be the sole aim of a mass education system. The content of the material used in teaching reading and writing should be related to the people's needs and interests. . . .

Thus it recommends that the curriculum of the educational project should be built around the needs of the particular community in which it is being carried out. In one community it might be built around a soil erosion campaign; in another around a drive to reduce infant mortality; in another around the organisation and functions of a trade union or co-operative society.

The procedure of selecting outstanding problems would give a purpose to the teaching of the three R's and of all other techniques and subjects which would be readily appreciated by the community. . . .

### The Cost

There is, however, one gap in the Committee's bold and vigorous plan for mass education, and that is any estimate of the cost—which was not within its terms of reference. But the cost in money and physical terms is likely to be very great. It was, for instance, pointed out in Sir Frank Stockdale's report on development and welfare in the West Indies (Colonial No. 184) that the number of teachers required to provide for a 90 per cent school attendance of all children aged 5-15 in the whole area would be about 20,000, more than double the present number. If an average salary of £100 per annum is assumed, they would cost about £2,000,000 a year, whereas the total expenditure on elementary school teachers' salaries in 1941 was approximately £640,000. The proportionate increase in the cost in the African territories, where salaries may be lower but where even more leeway is to be made up, will be far greater. And in addition to greater numbers of teachers, if they can be found, there are buildings and equipment to be provided; libraries to be established; film units, broadcasting and other means of propaganda to be started. Clearly, the cost of mass education cannot be provided by the African colonies themselves; but it will almost certainly be more than the Colonial Development and Welfare Fund can bear if its present limits are adhered to. Additional calls on the British taxpayer will have to be made.

But made they must be. Here, in the report of this Committee, is a definite target, a plan which can be pursued without any inhibitions about possible harmful effects on backward peoples. Unlike development—industrialisation and so on—welfare projects can be pursued without restraint provided they are related, as in this plan, to the people's background, and no other scheme of welfare is so essential to native progress as education. At last the Colonial Office has a chance of answering its critics without renouncing its well-tried principles. The opportunity must not be lost.

## Swiss Difficulties

[BY A CORRESPONDENT]

IN the autumn of last year, difficulties in Switzerland's economy were frequently explained as due to a "peace psychosis" which had seized hold of the people—or at least some of the people. Clothing retailers thought people were deliberately refraining from spending their coupons on wartime products of poor quality in the hope that the war would end soon. A new wave of notes and gold hoarding was evident, and at the end of the year notes in circulation had reached 3,000 million Swiss francs against 2,637 million at the end of 1942. Household consumers rejected the low-grade home mined coal, and the unexpectedly steady import of coal from Germany actually resulted in the abandonment of the attempt to mine more coal in Switzerland. During 1943, coal imports amounted to roughly two million tons, against 1.9 million tons in 1942 and an average of 3.7 million tons during the last year before the war.

It would, however, be wrong to assume that the peace psychosis was the only reason for Switzerland's growing economic difficulties. The Swiss war economy was quite prepared for a duration of several years, and during the first two years of the war industry was comparatively well supplied with raw materials because of the huge pre-war stocks and continued German deliveries of coal, iron and steel and chemicals. Switzerland's particular wartime difficulty is that

even for the manufacture of artificial fibres, necessary for replacing imported wool and cotton, raw materials like coal and sulphuric acid have to be imported. This is also true of the chemical industry and the machine-building and engineering industry, which are entirely dependent upon imports of steel from Germany. There are also no non-ferrous metals. Only aluminium is produced in adequate quantities—from imported bauxite. It is used for replacing copper and other metals. Industry as a whole could not, therefore, expand appreciably, and already during 1942 the total number of workers employed in industry showed a small decline. The cotton, wool and clothing industries showed a marked fall as well as the foodstuff industries; but in the engineering and metal-working sections, the wood-working and the chemical and silk industries the number of employed increased.

Compared with pre-war years, Switzerland has achieved full employment. In the autumn of last year, barely 5,000 persons in search of work were registered, against 76,000 in January, 1939, and 41,000 in January, 1941. But a considerable number of men have been called up for military service, and agriculture has absorbed every available man. Actually, Switzerland's over-all industrial production is smaller than before the war. This is explained by the fact that the volume of imports during 1943 shrank to below 50 per cent of pre-war imports.

At present, Switzerland is probably the only country on the Continent where industrial and residential building is still on a comparatively high level. There has also been a steady expansion of hydro-electric power stations. During 1943, two new stations began operations, and a third one is under construction. In exchange for German coal and steel, Switzerland exports electric current to Germany. If pre-war figures can be taken as a guide, it may be assumed that at least one-eighth of the present generation of 8,000 million kWh go to Germany. Because of the lack of coal, some electric furnaces have been constructed. It has not, however, been possible to replace coal for household use during the winter months. Owing to the coal shortage, the boilers of shunting locomotives are heated by electric current, for the engineering industry had not enough raw material to build electric shunting locomotives.

During the fifth winter of the war, Swiss engineering and electrical machinery industries are complaining about the lack of orders from overseas countries. One of the leading electrical concerns has reported that, during the business year 1942-43, overseas orders had decreased to 3.8 per cent of total orders, compared with 30 per cent in 1939-40. Between a number of Swiss and German concerns very close connections exist, and it can be assured that German orders placed with Swiss firms or with Swiss subsidiaries of German concerns increased during 1943. Whether the famous Swiss armament firm, Oerlikon, actually delivers material to Germany can, however, be doubted, for Switzerland's own armament has obviously kept this firm fully occupied. The Swiss motor-car and repair industry is, however, fully occupied with the repair of German lorries. In short, the greater part of Swiss manufactures is exported to Germany, and the blockade of the Continent makes it impossible for Swiss firms to find other outlets than Germany and German-occupied or satellite countries.

In contrast to its comprehensive plan for agricultural expansion, the Swiss Government has been trying to steer a

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compromise course between a fully regimented war economy and a relatively free peacetime economy. The rationing of clothing, shoes and soap was introduced piecemeal. The use of scrap and salvaged material was not organised for a long time. During the first year of the war, the sorting of textile waste and rags was still looked upon as work for the poor, or even as a form of charity for the poor. In 1943, a serious attempt was made to utilise steel scrap by the introduction of an "iron tax." This is not a money tax. It means that engineering firms are compelled to deliver their scrap just as a tax has to be paid. The more serious attempt to use waste and scrap material is one aspect of the war economy in 1943. The other aspect is an attempt to manufacture synthetic rubber as well as more artificial fibres. Here, again, the necessary raw materials have to be imported from Germany or other continental countries. There is no escape from the dependence on outside resources.

Price and finance control also show the mark of a compromise. In some industries maximum prices have been enforced; in others, price-stops after the German model have been declared. Yet effective price-stops depend on full regimentation and novel methods of costing, which were rejected as incompatible with Swiss opinion on the return to a free economy. The wholesale price index has, in fact, more than doubled during the war. The cost-of-living index has increased by 49 per cent, and average wages in industry by roughly 30 per cent. The standard of living has thus declined considerably.

A particularly interesting aspect of the financial situation is the traditional tax evasion of the Swiss population, as well as the hoarding of banknotes. Tax legislation recently recognised the tax evasion, which has grown during the war, by introducing a "Verrechnungs" tax—a tax for balancing accounts. From January 1, 1944, 15 per cent of all income from interest, dividends, etc., has to be paid as tax. It is deducted, together with the defence tax and coupon tax, at source. But this new tax is only an advance payment of taxes. The actual payments will be balanced at the end of the revenue year, and any amount in excess of the assessed total tax will be paid back. The Government thinks that in this way tax evasion will be reduced to a minimum. It is expected that this "advance" tax will yield from 30 to 40 million francs per annum. At the end of 1943, Switzerland had spent on military and direct war purposes 5,650 million francs beyond the ordinary Budget, of which only 30 per cent was covered by taxation. During 1944 the deficit will amount to roughly 1,000 million francs, which will have to be covered by loans.

## Eire's Finances

[FROM OUR DUBLIN CORRESPONDENT]

January 10th

THE Exchequer returns for the nine months of the financial year ended December 31st show that revenue amounted to £28,229,786, and expenditure to £31,860,930, leaving a deficit of £3,631,144. The figures for the corresponding periods in recent years show a steady increase of both revenue and expenditure:

|                  | Nine Months ended December 31 |        |        |        |
|------------------|-------------------------------|--------|--------|--------|
|                  | 1940                          | 1941   | 1942   | 1943   |
| Revenue.....     | 22,718                        | 23,424 | 25,231 | 28,229 |
| Expenditure..... | 26,319                        | 28,493 | 29,399 | 31,860 |
| Deficit.....     | 3,601                         | 5,069  | 4,168  | 3,631  |

In view of the extreme dislocation of the economic life of the country caused by the war, the revenue displayed a remarkable buoyancy. The following table shows the amounts received from the principal taxes in the last four years:—

|                                      | Nine Months ended Dec. 31 |       |       |       |
|--------------------------------------|---------------------------|-------|-------|-------|
|                                      | 1940                      | 1941  | 1942  | 1943  |
| Customs.....                         | 9,609                     | 8,647 | 8,428 | 9,128 |
| Excise.....                          | 4,820                     | 5,432 | 5,670 | 6,363 |
| Estate, etc., duties.....            | 1,028                     | 942   | 952   | 1,125 |
| Property, income tax and surtax..... | 2,600                     | 3,498 | 4,409 | 4,904 |
| Corporation profits tax....          | 243                       | 322   | 1,127 | 2,028 |

The deficit was bridged without the issue of any public loan. The balance in the Exchequer on April 1st amounted to £1,129,792. This was reduced by £866,000 to £263,449 on December 31st. Savings Certificates issued amounted to £862,000, and those paid off to £337,000. The net sum received in respect of these certificates was therefore £525,000.

The net amount borrowed by ways and means advances was £1,008,000. Large sums were recovered by way of repayment of advances from the Local Loans and other funds. The experience of other years was that the deficit at the end of the third quarter was greater than that at the end of the financial year, owing to the large receipts of income-tax in the fourth quarter. There is no reason to doubt that the same inflow will take place this year. In that case the Exchequer balance should be considerably higher on March 31st, and the financial year will finish without any further borrowing.

### The Capital Market

In the absence of any flotations of loans by the Government, the Dublin capital market has been very idle. The Waterford and Limerick Corporations issued two loans of £358,300 and £755,000 respectively both at 99 with interest at 3½ per cent. A large addition to the contingent public debt is foreshadowed by the proposal that the Great Southern Railways should be transferred to a new public corporation with an ordinary capital of £4,000,000, and State guaranteed 3 per cent debentures amounting to £16 million. Holders of guaranteed stock are to receive the equivalent of half their nominal stock in the new debentures and holders of the railways debenture stock are to receive an equivalent amount of these debentures. When these terms were revealed considerable speculation took place in Great Southern issues. The guaranteed stock rose from 51 to 62, and the debenture stock from 68 to 86. Allegations have been made that large fortunes were made by persons possessing confidential information regarding the proposed deal, and a judicial tribunal has been appointed to investigate these accusations.

On the morning of New Year's day, the shareholders of the Dublin United Transport Company were surprised to receive a circular from their directors stating that it was proposed to transfer the Dublin transport system to the new corporation. The basis of compensation is that the holder of every £10 preference share or £10 ordinary share is to receive State-guaranteed debenture stock of the nominal amount of £14 10s. The proposal has not been well received by the shareholders or by the Dublin public. The former are not satisfied that the value placed upon the shares represents their true earning capacity, while the latter fear that the transport services of the city will not be so efficiently managed by the new quasi-public corporation as by the existing company. The Government's policy is apparently to create a complete transport monopoly, and to entrust its operation to the new corporation, whose debentures will, in the last resort, constitute a liability on the state.

## Portugal Fights Inflation

[FROM OUR LISBON CORRESPONDENT]

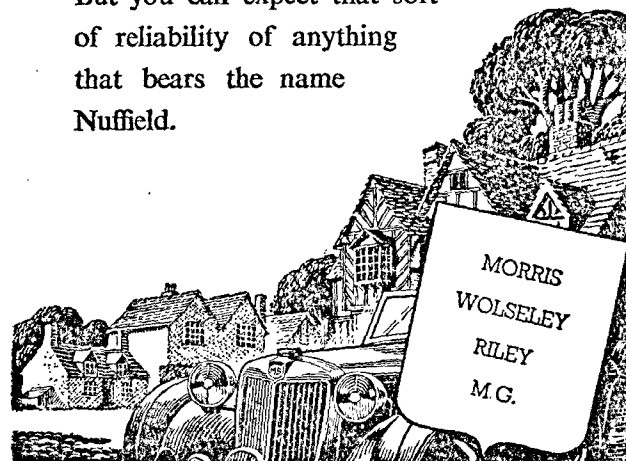
December 7, 1943

FROM 1939 and, indirectly, from an even earlier period, Portugal has put up a hard fight against inflation. Forced to give ground, it has only done so inch by inch. The Government seeks to impress on the citizens that they are indeed front-line troops in this economic war; unfortunately they fail to realise it, probably because the daily casualties are so insidiously widespread, taking the shape of steadily rising prices which repressive legislation and official limits cannot in practice control. This is not a fault directly chargeable to the Government; the culprits are the members of the public, and in this matter of inflation they are digging their own graves. Broadly speaking, Portugal to-day is one black market; black, that is, as regards obedience to legal restrictions. For this reason the authorities have been morally forced to increase the pay of civil and military servants of the state by 20 per cent, which will come into force on January 1, 1944, and will add £1,300,000 to the Budget. Welcome as it is, it still falls much under living costs, which, calculated on official figures, are 65 per cent above 1938-39 and more than double when most unavoidable household charges are reckoned on what one pays in shops.

Bank deposits rise steadily. The figures of the six leading Portuguese banks in July, 1942, stood at 14 million contos, and to-day the sum is 19 million, with no possible productive outlet and the bulk of the money held in Lisbon. Perhaps closer ties with the United Nations may eventually help Portugal's economic plight. If, for instance, Portugal joins the crusade against Japan—as it has every cause to do—a way out may appear, beneficial alike to the country's current economy and to its future morale for many years to come.

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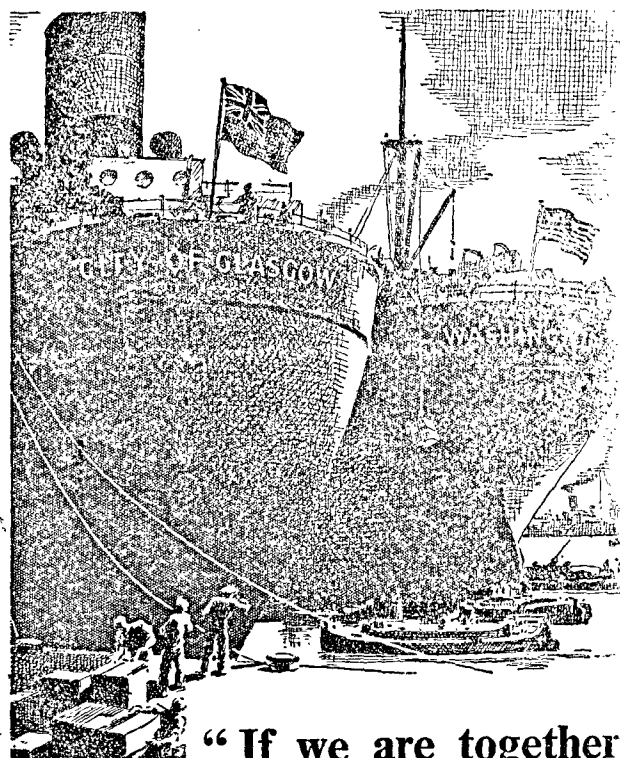
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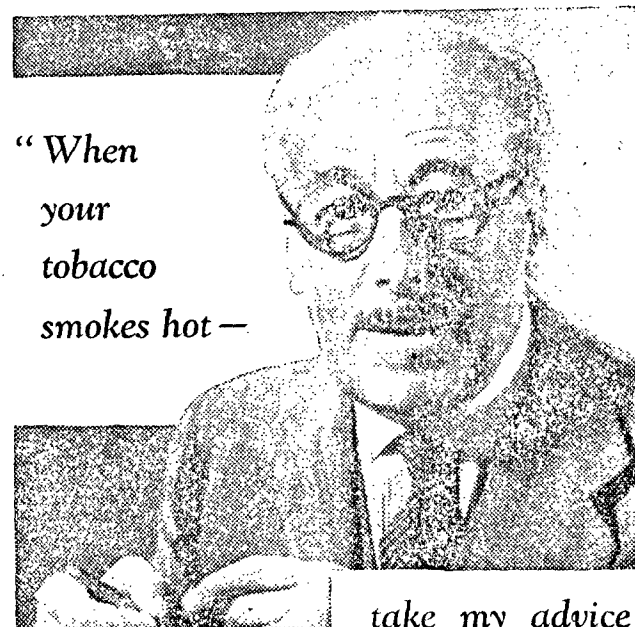
Mr. Churchill has said that responsibility is the price of greatness. "If we are together nothing is impossible. If we are divided all will fail."

\* \* \*

*This Statement is issued in support of the principle of continued industrial collaboration between the United Nations after the war. Announcements by the International Nickel Company of Canada, having the same purpose, are appearing in Canada and the U.S.A.*

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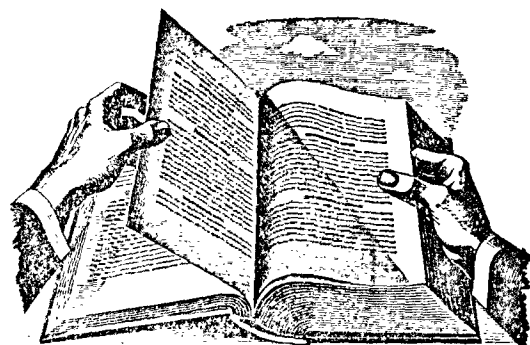
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The mystery lies in what is yet to be discovered. Biochemists, veterinary surgeons, industrial scientists, working on a hundred facets of the subject, are finding in iodine one of the most fascinating problems of research. Consider some of iodine's recent applications: "Thermometer" Paints, which reveal in colour changing temperatures; Polaroid, which makes possible such diverse magic as non-glare headlights, stereoscopic films and visible representation of changing strains in plastic materials; and infra-red photography which makes hitherto invisible things visible.

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# THE BUSINESS WORLD

## American Indices

(From Our New York Correspondent)

WHILE post-war programmes, plans and proposals proliferate on every hand, suggesting objectives for the future, questions are being asked with increasing insistence as to where we are now. And despite the familiar American phenomenon of masses of statistics—a phenomenon not much lessened even by some wartime withholding—the questions do not evoke a ready answer and certainly not one that is convincing, either to many of the laity or to the professional initiates who ask them. This curious condition surrounds many of the measurements of basic aspects of our economic environment—and many others as well.

Industrial production is indicated for most observers by the venerable index of the Federal Reserve Board. The recent revision of this index—the second major one in four years—moved the index upward by about 40 points, or by about a fifth, to 247 (unadjusted for seasonal variations) for September, 1943. The extent of this jump has, despite official explanations, aroused a certain amount of scepticism, especially since some students felt that even before its revision the index was overstating output. The technicians apparently are going to argue about the matter for a long time to come. At root, the problem seems to be one of definition: the index is intended to indicate the physical volume of industrial output, and not the overall volume of business activity. It is not intended to be an indicator of the output of raw materials or of semi-finished goods, nor, on the other hand, is it a measure of effort expended, since man-hours, to the extent that they are used, are adjusted for productivity. The statement of these negatives may indicate the complexity of concept, and something of the reasons, quite aside from technicalities, for confusion about what it is that is now  $2\frac{1}{2}$  times the 1935-39 base. Probably whatever it may be defined as being will prove more unstable than the output of raw materials, and so the post-war adjustment may appear more drastic as measured by this index than it would by one of crude products of earth, air and sea.

Commodity prices are indicated for most students by the Bureau of Labour Statistics' index of some 800 items at wholesale, which came in for extensive criticism a decade ago in connection with questions about the value of the dollar when this country departed from gold. To-day its twin, the BLS index of the cost of living, has become highly controversial, due to its widespread use in connection with wage disputes. Last winter the Bureau invited a committee of experts of the American Statistical Association to examine the index. The report of this committee, headed by Professor F. C. Mills, was largely favourable, though to a considerable extent the committee defined away the basic questions of alterations of quality, black markets and higher prices of the only available substitutes for items in short supply. The precaution of an examination by an erudite committee, however, did not lay the question, and now an official committee of the War Labour Board is at work on the question of the cost of living as a part of the settlement of the continuing wage dispute. Probably, here again the root of the question is one of definition, and the wide regional and other differentials in this vast country, together with the great internal migration of workers, the changes in buying habits and alterations of supplies make arrival at anything like Websterian precision anything but easy. Just what it is that is 123.2 per cent (August) of 1935-39, or what the change in the cost of living has been, and where, is more likely to be determined by economic historians than current students.

Interest rates have always evoked the question of measurement, whether it was "the interest rate" of much theoretical writing or the question of choice of some typical paper in the market. More recently, as the paper of the federal government has been the preponderant item in money and investment markets alike, most measurements have been made in terms of such issues. But what rate or rates can be used for economic analysis to-day has become a very perplexing question. The

Government pays a different rate on new issues depending on their life:  $2\frac{1}{2}$  per cent for 22-27 years, 2 per cent for 10 years,  $\frac{3}{4}$  per cent for 1 year,  $\frac{1}{4}$  per cent for 3 months. But holders are developing an increasing tendency to amplify their interest income by holding for awhile and selling to take the appreciation which occurs as a security with fixed coupon approaches maturity. By this process the 1 year  $\frac{3}{4}$ s produce more than 1 per cent, and longer paper yields can be increased even more. Then the tax collector takes a major but differing slice of whatever has been reserved, depending upon the type of the return filed, the total income and the type of income. The Treasury also pays different rates on securities of the same maturity, the circumstances of the purchaser and his choice both being involved: e.g., 2 per cent on 10-year marketable issues,  $2\frac{1}{2}$  per cent on 10-year F and G bonds, and 2.9 per cent or more on E bonds. Here again definition enters, but, while a rate can be determined by defining away all but one alternative, the rate thus arrived at hardly can be held to be useful for any functional analysis.

Real property values have never been the subject of much generalised measurement, in spite of their great importance. But warnings have just been issued from official quarters that they are departing from stability. The Secretary of Agriculture, Mr Wickard, has sounded the tocsin regarding farm land prices, and the commissioner of the Federal Home Loan Bank System and of the Home Owners Loan Corpora-

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

### STATEMENT OF ACCOUNTS, 31st December, 1943

| LIABILITIES                                                                      |              |
|----------------------------------------------------------------------------------|--------------|
| Capital paid up ... ..                                                           | £4,160,042   |
| Reserve Fund ... ..                                                              | 9,806,000    |
| Current, Deposit and other accounts (including Profit and Loss Account) ... ..   | 180,739,846  |
| Liability for Acceptances, Endorsements, etc. ... ..                             | 8,858,916    |
|                                                                                  | £197,558,804 |
| ASSETS                                                                           |              |
| Cash in hand and at Bank of England ... ..                                       | £19,269,738  |
| Balances with, and cheques in course of collection on other British Banks ... .. | 7,788,667    |
| Money at call and short notice ... ..                                            | 5,574,000    |
| Balances with Banks abroad ... ..                                                | 24,041       |
| Treasury Bills ... ..                                                            | 8,390,000    |
| Treasury Deposit Receipts ... ..                                                 | 58,000,000   |
| Bills Discounted ... ..                                                          | 77,227       |
| Investments ... ..                                                               | 56,252,290   |
| Advances to Customers and other accounts ... ..                                  | 30,454,954   |
| Bank Premises ... ..                                                             | 2,868,971    |
| Liability of Customers for Acceptances, Endorsements, etc. ... ..                | 8,858,916    |
|                                                                                  | £197,558,804 |

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

tion, Mr Fahey, has done so regarding urban real estate. Mr Wickard said on November 18th: "The evidence available to the Department of Agriculture clearly indicates that a genuine farm land boom has gained momentum in some of the important agricultural regions of the country," and a heavy tax on second transfers is being proposed in Congress to lessen speculation. Mr Fahey said, on November 30th, referring to Mr Wickard's speech: "It is very evident that the prices of urban homes are moving up with almost equal rapidity, and the trend is as serious as that of farm land prices. . . . The figures on 1,186 loans made . . . during the last three months are certainly disturbing as an indication of present trends." Mr Fahey stated that the new mortgages made were \$1,793,723 in excess of the outstanding loan balances on the properties, an average increase of \$1,500 a property. (The properties are, by definition, residential.)

Moreover, the new loans were 4.2 per cent in excess of the original HOLC loans on these properties, which, it should be remembered, were inflated by delinquent principal and interest and usually overdue taxes, insurance and repairs. The houses on which these new loans were placed averaged over 22 years old. Yet the Department of Agriculture farm land price index is but 105 per cent of the 1912-14 base, and in some sections, including New York, urban values are considered still depressed.

The layman has a great advantage over the technician and the statistician in all these regards. He says simply that production is "high," that the cost of living is "high," that interest rates are "low," and that property values are "improving." If these terms do not satisfy the technician, neither does his jargon satisfy the layman. Which is more conducive to thought about the future is itself probably debatable.

## Business Notes

### The Bankers' Speeches

The chairmen of the Big Six have now made their pronouncements on the state of the nation. They follow a fairly cohesive pattern. Their remarks on the banking situation are necessarily colourless because its changes have been lacking in the spectacular. Lord Wardington showed, perhaps, the greatest candour in admitting that the balance-sheets now present a picture which in former days "would have been considered much more applicable to an investment trust than to a bank." Mr Stanley Christopherson, on whose shoulders has fallen the mantle of Mr McKenna, pointed to the exceptionally high liquidity of the banks—a figure of 55 per cent had been reached by the Midland, and this without the spurious aid of window-dressing—and from this turned to the problem of the banks in financing the switch-over from a war to a peace economy. The Midland Bank has already established a "committee on post-war business problems"; the policy of the bank will be

to furnish the fullest possible support for promising enterprise under good auspices, support which shall be based as much on the character, integrity and business capacity of the borrower as upon the extent and nature of his own material resources.

Lord Wardington, on the same subject, suggested that, given their exceptional liquidity, the banks might in future "be more elastic in their views as to what constitutes a legitimate banking loan," and might look more leniently on loans for capital purposes.

The chairmen devoted their main attention to post-war problems. Most of them showed some proficiency in the jargon of "full employment," and, with reservations, stressed the need for economic controls in the transition from a war to a peace economy. Mr Edwin Fisher argued that

no one will want to see the continuance of any control which has outlived its purpose, for, though there must always be safeguards to protect the interests of the state and the community, the very same interests are best served by giving full rein to those priceless assets, individuality and enterprise, which can flourish only in an atmosphere of freedom.

Mr R. E. Beckett pointed out that it was mainly on the export side of trade that unemployment had been most marked and proved so obstinate to cure, and added that in this respect difficulties had not decreased but multiplied. Mr Colin Campbell stressed that

legislation alone cannot create prosperity, however important it may be in its own realm; it is to the sound and energetic development of industry that we have to look.

Sir R. Noton Barclay pointed out that "it was under free exchange and normal trading that successful commercial enterprise was built up," and warned his audience not to

regard the operations and results of wartime controls as a reliable criterion of their behaviour in peace. On the whole, there is no doubt where the bankers stand on this issue.

### Waiting on Events

For those who expected the new year to bring a distinct rally in market prices, the first three weeks of January have proved disappointing. It is true that both indices of *The Financial News* show a steady rise, but it amounts to only a fraction of one per cent since the end of the year, and other indices are less favourable. The average broker has tended to talk of falls almost every day, but such declines as have occurred have either been small or have occurred in the frankly speculative mining shares and in foreign bonds. In view of these movements, it is not surprising to find that, apart from a couple of days at the beginning of last week, there has been very little expansion in the money volume of business. When the number of bargains increased, a number of small sellers emerged, but on most days demand and supply from the public were more or less in balance. The only fresh factor of general interest to emerge is the statement that a number of industrialists, outside the war industries, are finding that they can employ more money in their business, or are hoping shortly to be able to do so. This would suggest some miscellaneous selling and it is all the more remarkable that there is a re-emergence of the belief that before long, possibly as soon as the Second Front is definitely in being, equities will achieve a new high level. This can only be based on the belief that there will be some relief of the limitation on profits when the war is won, which is no doubt an incentive to an energetic drive for maximum production at minimum prices. Before this happens, some of the promised Government steps towards post-war reconstruction will have been taken. Anything which makes the Government's intentions clearer is likely to produce opportunities for switching investments.

### Coal and Steel Prices

The overriding need at the moment is for more coal at almost any price to prevent a serious shortage during coming months. But there is another aspect of coal which may well become its number one problem after the war, that is its price. In an address on the future of the chemical industry last October Lord McGowan expressed anxiety about the rise in the price of coal. He stated that pit-head prices in the United States were lower than in Great Britain by the equivalent of 10s. a ton, that is by an amount little less than the pre-war cost of coal at the pit in this country. The problem has again been raised, not by an industrialist, but by Mr John Brown, General Secretary to the Iron and Steel Trades Confederation. Here are some sentences from an article contributed by him to the January issue of his union's journal, *Man and Metal*:

Our one-time industrial supremacy was based on cheap coal, and we firmly believe that without a plentiful supply of coal at a reasonable price it is doubtful if the country will be able to hold its own against world competitors possessing both modern plant and cheap coal. . . . We believe with coal at a reasonable price we should have no difficulty whatever in meeting world competitors . . . but it is certain that

the iron and steel industry cannot carry any further increase in the cost of fuel, if it is to remain an effective competitor for world trade in the post-war world.

Mr. Brown did not merely state the problem; he also proposed its solution in realistic terms. He suggested the technical reorganisation of coal-mining as a means to higher productivity which would make it possible to combine good wages with reasonable prices, and he pointed out that competent mining engineers claimed that if 50 per cent of the coal mines were fully mechanised and the long walks of miners underground to the coal face were eliminated, output per man could be substantially raised. In the view of Mr Brown it is doubtful whether the requisite technical reorganisation of the industry will be carried out within the present system of private ownership; but he readily admitted that mere nationalisation would not necessarily "cure the trouble." Indeed, he pointed out,

in conversation with rank-and-file miners, we have formed the impression that they appear to look forward to nationalisation of the mining industry as a means of improving their wages and conditions of employment rather than of reducing the cost of coal to the consumer.

Mr Brown has not merely shown courage in speaking bluntly; he went straight to the heart of the problem; and he gave an example of the sort of constructive criticism which spells progress. But cheap coal alone cannot ensure the future of the iron and steel industry. Perhaps Mr Brown can be equally outspoken about the problems of his own industry.

### Grouping of Coal Mines

Although both the Mining Association and the Mineworkers' Federation agreed some time ago in principle to the Government scheme for the grouping of pits in order primarily to facilitate supervision, and to secure the more effective employment of the best available expert technical advice in the service of the industry as a whole, the conditions in which the new production directors are to be engaged are still under discussion. The contemplated grouping will not affect either the ownership of the pits or the financial structure of the companies concerned; this is a serious weakness, for it is unlikely that the full benefits of grouping can be realised without financial pooling. Nor does the scheme impose any new executive responsibility for day-to-day management or the safety of the pit. Colliery managers are to continue to discharge the administrative functions entrusted to them by the terms of the White Paper of June, 1942, but the new group production directors will be required to resign their present directorships of coal-mining undertakings as well as their present executive posts in the industry. Each group of pits will be an administrative unit, but in the choice of the pits to be included in each group the regional controller must enter into informal consultation with the representatives of the workmen as well as those of the owners. Once the groups have been determined, the responsibility of advising individual undertakings on the steps necessary to increase production will rest with the new directors, and, to use the terms employed in the official intimation of the scheme to the industry, "if the Group Production Director fails to secure his object his function will be to advise the Regional Controller to use the powers of the Minister under the Defence Regulations." It is intended that as far as possible the new directors shall supervise the pits of the companies to which they were formerly attached, but, when desirable and convenient, other pits may be brought under their supervision.

### BAT Profits Recover

The preliminary statement of the British American Tobacco Company for the year ended September 30th last shows a rise in net profit after tax from £3,065,348 to £3,321,735, and an increase in the total tax-free dividend from 10 per cent to 10 5-6ths per cent. The recovery in profit is about one-quarter of the heavy fall suffered in 1941-42, and rather more than sufficient to cover the increase in distribution. Of the increased earnings, £100,000 is transferred to employees' benevolent fund, but, if this is treated as being part of the amount earned for the ordinary capital, the earned percentage is 11.5, against 10.4 for the preceding year and 14.7 per cent for 1940-41. The effect of the announcement on the market was a rise of almost 2s. in both BAT and

Imperial shares, with smaller advances in most of the other tobacco shares. So far as Imperial Tobacco and Tobacco Securities Trust are concerned, some rise is justified by the holdings they both have in BAT, but it is very doubtful whether the improvement in results just disclosed is any real guide to probable earnings and distributions of companies whose operations are restricted mainly to this country. At the closing price of 109s. 4½d., BAT £1 ordinary yield some £1 19s. 10d. per cent, tax free. The Imperial dividend is expected in the course of a few days, and, if the payment is unchanged at 17½ per cent tax free, the yield on yesterday's close of 8 will be some £2 4s. 4d. per cent tax free.

### Remuneration of Capital

There is a growing tendency to suppose that a number of expedients, probably necessary in wartime, can be transferred to our peacetime economy with benefit to the public. Into this category falls the familiar practice of gearing the profit on Government contracts to the capital employed in the business. This particular point is discussed at length in the current issue of *Accountancy*, where it is defended on the ground that the investor is entitled to no more than interest on his money plus an allowance for the risk involved in the particular industry. No allowance is given to him as a reward for the efficiency of management because management salaries, which are the main cost element corresponding to enterprise, are put down as a cost in advance of the calculation of profit.

Except insofar as it is to be implied from the general matter under discussion, it is nowhere suggested that this argument is applicable only, or even mainly, to wartime conditions. If it is intended to be so restricted, it remains the case that many efficient managements are far from satisfied that their enterprise should receive no more reward in the way of profit to the concern they run than does the inefficiency of other managers. There is little evidence that it is the efficient managers who secure, under this system, the highest remuneration. Methods have been developed even in wartime by which differential efficiency is rewarded and if in peacetime there is to be a retreat to less flexible systems, it would destroy the whole basis of private investment. One of the principal risks which the holder of equities is called upon to take is that the management will prove inefficient and the investor who takes the trouble to attempt wise selection has to be rewarded for that as well as for other contributions. Further, if retainable profit is to be based on capital employed and not on earning capacity, the efficient firm will be no better placed than the inefficient, either to retain profits for expansion or to obtain new money capital from the market.

### Purchase Tax in US Imports

On Friday last week the United States Customs Court decided that the purchase tax should not be taken into account in the assessment of import duties on British goods. This interpretation of the American tariff laws is of considerable importance in that it should facilitate British exports to the United States, especially of luxury goods. The purchase tax was introduced in October, 1940, at the rate of one-sixth of the wholesale value of the more essential items of clothing and household goods and of one-third of the value of the less essential and luxury goods. The tax chargeable at the rate of one-third of the wholesale value was raised to two-thirds for a large number of goods in 1942, and to 100 per cent in 1943. The list of goods chargeable at this high rate is



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a long one, including, by way of example, many high-quality textiles, clothing made of fur, jewellery, musical instruments, cameras and ornaments. The court's decision means that the import duty on these goods will be substantially lower than it would have been if it had been calculated on the value as inflated by purchase tax. Indeed, the latter basis might possibly have involved the exclusion of many British goods from the American market. Since the purchase tax on non-essentials can hardly be expected to be abolished immediately after the war, and as a tax on luxuries might well become a more permanent feature of the British fiscal system, the effect of the decision may influence British exports to the United States after the war, especially as there may be a good demand for luxuries.

### Revising Motor Taxation

It is excellent news that Sir John Anderson is engaged in a review of the system of motor taxation and that full weight is to be given to the possibility of encouraging the construction of higher horse-power engines by this country. A plea for this revision was put forward in *The Economist* on August 28th last, when it was pointed out that the immediate post-war period was likely to present particularly favourable opportunities for the entry of the British car into the export market. The matter is one of some complexity. The question of what total taxation should be paid either by the private motorist or the commercial vehicle is too large to be discussed here, but it is apparent that there is room for a change in method of levying the tax. It is true that the horse-power tax has proved a protection for the home market, but it has also meant that, in a large measure, British motor manufacturers were restricted to the home market and that cars were dearer than they might have been had wider opportunities offered. The present time, when the stock of cars in this country must be very low and when technical progress will call for a drastic overhaul of models as soon as possible after the war, is propitious for a change so far as the domestic trade is concerned. The great shortage of cars in almost every country presents an excellent opportunity for Britain to enter the export trade on a substantial scale, while the excess productive capacity—now largely employed in aircraft but

convertible, in part, to cars—gives a reasonable assurance that men and machines will be available to meet any demand which arises. If, as was suggested in August, a tax on the price of the car were substituted for the horse-power tax the way might be open for Britain to make types of car which would meet the requirements of overseas as well as home demand.

### Future of Gas

The report on the future of the gas industry published by the British Gas Federation last November—it was discussed on page 620 of *The Economist* of November 6, 1943—is the subject of an interim report issued by a Committee of the Association of Municipal Corporations. The British Gas Federation had proposed a detailed scheme of integration and technical development within the present organisation of the industry; nationalisation was held to be unnecessary at this stage. The committee of the Association of Municipal Corporations does not accept the conclusion of the British Gas Federation that the transfer of the gas industry to municipal ownership would solve few, if any, of its problems, and, instead, suggests that this demands "earnest consideration." Like the distribution of electricity, the gas industry has its patches of inefficiency in public as well as in private undertakings; these should be eliminated, but a general transfer of the ownership of private undertakings to municipalities seems a solution of doubtful value. The AMC is on sure ground when it says:

We are of the opinion that, if the integration of the gas industry is to take place, a review of the industry as a whole must be undertaken by an independent body, and proposals on the findings of such a body should be presented to Parliament with a view to legislation being passed.

This is the right sort of approach to the problem. A controversy in terms of municipal versus private ownership is likely to end in a cul de sac rather than to pave the way to technical reorganisation and cheaper gas.

### Housing Policy

The principal theme of the joint conference on post-war housing, held by the Royal Institute of British

## MIDLAND BANK LIMITED

Chairman:

STANLEY CHRISTOPHERSON, J.P.

Director, Chief of Executive:

CLARENCE T. A. SADD, C.B.E., J.P., D.L.

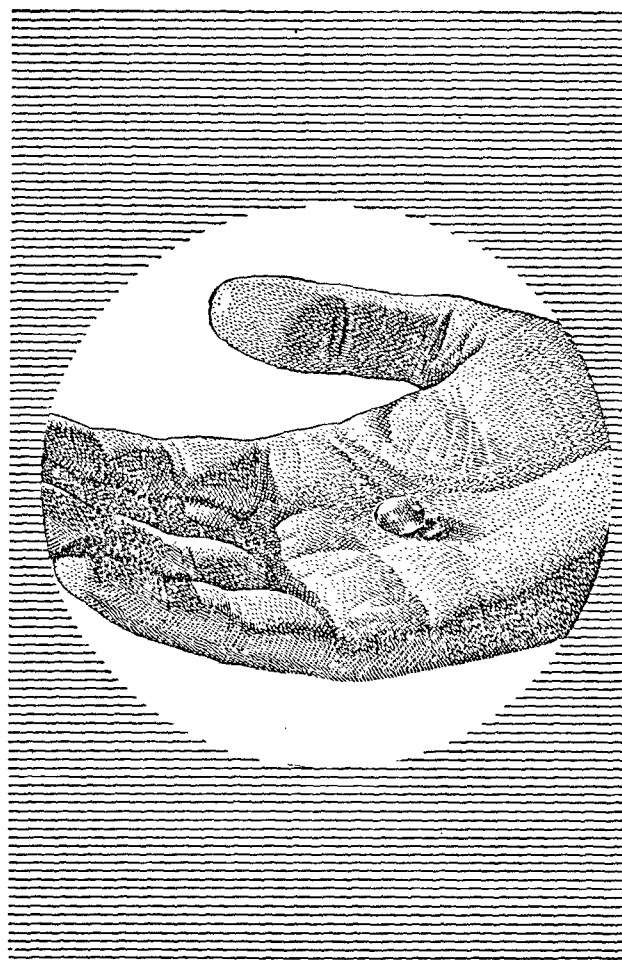
### STATEMENT OF ACCOUNTS

December 31, 1943

| LIABILITIES                         |     | £           |
|-------------------------------------|-----|-------------|
| Capital paid up                     | ... | 15,158,621  |
| Reserve Fund                        | ... | 13,410,609  |
| Current, Deposit and other Accounts | ... | 860,981,356 |
| Acceptances and Confirmed Credits   | ... | 2,976,077   |
| Engagements                         | ... | 10,478,546  |

| ASSETS                                         |     | £           |
|------------------------------------------------|-----|-------------|
| Coin, Notes and Balances with Bank of England  | ... | 91,368,917  |
| Balances with, and Cheques on other Banks      | ... | 35,685,635  |
| Money at Call & Short Notice                   | ... | 33,111,508  |
| Bills Discounted (Treasury Bills £31,377,069)  | ... | 32,979,939  |
| Treasury Deposit Receipts                      | ... | 291,000,000 |
| Investments                                    | ... | 228,717,009 |
| Advances & other Accounts                      | ... | 158,601,924 |
| Liabilities of Customers for Acceptances, etc. | ... | 13,454,623  |
| Bank Premises                                  | ... | 8,590,819   |
| Shares in Yorkshire Penny Bank Ltd.            | ... | 937,500     |
| Shares in Affiliations:                        |     |             |
| Belfast Banking Co. Ltd.                       | ... |             |
| The Clydesdale Bank Ltd.                       | ... |             |
| North of Scotland Bank Ltd.                    | ... | 8,557,335   |
| Midland Bank Executor and Trustee Co. Ltd.     | ... |             |

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One Hundred and Nineteenth Statement of Assets and Liabilities, 31st December, 1943.

| Dr.                                                                            | LIABILITIES.             | ASSETS.                                                                                     | Cr.                      |
|--------------------------------------------------------------------------------|--------------------------|---------------------------------------------------------------------------------------------|--------------------------|
| To Capital authorised and issued                                               | £ 1,000,000 0 0          | By Coin, Bank Notes and Balance at Bank of England                                          | £ 5,536,884 5 5          |
| To Reserve Fund                                                                | 850,000 0 0              | By Balances with, and Cheques in course of Collection on, other Banks in the United Kingdom | 2,687,201 8 5            |
| To Current, Deposit and other Accounts (including provision for Contingencies) | 53,893,820 0 6           | By Money at Call and at Short Notice                                                        | 8,325,700 0 0            |
| To Amounts due to Subsidiary Companies                                         | 26,110 9 1               | By Bills Discounted                                                                         | 1,122,005 19 9           |
| To Acceptances and Engagements on account of Customers                         | 5,485,788 7 3            | By Treasury Deposit Receipts                                                                | 6,500,000 0 0            |
|                                                                                | <b>£61,315,696 16 10</b> | By Investments:—                                                                            |                          |
|                                                                                |                          | British Government Securities                                                               | £20,114,070 16 10        |
|                                                                                |                          | Other Securities                                                                            | 430,287 3 0              |
|                                                                                |                          | Subsidiary Companies                                                                        | 20,544,357 19 10         |
|                                                                                |                          | By Advances to Customers and other Accounts                                                 | 10,418,740 16 2          |
|                                                                                |                          | By Liabilities of Customers for Acceptances and Engagements as per contra                   | 5,485,788 7 3            |
|                                                                                |                          | By Bank Premises (at cost, less amounts written off):—                                      |                          |
|                                                                                |                          | Freehold                                                                                    | £820,000 0 0             |
|                                                                                |                          | Leasehold                                                                                   | 75,000 0 0               |
|                                                                                |                          |                                                                                             | <b>895,000 0 0</b>       |
|                                                                                |                          |                                                                                             | <b>£61,315,696 16 10</b> |

**AUDITORS' CERTIFICATE AND REPORT.**

We report that we have examined the above Balance Sheet with the Books of the Bank, and have obtained all the information and explanations we have required, and we are of opinion that such Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Bank's affairs according to the best of our information and the explanations given to us, and as shown by the Books.

KEMP CHATTERIS & CO., } Chartered Accountants.  
JACKSON PIXLEY & CO., }

17th January, 1944.

ERIC GORE BROWNE, Chairman.  
IAN LESLIE MELVILLE, } Directors.  
C. G. RANDOLPH, }

17th January, 1944. QUINTIN BROWN, Accountant.

Every description of British and Overseas Banking and Exchange Business transacted.  
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Architects, the National House-builders' Registration Council and the Building Societies Association last autumn, is the need for an early announcement on Government policy. Their report states:

The total absence of any definite lead as to Governmental intentions prohibits the formulation of any practical plans for post-war development. . . . The Conference urges the Government to announce its policy with regard to housing, planning and post-war development generally.

The delay in announcing any decision, it is stated, may well impede the development of the programme for building four million houses in the next ten years. The Conference's specific recommendations are that the planning of sites should be subject to the approval of the Ministry of Town and Country Planning (or appropriate central planning authority); that the design and planning of houses should be subject to approval by the local authority, approval being the responsibility of the authority's qualified technical staff where one is employed, or otherwise by a statutory panel as recommended by the Scott Committee; that the local bye-laws should be properly enforced; and that the quality of workmanship and materials should be certified by the Housebuilders' Registration Council, which would be provided with statutory authority. The present procedure, by which a building owner sometimes has to apply to seven different authorities should be replaced by a single application to a single appropriate authority. The report is interesting mainly because it gives the architects' and builders' point of view. They urge the need for greater co-operation between their two professions, a co-operation which can only be brought about by greater public education, and if more attention is paid to design by architectural schools. Neither body seems to like the idea of pre-fabrication, but the Conference is prepared to have an "open mind" about its merits. The report stresses that private enterprise should play a leading part in the provision of houses.

#### Building Labour

It is widely recognised that a bottleneck in post-war housing may be the shortage of building labour. The publication of the first report of the Building Apprenticeship and Training Council, whose chairman is Sir Malcolm Trustram Eve, is therefore timely. Proceeding on the assumption that the industry will require 500,000 craftsmen, the Council estimates that an annual intake of 15-20,000 apprentices will be required to offset normal wastage, and in order to raise the total apprenticeship strength to 75-100,000 a year. The aim should be a force after the war of 600,000 craftsmen, including apprentices. The Council emphasises the need for a great development of pre-employment education. It suggests that boys who have had such education should be given priority for apprenticeship and that attendance at technical courses should be made compulsory for apprentices up to 18 years of age. It recommends a minimum apprenticeship age of 15, and five years' apprenticeship. The Council also recommends the compulsory registration of apprentices and the supervision of the apprenticeship

schemes by the joint apprenticeship committees in the industry. The Board of Education and the Scottish Education Department have been urged to facilitate the expansion of junior technical education. At present there are only 4,400 annual places in building technical schools. The report points out that

as post-war reconstruction will depend fundamentally upon the building industry, which in turn will be very much affected by the opportunities for technical education in building, the adequate supply of capable teachers and instructors . . . is a matter of urgent and capital national importance.

At present there are only between 150 and 200 teachers and instructors; the estimated number required is 1,500. The Council asks for special consideration to be given in demobilisation to suitable teachers. Another limiting factor may be the shortage of premises, and, wherever possible, it is urged that priority in building labour and materials should be given. In its calculations, the Council emphasises that in the absence of a Government decision on the building programme and priorities, it is difficult to make precise estimates.

#### Foreign Loans—Market Representation

Dissatisfaction with the result of recent debt negotiations with South American countries appears to have stirred brokers throughout the country to attempt some action with regard to future settlements. It is not, of course, the case that brokers and jobbers have in the past not been consulted prior to and during negotiations, but they have been consulted as individuals, and there has been no body which could make the weight of the profession felt. In the past, the matter has been left wholly to the Council of Foreign Bondholders, on which the profession has not necessarily any representative. There are many who feel that the whole machinery of the Council requires drastic overhaul, but the present suggestion appears to have nothing to do with that aspect of the matter, and so far suggestions are purely tentative. What is immediately required is the constitution of a small standing committee, representative of both London and the provincial exchanges, whose duties it would be to ensure the collection of, and to make available, all information bearing on the question of foreign loans, to sound opinion on any matter of interest, and to put forward authoritative recommendations as to what considerations ought to be kept in mind in any particular case. Obviously, at this stage, some form of consultation and, probably, co-operation with the houses responsible for the issues would be indicated, and, if agreement were achieved, any suggestions advanced ought to have very great weight with those to whom the actual negotiations were entrusted, whether the existing Council or some alternative body. This would be a long step forward, and it would tend to ensure some measure of agreement among different classes of British bondholders as to the equity of the final arrangements. Also, agreed recommendations would have more influence both on the borrower and on competing creditors than the unsupported opinion of the negotiator, however eminent.

#### Insurance Exports

The export in "insurance" during the war has been particularly valuable in that it has demanded no shipping space and a minimum of manpower. In the post-war period the relative importance of the industry in comparison with pre-war days will be enhanced by reason of the shrinkage in income from overseas investments. On these questions there can be no two opinions. Differences sometimes appear, however, in estimates of the amount of insurance earnings in the past, present and future. Mr E. B. Ferguson, the chairman of the Insurance Institute of London, stated last November that the sum earned in a recent year was about £15 million. Mr J. Dyer Simpson, the general manager of the Royal Insurance Company, in a letter to *The Times* on January 10th, put the annual rate immediately before the war at £11 million and the present figure at £12 million. Underwriting experience will vary, of course, from year to year, although the global canvas on which operations are conducted to some extent compensates local fluctuations. Apart from this, a distinction must be drawn between earnings in the shape of underwriting profits and interest income, on the one hand, and the extent to which these are received here as remittances and dividends, on the other. It is earnings in the latter sense which enter into the balance of trade on current account, and these are both more constant and lower in amount than profits plus interest income; differences retained overseas constitute, in effect, exports of capital, often used to finance expansion of business. Mr Simpson takes exception to a suggestion in the Conservative sub-committee's report on the future of industry that earnings from British insurance will "for the time being" be reduced after the war, and points to the increase which has occurred since 1939, notwithstanding the loss of business in enemy and enemy-occupied territories. The trend is certainly upwards, but Mr Simpson is perhaps a little over-optimistic, since the increase since 1939 is largely associated with the wartime expansion of industry in the United States and the Dominions, and the conclusion of hostilities may bring a return to more normal levels; moreover, re-establishment of connections in liberated countries may well involve some years of unprofitable trading. Nevertheless, it is gratifying to record the fact that there is one export industry whose contribution to the balance of payments is, and can be expected to remain, of the same order of magnitude as before the war.

#### Research in Shipbuilding

The shipbuilding industry will be as vital to Great Britain in the future as it has been in the past, but it must remain an industry not merely capable of building ships economically, but of building ships which fulfil their purpose as efficiently as possible in terms of running costs, speed and so on. If the fleet of merchantmen is to be restored to anything like its pre-war volume by British shipyards, they will be fully occupied for a number of years after the war. Their task will be to re-equip the merchant fleet with the best ships that it is possible to construct. There are indications that the industry is alive to its responsibilities. For example, the Shipbuilding Conference, the industry's trade association, has announced its decision to supplement research by individual companies with collective research through an association to be called the British Shipbuilding Research Association. This will consist of a Research Council—a policy committee on which the Department of Scientific and Industrial Research is to be represented—and of a Research Board whose members are to include experts on shipbuilding, marine engineering and ship-repairing, as well as on shipping. The inclusion of representatives of the shipping industry, that is of the "consumer," is symptomatic of a new outlook.

#### The Discount Year

The experience of the London discount market in 1943 was very similar to that of 1942. The rate structure underwent no alteration, and the margin between the price paid for money and that earned on discounted bills remained exiguous. For the market as a whole, it is doubtful if the profit earned on running and reselling bills succeeded in covering overhead costs. The substance of the market's earnings came from operations in short-term bonds. The prices of these underwent inconsiderable fluctuations in the past year, and the opportunities for profitable jobbing in these securities can have been few. The average profit on "running" bonds must, however, have worked out at

slightly over one per cent, and a glance at the accompanying table showing the bills, investments and profits of the three public companies in the market will show that it is from this source that the bulk of the profits have been derived. The chief feature of the discount companies' figures for the past

|             | (In £000's) |         |             |        |          |         |         |      |
|-------------|-------------|---------|-------------|--------|----------|---------|---------|------|
|             | Bills*      |         | Investments |        | Deposits |         | Profits |      |
|             | 1942        | 1943    | 1942        | 1943   | 1942     | 1943    | 1942    | 1943 |
| Union.....  | 81,362      | 93,018  | 19,325      | 23,805 | 98,504   | 114,641 | 244     | 228  |
| National .. | 48,738      | 54,085  | 14,815      | 18,894 | 63,040   | 72,640  | 192     | 197  |
| Alexanders  | 30,428      | 34,081  | 19,806      | 20,687 | 48,762   | 53,337  | 167     | 170  |
| Total ..... | 160,528     | 181,184 | 53,946      | 63,386 | 210,306  | 240,618 | 603     | 595  |

\* In the case of the Union and the National, bills include short-dated bonds maturing within three years.

year was their expansion. The funds deposited with the three companies increased by over £30 million, of which about £20 million found its counterpart in an increased holding of bills and £10 million in larger investments. This expan-

## BARCLAYS BANK LIMITED.

EDWIN FISHER, Chairman.  
SIR WILLIAM MACNAMARA GOODENOUGH, BART.,  
Deputy Chairman.  
HUGH EXTON SEEBOHM and  
WALTER OSBORNE STEVENSON,  
Vice Chairmen.  
General Managers:  
A. W. TUKE, N. S. JONES, F. C. ELLERTON.

### Statement of Accounts.

31st December, 1943.

| LIABILITIES.                                                                                                                                                                                                                                          |             | £ | £           |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|---|-------------|
| Current, Deposit and other Accounts                                                                                                                                                                                                                   | 805,092,506 |   |             |
| Balances in account with Subsidiary Banks ... ..                                                                                                                                                                                                      | 17,407,365  |   | 822,499,871 |
| Acceptances and Endorsements, etc., for account of Customers ... ..                                                                                                                                                                                   | 15,554,276  |   |             |
| Paid-up Capital ... ..                                                                                                                                                                                                                                | 15,858,217  |   |             |
| Reserve Fund ... ..                                                                                                                                                                                                                                   | 11,250,000  |   |             |
| ASSETS.                                                                                                                                                                                                                                               |             |   |             |
| Cash in Hand and with the Bank of England ...                                                                                                                                                                                                         | 84,933,633  |   |             |
| Balances with other British Banks and Cheques in course of collection ... ..                                                                                                                                                                          | 35,913,904  |   |             |
| Money at Call and Short Notice ... ..                                                                                                                                                                                                                 | 21,896,900  |   |             |
| Bills Discounted ... ..                                                                                                                                                                                                                               | 24,364,572  |   |             |
| Treasury Deposit Receipts ... ..                                                                                                                                                                                                                      | 291,000,000 |   |             |
| Investments ... ..                                                                                                                                                                                                                                    | 216,391,769 |   |             |
| Investments in Subsidiary Banks (at cost, less amounts written off):—                                                                                                                                                                                 |             |   |             |
| The British Linen Bank—£1,242,094 12s. 6d. Stock ... ..                                                                                                                                                                                               | 3,726,284   |   |             |
| Other Banks—(including fully paid Stock and 500,000 "B" Shares of £5 each, £1 per Share paid up, in Barclays Bank (Dominion, Colonial and Overseas) and 1,000,000 Shares of £1 each, 5s. per Share paid up, in Barclays Bank (France) Limited) ... .. | 2,496,615   |   |             |
| Advances:—Customers and other Accounts ... ..                                                                                                                                                                                                         | 160,142,483 |   |             |
| Balances in account with Subsidiary Banks ... ..                                                                                                                                                                                                      | 833,925     |   | 160,976,408 |
| Liability of Customers for Acceptances and Endorsements, etc. ... ..                                                                                                                                                                                  | 15,554,276  |   |             |
| Bank Premises and Adjoining Properties (at cost, less amounts written off) ... ..                                                                                                                                                                     | 7,908,003   |   |             |

Head Office:

54 LOMBARD STREET, LONDON, E.C.3



Established 1829

## DISTRICT BANK LIMITED

Subscribed Capital £10,560,428 Paid-up Capital £2,976,428  
Reserve Fund. - £2,976,428 Deposits - - £158,371,336  
Total Assets - £168,388,656  
31st December, 1943.

HEAD OFFICE:  
Spring Gardens, MANCHESTER, 2

PRINCIPAL LONDON OFFICE:  
75 Cornhill, E.C.3

PRINCIPAL LIVERPOOL OFFICE:  
3 Water Street

EVERY BANKING FACILITY



sion is a minor facet of the growth of banking credit during the year. The clearing banks, as far as may be judged by the balance sheets hitherto published, have contributed only a part of the additional funds left with the discount market. At least as large a contribution must have come from Empire banks and other non-clearing bank sources, and represents part of the accumulation of abnormal sterling balances in the London market. The discount chairman's statements accompanying the reports do not break much fresh ground. Mr A. A. Jamieson, of the Union Discount, argues that his company, "by assisting in making a market for short-dated Government bonds has contributed to the smooth working of the financial machine," and thus acknowledge that the discount market has, in effect, become an extension of the gilt-edged market. Sir Sigismund Mendl, of the National Discount, points out that his company has been able to extend its operations in the short bond market during the year, and adds that these operations were largely responsible for the satisfactory results achieved. Of the three, only Mr Colin Campbell, of Alexanders Discount, turns his eyes to the future and there discerns the hope that the discount market will be able to play its part in the change-over of industry from war to peace. This suggests that the domestic acceptance credit will have an appreciable part to play in post-war industrial finance. Provided the existing margin between bank loan and discount rates can be held, there should be scope for the development of the domestic bill.

Two developments reflecting the financial strength of the market should be noted. The Union Discount has increased its reserve fund from £1,000,000 to £2,000,000 by transferring £700,000 from the hidden reserve for contingencies and £300,000 from undistributed profits. The National Discount, which at the end of 1943 had a paid-up capital of £1,000,000 and a reserve fund of £1,576,667, is capitalising £576,667 of the reserve by paying up £2 10s. of the £5 uncalled liability on the "B" shares of £7 10s. This will reduce the uncalled liability to £2 10s. per share, increase the paid-up capital to £1,576,667 and reduce the reserve to £1,000,000.

#### CPRB Textile Committee

The Combined Production and Resources Board has appointed a Textile Committee, consisting of Col. W. A. Grierson DSO, for the United Kingdom, Mr H. L. Bailey for the United States, and Mr S. G. Dixon for Canada. The new Committee takes the place of the former sub-committee, and its formation is due to the importance of textiles in war production, and the part to be played by them in post-war relief. The main tasks of the Committee are to survey the requirements of the United Nations, relating them to capacity, and to recommend to the Combined Board the contribution of each country to the total required. In this country, the limiting factor in production is shortage of

labour, but in the United States production is greater than it was before the war. Government orders, despite a gradual decline, absorb well over half the supplies of wool and cotton textiles, and a larger share of other textiles. Although the quantities left for civilian consumption fall short of demand, clothing has not been rationed in the United States. Special measures have recently been taken to ensure a sufficient supply of essential civilian clothing by changes in price control designed to diminish the disparity in profit margins between different classes of goods. The bottleneck in American textiles is in manpower and machinery, and endeavours to improve the supply of civilian goods by lifting quota restrictions from cotton and wool have failed. The size of American contributions to foreign and relief textile requirements depends in no small measure on future military requirements. The peak has apparently been passed, but any decline in orders cannot be more than slow and gradual.

#### Woolcombers' Wages

The report of the Court of Inquiry into wages and hours in the woolcombing section of the wool textile industry, which was appointed in September, 1943, under the chairmanship of Sir Harold Morris, makes a number of important proposals for simplifying the extremely complicated and anomalous structure of wages. The present rates consist of a basic rate, plus 10 per cent, plus a cost-of-living addition of 112½ per cent; they vary from 42s. 0.73d. to 76s. 0.89d., and are applicable to no less than 35 different categories of workers. The operatives cannot understand how their pay is calculated, and trade union officials spend a great deal of time explaining the basis of calculation. The Court suggests that the rates should be revised to fall into five groups, and that they should be flat rates consisting of a basic rate plus a war advance, instead of the cost-of-living sliding scale. This would mean rates ranging from 47s. to 51s. a week for women, an increase of approximately 5s. a week, on the average, and 66s. to 74s. a week for men on day work, and 74s. to 82s. a week for men on night work, an average advance of approximately 3s. a week. The Court finds that the present system of bonus on production is unsatisfactory, and is not observed by the majority of firms, and suggests that a new scheme on clear and simple lines should be formulated. It also proposes that a wage-for-age scale should be introduced for youths, and that the Wool (and Allied) Joint Industrial Council, which ceased to function in 1931, should be revived. The Court's report is in no sense an award, and is submitted to both sides for consideration. But employers and unions alike are agreed upon the need for simplification. There is no doubt that the present complex structure creates a great deal of dissatisfaction, and is an ever present cause of industrial strife.

#### Silver Consumption in the US

The annual silver review of the New York firm of Messrs Handy and Harman contains some exceptionally interesting information on the volume and nature of US consumption of silver during 1943. It was last year that action was taken by Congress to make Government-owned silver available for sale or lease, and 1943 was the first year since the inauguration of the silver purchase programme in 1934 during which the holdings of the US Government decreased. No foreign silver was bought during the year and the acquisition of newly mined domestic silver amounted to only 54,000,000 ounces. Considerably more than this amount was made available by the US Treasury to American industry and for lend-lease shipments abroad. Messrs Handy and Harman estimate that during 1943 a total of 125,000,000 ounces of silver was used in the arts and industry in the United States. This was 10,000,000 ounces more than in 1942 and about four times the average maintained during the five years prior to 1941, the first year in which any appreciable use of silver was made in the war effort. There was a considerable increase last year in the production of silver lead solders ordinarily employed in the canning industry. Larger quantities of solder were also used for airplane engine bearings and contacts and other electrical parts. Silver brazing alloys continued in more diversified use in war production, being utilised to make joints in metal parts such as ships, planes and tanks. In non-essential fields the manufacture of silverware jewellery was limited to the use of domestic silver only (which costs 71.1 cents an ounce as against 45 cents for imported silver),

and since February 25, 1943, the amount of silver for such non-essential purposes has been under quota restrictions by the War Production Board. Production figures for 1943 have been difficult to obtain. Tentative estimates for the four largest producing countries have been made by Messrs Handy and Harman and are as follows: United States, 44,500,000 ounces, a reduction of 18 per cent on 1942; Canada, 18,500,000 ounces, a reduction of 16 per cent; Mexico, 87 million ounces, an increase of 8 per cent; Peru, 16 million ounces, unchanged. The sharp reduction in US production is mainly due to the scarcity of mine labour and materials.

#### Hill Sheep Farming

Before the war hill sheep farming probably suffered more from the general decline in agricultural prosperity than other types of husbandry. The changing character of British agriculture in the last seventy years, with its shift of emphasis from wheat and wool to milk, dairy products and vegetables, was bound to affect hill sheep farming. Upland grazings are not so amenable to improvements as lowland grass, and higher upland sheep came to be more a source of raw material for lowland grazing than direct suppliers of the meat market. The exodus of workers from the land affected the hill farms to a greater degree than the lowland farms. Thus, hill sheep farming has become a problem within the general one of agriculture. This has

been recognised in two reports, published this month: the Report of the Committee on Hill Sheep Farming in England and Wales (Cmd. 6498) and the Report of the Committee on Hill Sheep Farming in Scotland (Cmd. 6494). The terms of reference of these committees, which were appointed by the Agricultural Improvement Council and the Department of Agriculture for Scotland more than two years ago, were to investigate the present position of hill sheep farming, and to suggest measures to improve grazing, the quality of sheep, and systems of management. Both committees agree that the position is deplorable, and that firm and long-term measures must be taken if this branch of farming is not to die out. Their recommendations are largely similar. They agree that without Government assistance nothing can be done, and a long-term policy is suggested for a period of ten to fifteen years. Both reports deal in detail with the kind of improvement wanted, in the grazings themselves, and in the sheep. The problem of the return of labour to the hills is discussed and the desirability of improving amenities stressed. More research, and the setting-up of hill sheep research stations, is recommended. The war has arrested the decline in hill sheep farming, but its share in the general agricultural wartime prosperity is small. If it is desirable that hill sheep farming should be rescued from the depression and waste into which it has fallen, measures will have to be taken by the Government to implement many of the Committee's recommendations.

## ALEXANDERS DISCOUNT COMPANY, LIMITED.

24, LOMBARD STREET, LONDON, E.C.3. Telephone: Mansion House 8151. Established 1810.

**CAPITAL AUTHORISED** ... **£1,800,000.**  
Capital Subscribed, £1,800,000. Paid-up, £1,000,000. Reserve Fund, £1,000,000.  
£200,000 in £2 (fully-paid) 6 per cent. Cumulative Preference Shares. £1,600,000 in £2 Ordinary Shares (£1 paid).

**DIRECTORS:**  
COLIN FREDERICK CAMPBELL (Chairman).  
SIR AUSTIN EDWARD HARRIS, K.B.E.  
ROBERT ALEXANDER  
GEORGE CLEVERLY ALEXANDER.  
FRANK NEWCOMB.  
**JOINT MANAGERS:** EDWARD J. BOWIE. ANTONY MACNAUGHTEN. ASSISTANT MANAGERS: C. C. DAWKINS. E. P. B. BAGGALLAY.  
**BANKERS:** BANK OF ENGLAND and BARCLAYS BANK LIMITED. SECRETARY: P. C. TONG.

#### SEVENTY-SIXTH REPORT OF THE DIRECTORS.

To be submitted to the Shareholders at the Ordinary General Meeting to be held at the Offices of the Company, 24, Lombard Street, in the City of London, on Wednesday, the 26th day of January, 1944, at Two o'clock in the afternoon.

The Directors beg to submit to the Shareholders the statement of the affairs of the Company for the year ending 31st December, 1943, and in doing so would draw the attention of Shareholders to the form in which the Accounts are set out, which differs from that of previous years. The figures as now presented give a simpler picture of the financial position of the Company, and are submitted after consultation with the Auditors.

After making provision for rebate, taxation and contingencies, the Accounts show a gross profit for the year of £139,028. After allowing for current expenses, there remains a net profit of £94,216, which, with the balance of £179,406 brought forward from last year, gives a total of £273,622.

From this sum the Directors have transferred £5,000 to the Staff Pension Fund, and have paid Interim Dividends (less Tax), totalling £23,000. They now recommend the Payment of the Preference Dividend for the six months (31st December, 1943, and a Dividend on the Ordinary Shares at the rate of 20 per cent. per annum for the final half-year (making 17½ per cent. for the year), leaving £192,622 to be carried forward to the next account.

The Members of the Board retiring by rotation are Mr. Frank Newcomb and Mr. Robert Alexander, who being eligible, offer themselves for re-election. The Auditors of the Company, Messrs. Price, Waterhouse & Co., who retire in accordance with the Articles of Association, offer themselves for re-appointment.

The Dividends will be payable on and after 27th inst.  
24, Lombard Street, LONDON, E.C.3.  
12th January, 1944.

By Order of the Board,  
P. C. TONG, Secretary.

#### Dr. Profit and Loss Account, for the Year ending 31st December, 1943. Cr.

|                                                                            | £ | 8,800    |                                                                                             | £        |
|----------------------------------------------------------------------------|---|----------|---------------------------------------------------------------------------------------------|----------|
| To Directors' Remuneration                                                 |   | 8,800    | By Gross Profit for the year, after making provision for Rebate, Taxation and Contingencies | 139,028  |
| Current Expenses, including Salaries, Rent and Rates and all other charges |   | 35,012   |                                                                                             | £139,028 |
| Balance carried down                                                       |   | 94,216   | Balance brought down                                                                        | 94,216   |
|                                                                            |   | £139,028 | Balance brought forward from 31st December, 1942                                            | 179,406  |
|                                                                            |   | 5,000    |                                                                                             |          |
| Staff Pension Fund                                                         |   |          |                                                                                             |          |
| Interim Dividends paid last July (less tax)                                |   |          |                                                                                             |          |
| Preference                                                                 |   | 3,000    |                                                                                             |          |
| Ordinary                                                                   |   | 30,000   |                                                                                             |          |
|                                                                            |   | 33,000   |                                                                                             |          |
| Dividends for the final half-year (less tax)                               |   |          |                                                                                             |          |
| Preference                                                                 |   | 3,000    |                                                                                             |          |
| Ordinary                                                                   |   | 40,000   |                                                                                             |          |
|                                                                            |   | 43,000   |                                                                                             |          |
| Balance carried to Balance Sheet                                           |   | 192,622  |                                                                                             |          |
|                                                                            |   | £273,622 |                                                                                             | £273,622 |

#### Balance Sheet, 31st December, 1943.

|                                                                                                    | £ | £           |                                                             | £           |
|----------------------------------------------------------------------------------------------------|---|-------------|-------------------------------------------------------------|-------------|
| Authorised Capital, 900,000 Shares of £2 each                                                      |   | £1,800,000  | Cash at Bankers                                             | 877,966     |
| Of which there have been issued—                                                                   |   |             | British Government Securities                               | 20,192,140  |
| 100,000 £2 6% Cumulative Preference Shares, fully paid                                             |   | 200,000     | Dominion and Colonial Government Securities                 | 491,645     |
| 800,000 £2 Ordinary Shares, £1 paid                                                                |   | 800,000     |                                                             | 20,686,785  |
| (Reserve Liability £800,000)                                                                       |   |             | Bills Discounted (including Bills Re-discounted per contra) | 35,667,652  |
| Reserve Fund                                                                                       |   | 1,000,000   | Loans on Security and Sundry Accounts                       | 179,553     |
| Loans, Deposits, Contingency and other Accounts                                                    |   | 53,336,628  |                                                             |             |
| Bills Re-discounted                                                                                |   | 1,586,746   |                                                             |             |
| (Of the above, Liabilities to the amount of £54,151,087 are secured on certain assets per contra.) |   |             |                                                             |             |
| Rebate on Bills Discounted                                                                         |   | 252,960     |                                                             |             |
| Final Dividends (less tax) recommended                                                             |   | 43,000      |                                                             |             |
| Balance of Profit and Loss                                                                         |   | 192,622     |                                                             |             |
|                                                                                                    |   | £57,411,956 |                                                             | £57,411,956 |

#### AUDITORS' REPORT.

We report to the Members that we have obtained all the information and explanations we have required. We have examined the Securities and Bills in hand and verified those in the hands of Depositors. In our opinion the Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs according to the best of our information and the explanations given to us, and as shown by the Books of the Company.  
LONDON, E.C. 12th January, 1944.

PRICE, WATERHOUSE & CO., Auditors.

## BANK OF LONDON & SOUTH AMERICA LIMITED

Affords a complete international banking service through its branches in

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

Head Office:

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

Agencies in: New York, Bradford, Manchester

## COMPANY MEETINGS

## MIDLAND BANK LIMITED

## FURTHER EXPANSION OF DEPOSITS

## THE BANK'S TASKS IN PEACETIME

## RECONSTRUCTION AND READJUSTMENT

## MR S. CHRISTOPHERSON'S VIEWS

The ordinary general meeting of the Midland Bank Limited will be held on the 27th instant at the head office, Poultry, London, E.C.

The following is the statement of the chairman, Mr Stanley Christopherson, circulated with the reports and accounts:—

## THE LATE MR McKENNA

We shall gather at our fifth war-time annual meeting under the shadow of a great loss. Some people will remember Reginald McKenna first and foremost as a statesman; some as an outstanding banker; some as a champion and exponent of progressive monetary ideas. Mr McKenna's annual statements to our shareholders, along with other published works, were everywhere regarded as models of clear exposition; much more, they provided a beacon for the advancement of monetary thought and practice. We have in truth lost a great chairman.

To his colleagues in the bank, however, the loss is primarily a personal one. I have been deeply touched by the innumerable messages of condolence and appreciation received since Mr McKenna's death. Many have come from bankers at home and abroad, many from men of discernment in other walks of life; but perhaps most impressive of all have been the expressions of sorrow from members of the management and staff of the bank, to whom collectively and individually he was a staunch and understanding friend.

I have accepted the chairmanship of the bank, to which your directors have called me, with a deep sense of the responsibilities involved; but my strength lies in the knowledge that I can rely on the fullest possible support from directors, management and staff in carrying the burdens of office.

We are glad to welcome to our board the Right Hon. the Earl Peel, who has important business interests in Lancashire. Mr Clarence Sudd has also been elected to a seat on the board; he is chief of executive, and I wish especially to mention the outstanding and invaluable service he gives to the bank. With him, ably supported by the chief general manager, Mr Lederer, and the joint general managers, we can be assured of continued strength, efficiency and enterprise in the conduct of our business.

## THE STAFF

Before reviewing the affairs of the bank I would convey my respect, and yours, to the still growing army of members of our staff who have joined the Forces. The sacrifice demanded of every one of them is large, and as the tempo of war has quickened the sacrifice of life itself has been exacted from an increasing number of them. We mourn the death on active service of 201 of our young men, and with our grief for their loss and our sympathy with their relatives we mingle our tribute of honour for their bravery and devotion. Moreover, 29 men are missing, and 109 are known to be prisoners of war. On the home front, 25 members of our staff, men and women, have been killed in air raids.

Altogether, well over 8,000 men from this bank—the great majority of them from the pre-war staff—have joined the Forces since the war began. The honours won have been many and varied. Forty of them have been decorated—no less than seventeen for outstanding courage in the air; eleven for bravery on the battlefield; and twelve for distinguished conduct on naval or other operations. In addition, nine have been mentioned in despatches. We glory in

their deeds of conspicuous gallantry; we rejoice no less in the knowledge of steady duty devotedly done and hardship cheerfully borne.

With the further outflow of men, our total staff has gone down in numbers by no less than 650 over the past year, and, at about 11,100, men and women together, is below 85 per cent. of the pre-war figure. The manner in which added burdens of responsibility and routine tasks have been shouldered has been most gratifying. The Staff Association has been of great value in co-operating with the management in handling the wide variety of problems of organisation and personnel that arise under war-time conditions, and our appreciation should be expressed to the chairman and committee of the Association for the loyalty with which they devote their time and study to these problems as well as to the faithful representation of the interests of the staff. To the staff as a whole, moreover, recognition is due, and gladly paid, for another year of eager and competent service.

## THE PAST YEAR

Little change has occurred in the trends revealed by a comparison of our latest balance sheet figures with preceding war-time returns. Deposits continued to expand during the year, and rather more of the increase than previously went on to deposit accounts. It is proof of wise official management of the country's economic and financial affairs that the continued enlargement of the supply of money has been prevented from bringing about any general rise in prices. Assuming, however, that a state of maximum productive activity had already been attained, the expansion of deposits last year must be seen as resulting from budgetary needs rather than from any further growth of the public's requirements of money with which to transact its daily business.

Similarly, the persistent increase in the quantity of currency outstanding can have only a partial justification in real public needs. In short, the amount of surplus cash in the hands of the public, whether held as currency or as liquid bank balances, is growing, and it would be to the advantage both of the nation and of the owners of the money, now and in the future, if a larger proportion of these unused resources were turned into holdings of Government securities. We are doing our best, by advertisement and otherwise, to further this process, and shall continue our efforts thus to consolidate the general monetary position against the time when war-time restraints upon the free use of purchasing power in the possession of the public are removed.

## GREATER LIQUIDITY

The degree of liquidity shown by our assets has risen still further over the year. The downward trend of advances has not ceased; nor have we added to our holding of investments, which on the contrary has diminished. We have preferred to place all additional funds at the disposal of the Exchequer in the form of Treasury deposit receipts, now the largest single asset. Not only does this arrangement assist the Government in its effort to finance the war on the most economical terms; it provides us with an assurance of ample resources, readily forthcoming without risk of capital depreciation, for meeting any expansion in the demand for advances to industry and trade as the country switches over to an economy of peace. Taken together, our liquid assets, that is cash, balances, short

money, bills and Treasury deposit receipts, as shown in our latest balance sheet, cover more than fifty-five per cent. of our deposit liabilities—an unreasonably high figure judged by pre-war records. This, moreover, is not merely a balance sheet ratio; it faithfully reflects our regular practice, for it is not our custom to take any special steps to secure a higher cash or liquidity ratio in our published returns than is ordinarily maintained.

Our net profit for the year shows the trifling decrease of £13,000 by comparison with the figure for 1942, the apparent addition to our earning power arising from the expansion of deposits having been offset by taxation, heavier working expenses, and provision for outlays, as on repair of premises, which cannot be undertaken in present conditions. Income tax and N.D.C. still comprise our total liability under the first heading. Dividends absorb the same amount as in the previous year, the same allocations have been repeated, and the balance of profit and loss account carried forward is slightly higher on the year.

## AFFILIATED BANKS

Our affiliated banks have shared in the general expansion of financial resources and, overcoming the difficulties common to all of us, continue to play their full part in the war effort and in the economic life of the areas they serve. The business of the Midland Bank Executor and Trustee Company continues to grow, with increasing recognition by the public of the advantages of employing an expert and efficient corporate body for the wide variety of duties that fall to executors and trustees in the complicated conditions now prevailing.

Here I would like to say a word about those branches of the bank, in the Channel Islands, which have been cut off from us by enemy invasion. Our plans are made for resumption of our former activity at the earliest practicable moment in the course of liberation; and I would assure Channel Islanders, whether refugees in this country or serving in H.M. Forces, that they shall not lack the fullest possible financial support from this bank when the time comes for them to embark upon the task of rehabilitation. All aid will be given in re-establishing the normal economic activities of the Islands and in restoring conditions in which their people can once again go about their business in peace and prosperity.

## POST-WAR BUSINESS PROBLEMS

I turn now to broader issues, which nevertheless have a close bearing on the future of our own bank. The tasks of reconstruction and readjustment to a state of peace will be no less complex than those arising in the course of war, and for our own part preparatory action has been taken. We have established within the bank a "Committee on Post-war Business Problems," in an attempt to foresee and prepare for the difficulties which will confront our business customers and ourselves in the period of transition from war to peace economy. We believe that, notwithstanding the many uncertainties in the outlook, an effort of foresight and preparedness will prove helpful in overcoming the problems that will arise and in promoting that expansion of trade and enterprise at home and abroad which is indispensable to the attainment and maintenance of healthy economic conditions.

With ready adaptability to circumstances and needs as they develop, we feel confident that—subject always to our obligations as custodians of our customers' funds—we in this Bank shall be able to play our part in the great national effort of revival, expansion and advancement.

## NEED FOR ADAPTABILITY

To this end constant adaptability is required in the types of financial services rendered and in their availability to banks, ever-changing and infinitely differing needs. Looking to the future, we hold the conviction that the economic progress of the

country will depend very largely on the enterprise and resourcefulness of the small business undertaking and the individual business man, in whatever branch of industry or trade. Too often in the past these qualities have been stultified or misdirected through inadequacy of financial resources, and it is of the very first importance that this obstacle should be removed as part of the preparation for the process of industrial reconstruction and expansion, with due emphasis on the special needs of the country in the export trade.

We are earnestly studying possibilities of so improving or widening our banking service, always presupposing the maintenance of cheap money as a primary essential, as to furnish the fullest possible support for promising enterprises under good auspices—support which shall be based as much upon the character, integrity and business capacity of the borrower as upon the extent and nature of his own material resources.

## ECONOMIC AND MONETARY POLICY

Everyone recognises that the post-war transition, through conditions which cannot yet be clearly foreseen, will be beset by difficulties. To make the most of the opportunities of victory will require, not only patience and self-restraint on the part of the public and the business community, but great wisdom and understanding on the part of the authorities, supported by the full collaboration of primary and manufacturing industries, trade and finance. With these qualities assured, the pitfalls in the path from war economy can be avoided, and nothing will be allowed to stand in the way of our attaining the objective of a steadily expanding trend in economic life, with ample opportunity for enterprise on the basis of lasting peace.

During this war the Government, profiting by experience, has to a large extent avoided the evils of inflation, partly by direct restrictions on the use of purchasing power, partly by controlled distribution of supplies, and partly by the use of subsidies to hold in check the spiral of price and wage increases. The same methods will be called for, on a gradually diminishing scale, in the immediate post-war period until demand and supply are judged likely to be in equilibrium in a free market. On the other hand, we can be assured that this time there will be no misguided attempt to enforce a decline in prices through measures of deflation; the authorities are alive to the inherent dangers of such a policy.

## LESSONS OF EXPERIENCE

Some adjustments of price will follow naturally from reductions in transport and insurance charges, curtailment of overtime working, higher standards of efficiency brought about through renewal of equipment, and restored competition in production and distribution. But no one, at this stage of our knowledge, would dare subject the nation, as a matter of deliberate choice, to monetary contraction, for everyone now sees that such a procedure would bind burdens upon our economy in respect of outstanding debts and taxation which could not be borne and repress that initiative without which a healthy expansion of economic life would be beyond our powers. Mankind is not blind to the lessons of experience; we see clearly that our best interests lie in building upon an established equilibrium of wages and prices, avoiding the perils of both inflation and deflation.

In the period following the transition, as well as during that process, we shall enjoy the advantage of a deeper understanding of the working of the monetary system and fuller appreciation of its effects upon the economic life of the nation. In late years the Government has expounded in word and deed its perception of the unity which subsists between all branches of financial policy—taxation, public borrowing and repayment of debt, monetary management, and the treatment of private investment. To the over-riding purposes

of full employment and a rising standard of welfare this deeper understanding, improved technique, and wisdom ripened by experience can make; I firmly believe, a great contribution. Who can doubt that, with goodwill and a common acceptance of clear ultimate aims, we shall find the way to a healthful economy which, while calling forth hard work and high endeavour, inventiveness and initiative, will assure full employment and an ever-rising standard of living.

## ALEXANDERS DISCOUNT COMPANY, LIMITED

## MR COLIN F. CAMPBELL'S STATEMENT

The seventy-sixth ordinary general meeting of Alexanders Discount Company, Limited, will be held at the offices of the company, 24, Lombard Street, London, E.C., on Wednesday, the 26th instant.

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

Shareholders will notice a further change in the form of the accounts, which is due to the continued urgent need for economy in the use of paper. The shillings and pence have been dropped from the figures in the balance sheet and profit and loss account, which effects a considerable economy in space, and I would draw special attention to the manner in which the results of the year are given in the report of the directors for the past year.

The form now used is more in keeping with modern practice, and I think it will be agreed that it states the results of the year more clearly.

The business of the company during the past year has been carried on without any particular feature to report, due largely to the fact that there has been no alteration in the rates for money and only unimportant fluctuations in the prices of short-dated securities. The Bank rate remained at 2 per cent. throughout the year. In my view we must now wait till after the war for development affecting the discount market. When post-war conditions begin to operate there is, I think, no doubt that the discount market will be able to play its part in the change-over of industry from war to peace.

## RESULT OF YEAR'S OPERATIONS

The gross profit, after making provision for rebate, taxation and contingencies, is shown in the profit and loss account at £139,028. After deducting current expenses amounting to £44,812, there remains a net profit of £94,216, which with the balance of £179,406 brought forward from last year gives a total of £273,622.

Out of this sum £5,000 has been transferred to staff pension fund, and interim dividends on the preference and ordinary shares were paid as usual in July, absorbing a net amount of £33,000. It is proposed at the forthcoming meeting to declare dividends for the final half-year at the rate of 6 per cent. per annum on the preference shares and at the rate of 20 per cent. per annum on the ordinary shares, these being the same as in the previous year, and to carry forward £192,622 against £179,406 brought in a year ago.

## THE STAFF

I am happy to be able to say that though more than 50 per cent. of the staff are now on active Service with the armed forces of the Crown, they have suffered no casualties during the year so far as we have received information of them. We send them our best wishes coupled with the hope that they will soon be able to return to civil life.

To Mr Bowie and all those who have carried on the work of the company during the past year, we extend our sincere thanks for the efficient manner in which its affairs have been conducted.

## HORROCKSES, CREWDSON AND COMPANY, LIMITED

## LIEUT.-COL. T. M. BROOKS' STATEMENT

The annual general meeting of the shareholders of Horrockses, Crewdson and Company, Limited, was held, on the 19th instant, at the registered office, Yard Works, Stanley Street, Preston, Lieut.-Col. Thomas M. Brooks (the chairman) presiding.

The secretary (Mr F. Leadbetter, F.C.I.S.) read the notice convening the meeting.

Mr T. B. Robson, F.C.A. (of Price, Waterhouse and Company) read the auditors' report.

The chairman said,—My statement has been circulated to all shareholders, so I do not propose to read it, but I would like to apologise to the shareholders for the delay which occurred between the publication of the directors' dividend recommendations and the circulation of the accounts.

The delay arose from the desire of the directors to announce the dividend recommendation as soon as possible in order to counter hints which have been given, needless to say with any initiation or authority from the board, in the Press suggesting the possibility of an increased dividend. At the time of the announcement the accounts were not finally completed, but were sufficiently advanced to enable the directors to make their recommendation.

I have every hope that if staff difficulties become no worse during 1944, we may be able to complete the next accounts earlier than in 1943. It is obviously desirable that a company whose accounts end at August 31st hold its meeting before the end of the calendar year. It is our aim, conditions permitting, to do this in future.

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

During the year Mr Donald Beith resigned his seat on the board, and the directors have elected Mr W. M. Murdoch to fill the vacancy. Mr Murdoch has long connection with the industry, and the company is very fortunate to secure the benefit of his advice and experience.

Dealing with the accounts, the balance from the trading account is slightly higher than last year, but I would draw the attention of the shareholders to the note on the profit and loss account that owing to the incidence of E.P.T. the considerable fall in profits is not reflected therein. The shareholders will remember that last year I informed them that our turnover was augmented by the sale of stock, and the profits of the year materially increased thereby. This could not be maintained and we have now arrived at a position where we cannot expect adventurous profits of the kind to influence our trading profit appreciably.

## YEAR'S PROFIT

The receipts from dividends, etc., that year are higher by approximately 5 per cent. and the deductions for directors' fee, venture interest, depreciation and dividend stock sinking fund and war tax premiums do not, I think, call for comment. The net balance for the year, therefore, is £85,949, to which I added £16,731 brought forward from year and £34,751 now released from provision, mainly due to amounts charged to a subsidiary company, served an available balance of £137,431 as in the £171,598 last year.

I emphasised last year the importance of increasing the amount standing to interests serve for renewals and modernisation, and figure more in keeping with the large Gold which will be required for these purposes, and we have, therefore, as last year, necessity for this reserve the amount now released from the provision for E.P.T. of general reserve.

## GENERAL RESERVE

Although it is impossible to visit the the moment the amount of expenditure which will be required for develop



post-war years, your board are convinced that large sums will be needed in this direction, and the shareholders will be gratified to note that with this in view we have been able to make a start in perhaps a modest way by the creation of a general reserve in the sum of £40,000.

After allocating from the profits of the year a sum of £10,000 for contingency reserve and £24,867 in respect of the proposed dividend of 5 per cent. for the year, there remains £27,813 to carry forward to next year.

I would here remind the shareholders that owing to past losses the profits are not as yet chargeable for income-tax, but when these losses are absorbed the net results will be affected accordingly.

There is little to comment on in the balance-sheet. The shareholders will notice that £15,047 debenture stock has been redeemed during the year. The reserve for deferred repairs has this year been included with the provision for E.P.T., as these two items are closely related.

The reserve for contingencies stands at £100,000 as against £75,000 last year, the additional £25,000 being made up of £10,000 allocated from profits previously referred to and £15,000 transferred from a provision made in former years against possible losses on certain forward contracts. This provision, I am glad to say, appears to be no longer necessary.

#### PROPERTY ACCOUNT

There has been very little addition during the year to the property account, an indication of the impossibility under present conditions of making capital improvements. It will be observed that the amount standing to the credit of renewals and modernisation reserve is now almost equal to that of the property and plant accounts, but I would point out that this figure bears no relation to the amount which your directors consider will be necessary for the replacement and modernisation of our plant after the war, and, in fact, they are of the opinion that further sums will have to be provided in the future for this purpose if circumstances permit.

This remark applies also to our stock-trade, the quantities of which now being carried are lower than for many years. These quantities are quite inadequate for handling the volume of production and sales which we can reasonably expect when some of the more onerous restrictions upon the output of our mills are removed. We shall find then that the replenishment of our stocks is a clamant necessity, and we shall need to invest considerable sums of money if we are to offer to our customers home and abroad the quality and range of service to which they are entitled.

All these are important matters in considering the liquid position of the company, without consideration of them a false impression may be derived from our balance-sheet as to the funds required for the company's business.

With these remarks that I complete our year's report, I am glad to say that our year's results are higher than last year's, and we are able to reduce by £70,000 the cash at the bank.

I am in a position under the scheme of conversion to remain unchanged, and only 10 per cent. of our plant is killed during the year. Research, so far as it has been found possible, has been carried on during the year, and staff feel that the progress which began in this direction will be continued in post-war years.

As present conditions will allow, comments in working conditions of our staff have been carried out. We have recently opened a day nursery, where the children of our workpeople are in expert care during working hours.

#### THE FUTURE

I do not propose to forecast our future at this stage in the war, but I

feel I should emphasise again a point mentioned in my statement last year. Although it will be necessary to maintain after the war a modified control for a limited period, it must not be of such form that individuality and private enterprise cannot play their full part.

It is reasonable to assume that industry abroad after the war will be rebuilt on the most modern lines, particularly in devastated countries, and it will only be by a quick appreciation of the rapid changes in the nature of our trade, together with our ability to keep ahead in the production of new fabrics, that we shall be able to keep our place in the world's markets.

#### TRIBUTE TO MANAGEMENT AND STAFF

The board express their gratitude to the managing director, Mr H. H. Mallott,

for the way he has guided the affairs of the company during the past year. Although he and the departmental directors have been unceasing in their efforts, and the results will, I think, give them cause for satisfaction, I should like to record the thanks of the board to all members of the staff and employees who have so loyally supported the management in this difficult time.

To those of our employees now serving in H.M. Forces I extend our good wishes, and to the relatives of those who have lost their lives since our last meeting I express the deep sympathy of myself and my colleagues.

The report and accounts were adopted. The directors retiring in accordance with the articles of association were re-elected to the board, and Messrs. Price, Waterhouse and Company were reappointed auditors. The meeting concluded with a vote of thanks to the chairman.

## BARCLAYS BANK LIMITED

### DEPOSIT AND CURRENT ACCOUNT FIGURES ANOTHER RECORD

#### POST-WAR RESTORATION PLANS

#### "A FERTILISING STREAM OF CREDIT"

#### MR EDWIN FISHER ON BANKS' ROLE

The following is the statement by the chairman, Mr Edwin Fisher, on the report and accounts for the year ended December 31, 1943, to be submitted at the forty-ninth ordinary general meeting of the stockholders, to be held at the head office of the bank, 54 Lombard Street, London, E.C.3, on the 24th instant.

It has been decided once again that the proceedings at the annual general meeting should be restricted to formal business, and, instead of my usual address, I am accordingly sending to stockholders, with the report and accounts, a few remarks on the position and progress of the bank during the past year.

#### CHANGES ON THE DIRECTORATE

Before I pass to our own affairs, I would wish to express on behalf of this bank the sense of grief which we all feel at the death of Mr Reginald McKenna, who held the position of chairman of the Midland Bank for many years with such distinction.

Through the sudden death of Sir John Caulcutt, in April last, we have lost one of the most able bankers of the day. His name will live long in our memories, and I, for my own part, have lost a friend who counted for much in my daily life. We also record with deep regret the death, in October, of Sir James Fortescue Flannery, Bart.

It gave much pleasure and satisfaction to learn that the honour of a Baronetcy had been conferred upon our deputy-chairman, Sir William Macnamara Goodenough, in the 1943 New Year Honours. In May last he was appointed to succeed Sir John Caulcutt as chairman of Barclays Bank (Dominion, Colonial and Overseas).

Mr Walter Osborne Stevenson has been elected a vice-chairman of the bank and Sir John Donald Horsfall, Bart., chairman of our West Yorkshire local board, and the Hon. Patrick Charles Kinnaird, M.C., a local director at Pall Mall East, have been appointed directors.

We record with sorrow that since our last report was issued to stockholders a further 92 members of the staff have lost their lives in the service of their country, making a total of 252 fatal casualties since the war began. In addition, there are now 43 reported as missing and 199 known to be prisoners of war.

Following the notice of meeting there is a notice given of an extraordinary general meeting to be held on Wednesday, February 9, 1944. The purpose of this meeting is to sanction an alteration in our articles

of association so as to permit of the appointment of an additional deputy-chairman of the bank.

#### CURRENT, DEPOSIT AND OTHER ACCOUNTS

Our current, deposit and other accounts at December 31, 1943, attained the record high level of £822,499,871, compared with £720,976,569 at the close of 1942. The aggregate figures of the eleven London clearing banks, so far as they are available for comparison, show that this movement conforms in a general way with that for the banks as a whole, but stockholders will be interested to know that our own bank has again somewhat enlarged its proportionate share of the total increase.

In each month during the past three years the number of current accounts in our books has grown substantially, and the rate of growth has gained momentum from one year to the next. This movement is spread throughout the country with an evenness which is quite remarkable, and the large and continuous advance in the number of banking accounts must, in the aggregate, represent an appreciable economy of time and effort to the business community and the private individual.

#### CASH IN HAND, ETC.

Our cash in hand and with the Bank of England; balances with other British banks and cheques in course of collection; money at call and short notice; bills discounted and Treasury deposit receipts have risen to a total of £458,109,009, which represents a proportion of 55.69 per cent. of our current, deposit and other accounts. Treasury deposit receipts, which have increased during the year from £191,500,000 to £291,000,000, have become the largest of our assets, as it has been evident for some time that they would. The rise in our investments, excluding those in subsidiary banks, from £206,459,854 to £216,391,769 was smaller than in the previous twelve months. Advances have undergone a further reduction from £169,213,319 to £160,976,408, but notwithstanding this contraction in the most remunerative outlet for the employment of our funds, the larger resources at our disposal have helped us to show an increase in our profit for the year.

#### NET PROFIT

The net profit of the bank for the year ended 31st December last, after payment of all charges and after making provision for

bad and doubtful debts and for contingencies, amounted to £1,584,113 11s. 5d., which compares with the figure of £1,529,743 17s. 7d. for 1942. As will be seen from the report, the directors have located from the profit £250,000 to contingency account and £250,000 to premises reserve account (for deferred repairs and re-statement). Interim dividends at the same rates as in 1942 were paid on August 9th last. The directors now recommend the payment of final dividends of 5 per cent., making 10 per cent. for the year, "A" stock and 7 per cent., making 17 per cent. for the year, on the "B" stock, less income-tax in each

#### TRIBUTE TO STAFF

What we owe for the untiring devotion of the staff has not become less, and an expression of our gratitude to them will be proposed at the meeting. Stockholders will be interested to learn of the extension of the bank's scheme of awards for the education of sons of members of the permanent clerical staffs and pensioners of this bank, of Barclays Bank (Dominion, Colonial and Overseas) and of the British staff of Barclays Bank (France), Limited, and that similar arrangements are being considered for the benefit of their daughters. Awards, which up to the present have been confined to St. Edward's School, Oxford, are now available at about 20 schools up and down the country.

#### POST-WAR PROBLEMS

As our belief in ultimate victory has been gradually transformed from a dogged act of faith into a well-founded conviction, thoughts have turned more and more urgently towards the aftermath and the problems which will follow. It is well that this should be so, for events do not wait upon plans. It seems now to be widely recognised that without international collaboration we cannot look forward with confidence to the future. But no international system can be expected to do more than provide conditions favourable to the fruitful development of international relationships. Within such a system the ultimate prosperity of each State must chiefly depend—as the prosperity of the individual within the State depends—upon its own efforts, and it should be borne in mind that the progress of one brings advantage to all. Therefore we owe it as much to our neighbours as to ourselves to devote our energies early and effectively to the task before us.

Our purpose must be to achieve and maintain maximum efficiency in every department of national life. Full employment, which is our declared policy and ardent desire, can be attained in its true sense only by this means, for effort ill-applied is but one step in advance of no effort at all and can do very little to further the objects upon which our hopes are set.

#### QUESTION OF CONTROL

We ourselves have seen, as our balance-sheet demonstrates so forcibly, the bank's vast and growing deposits directed mainly to Government use for the furtherance of the war effort and our commercial advances shrinking. But after the war, houses will have to be built, stocks replenished, repairs of all kinds put in hand, machinery installed or brought up to date for peacetime requirements, and through these and the other manifold processes of the great transition from war to peace, changes may be looked for in the composition of our balance-sheet. I need scarcely say that our own bank, in company with the other British banks, will add its full weight to the forces of restoration. One does not expect a sudden or violent change-over, for the period following the war will be dominated by scarcity, emphasised by the latent demand which will then spring to life. For this reason we must anticipate a measure of control, with the exercise of priorities, until the whole machine adjusts itself to the new conditions. But no one will want to see the continuance of any control which has outlived its purpose, for although there must always be safeguards to protect the interests of the

## RIO DE JANEIRO FLOUR MILLS AND GRANARIES, LIMITED

The annual general meeting of the Rio de Janeiro Flour Mills and Granaries, Limited, was held on the 18th instant in London, Mr G. M. Sheppard presiding.

The chairman said that during the year ended September 30, 1943, the company had had more than the usual difficulties to contend with. There had been but little if any shortage of flour supplies, but, owing to reduced transport, distribution had been interfered with.

So far as the future of Brazil was concerned, the development of local industries seemed to be almost unending and it appeared as if many of the new developments had come to stay. Such being the case, the company's future could be looked upon with a certain amount of confidence. The following cable had been received from the general manager in Rio:—"Demand for all products satisfactory future prospects promising."

The report and accounts were adopted and the dividend for the year of 8 per cent., less tax, was approved.

## OROVILLE DREDGING COMPANY, LIMITED

### LARGER REVENUE FROM INVESTMENTS

The thirty-second ordinary general meeting of the Oroville Dredging Company, Limited, was held, on the 20th instant, in London, Mr F. W. Baker (the chairman) presiding.

The following is an extract from the chairman's statement circulated with the report and accounts:—"Dividends received from the company's holding of shares in Pato Mines (Colombia) Limited, Pato Consolidated Gold Dredging, Limited, and Asnazu Gold Dredging, Limited, amount to £46,921. Other credits in the profit and loss account amount to £3,795. From the total credits of £50,717—after debiting all charges in London, including income-tax—the balance to the credit of profit and loss account for the period carried to the balance-sheet is £36,334. Adding to this amount the credit balance from the previous year and deducting the dividend paid in January, 1943, and the dividend recommended for the year, a balance of £104,925 is carried forward at September 30, 1943.

The income from dividends during the year amounted to £46,921, against £28,750 for the previous year, an increase of £18,171, which is accounted for by the fact that, although no dividend was paid by Bulolo Gold Dredging, Limited, during the year, a dividend of 5 cents per share was paid by the Asnazu Gold Dredging, Limited, and the cash position of Pato Mines (Colombia), Limited, permitted that company to declare a dividend of 6s. per share, free of income-tax.

The directors have decided to recommend the payment of a dividend for the year to September 30, 1943, of 9d. per share (18½ per cent.), less income-tax at 7s. in the £, payable on January 29, 1944.

#### THE COMPANY'S INTERESTS

I feel no useful purpose could be served by repeating the details as furnished in the report, which should give shareholders the fullest information. I should like to state, however, that operations on our interests in Colombia, both at Pato Consolidated Gold Dredging, Limited, and Asnazu Gold Dredging, Limited, are continuing very satisfactory, and, apart from the necessity of the closing down of two dredges on the Pato property owing to the difficulty of getting supplies, the profits of the company are being well maintained by the handling of higher-grade gravel, and up to present the payment of dividends at the rate of 30 cents

per annum is being continued. With regard to Bulolo Gold Dredging, Limited, it is satisfactory to learn that the dredges are generally intact, excepting that certain equipment has been taken from some of them for war purposes, also that as the enemy has been cleared from Lae and Salamaua, the company is a step nearer to getting personnel on the property, although I feel that,

owing to the difficulty of getting supplies, air transport, etc., it will not be until after the war before operations can be resumed. A preliminary claim for war damage, amounting to about £740,000 (Australian), has been filed with the Australian War Damage Commission.

The report and accounts were unanimously adopted.

## NATIONAL PROVINCIAL BANK LIMITED

### RESERVE EQUALS PAID-UP CAPITAL

### BANKS' POST-WAR DUTIES

### BENEFITS OF PAST ACCUMULATIONS

### MR COLIN F. CAMPBELL'S STATEMENT

The one hundred and eleventh annual general meeting of the National Provincial Bank, Limited, will be held on 27th instant at 15, Bishopsgate, London, E.C.

The address of the chairman, Mr Colin F. Campbell, was posted to the members on January 19th with the annual report and balance-sheet in order to shorten the business of the meeting.

In his address Mr Campbell stated: "I propose to continue the plan, which has been adopted during the recent years of war, of submitting to shareholders by means of a circular some of the main features connected with the work of the bank during the past year. The proceedings at the annual general meeting, to be held on January 27, 1944, will be confined to the necessary formal business."

#### BOARD OF DIRECTORS

The changes during the past year have been very few in number. The Rt. Hon. Lord Burghley relinquished his seat on the board in September, upon his appointment as Governor of Bermuda, and in his place the directors have appointed Mr F. G. Robinson, who had been a local director of the bank for a number of years. Mr Robinson is chairman of E. S. and A. Robinson, Limited, of Bristol, and enjoys a wide business experience which cannot fail to be of great advantage to this bank.

#### GRINDLAY AND COMPANY, LIMITED

It is with deep regret that I have to report the untimely death of Colonel Stuart Low, chairman of Messrs. Grindlay and Co., Limited. Colonel Low decided to proceed to India in November, 1942, in connection with the business of the bank, and the ship on which he was travelling was torpedoed and sunk off the west coast of Africa. All the passengers on board were reported as missing and ultimately as lost.

The experience of Colonel Low, together with his knowledge of the business of the bank both in India and London, will be greatly missed by his colleagues. The directors of Messrs. Grindlay and Co., Limited, have appointed Mr Trevor J. Matthews, who has been a director of the bank for many years, to become its chairman.

#### MANAGEMENT AND STAFF

During the year Mr W. Hadwick was appointed deputy chief general manager under Mr Ernest Cornwall, while Mr R. H. Cutting and Mr L. J. Williams were appointed additional joint general managers. The calls made upon the bank by the Ministry of Labour for the release of both men and women in connection with war service continued throughout the year, and I am glad to say that we have been able to meet their requirements and have also carried out the recommendations of the Kennet Committee. This has not been accomplished without a very great effort on the part of all concerned, and I take this

opportunity of placing on record the thanks of the directors, both to the management and staff, for the loyal and untiring way in which they have faced the situation. I do not hesitate to say that the efficiency of the work in the bank has been maintained, and this is due to the patriotic manner in which all members of the staff have fulfilled the tasks allotted to them.

The close co-operation between the staff association, ladies' guild, messengers' guild and the directors has continued to our mutual interest throughout the year.

I would also repeat this year my appreciation of the considerate attitude of our customers towards any inconvenience to which they may have been subjected through war conditions.

#### MEN WITH THE SERVICES, AND CASUALTIES

It will interest shareholders to know that we now have over 4,000 members of the staff either serving in the Forces or directed into industry, and we continue to receive news of decorations awarded. We extend our good wishes for their welfare and a safe and early return to their homes.

I greatly regret that a number have made the supreme sacrifice in defence of their country, and to their families we express our deepest sympathy.

### STATEMENT OF ACCOUNTS

#### RESERVE FUND

In 1931, we, in common with other banks, thought it prudent to meet the situation arising from the heavy fall in values of gilt-edged investments by making a transfer from our reserve fund to our internal reserves. The amount so transferred, viz., £1,479,416, reduced our reserve fund from £9,479,416 to £8,000,000. In 1937, we increased the reserve fund to £8,500,000 by transferring to it £500,000 from the balance carried forward in profit and loss account.

It will be observed in the accounts now presented to shareholders that the reserve fund again equals the amount of the paid up capital at a figure of £9,479,416. To accomplish this the bank has transferred from its internal reserves to the reserve fund the sum of £979,416.

The principal item in the balance sheet, that of the bank's liability on current, deposit and other accounts, stands at £521,342,279, an increase of £47,654,739 in the year.

#### STRONG LIQUID POSITION

The balance sheet continues to show a strong liquid position, cash, short money, bills and Treasury deposit receipts representing 50.2 per cent. of the deposits.

It is worthy of note that as against the increase in our deposits of £47,654,739 our holding of Treasury deposit receipts has increased by £57,500,000 during the same

period. 25.9 per cent. of our deposits represented by securities, mostly short-dated British Government issues, with only 20.8 per cent. is represented by advances.

#### PROFIT AND LOSS ACCOUNT

The net profit accruing as a result of the year's work amounts to £1,256,394 19s. 5d. as compared with £1,132,018 7s. 4d. for the year 1942. A sum of £564,175 5s. 7d. is brought forward from the previous year.

Dividends at the rate of 15 per cent. per annum require £710,956 4s. 0d. net, and after allocating

|                                                                              |         |
|------------------------------------------------------------------------------|---------|
| To Bank Premises Account                                                     | 100,000 |
| " Pension Fund .....                                                         | 150,000 |
| " War Contingencies Fund                                                     | 250,000 |
| a sum of £609,614 1s. 0d. is left to be carried forward to the next account. |         |

#### THE OUTLOOK

So long as the war lasts, the relatively low figure of advances is likely to continue as the banks confine their advances to those connected with the war effort, but the minds of all men are now being directed towards post-war problems, and from this point of view a condition of liquidity is essential.

It can be assumed that the standard of living in this country will be sustained only so long as our export trade is maintained and developed. When the war restrictions on advances are removed, expenditure for reconstruction purposes and for the rehabilitation of the trade of the country will be heavy. The Banks, with their huge deposits, will be called upon to find a great deal of the money required, and this demand will come not only from the public bodies and great industrial companies, but from the merchants and the small traders, in an effort to re-establish their connections at home and abroad.

#### HELP FOR MERCHANTS AND SMALL TRADERS

This bank has always kept in touch with the merchants and the small traders and, in view of the heavy sacrifices which the war has imposed on many of them, it will be our policy to continue to extend to the utmost possible degree such credit facilities as they require so that they may be able to restart and to develop their businesses.

It is not surprising that there should be anxiety in the minds of many people whose livelihood depends upon regular employment after the war. The recollection of the conditions in the labour market after the last war has left its mark. Legislation alone cannot create prosperity, however important it may be in its own realm: it is to the sound and energetic development of industry that we have to look. In the sphere of finance, which is largely in the hands of the joint stock banks, far-sighted and sympathetic collaboration will be essential, and it will be our wish to provide a full measure of support.

#### THE NATION'S SAVINGS

The past year has witnessed further satisfactory progress in National Savings, and it may be hoped that the saving habit, once begun, will continue in times of peace and not gradually fade away. The temptation to ease off will arise as the stress of war diminishes, while the need for saving will increase rather than decline in face of the necessity for rebuilding the nation's capital resources.

It is probably not recognised how greatly we have benefited in recent years from the vast reserves of capital which were accumulated in days gone by, and it is, therefore, no exaggeration to say that without these great capital reserves, the task of financing the war would have been well-nigh impossible.

In the meantime, with the war at the height of its intensity, we are all urged to support to the utmost of our power the forthcoming "Salute the Soldier" Appeal in order that it may be an outstanding success.

## LLOYDS BANK LIMITED

### INCREASED RESOURCES AND EARNING POWER

### PROBLEMS FOR THE FUTURE

### RE-ESTABLISHMENT OF EXPORT TRADE

### LORD WARDINGTON'S VIEWS

annual general meeting of Lloyds Bank Limited will be held on the 28th inst. at the head office, 71 Lombard Street, London, E.C.

The following is the statement of the Chairman, the Rt. Hon. Lord Wardington, circulated with the report and accounts:—

My Lords, Ladies and Gentlemen,—I am circulating my address to the members in advance of the general meeting to be held on the 28th instant, thus following the procedure of the last two years. I have again to deplore the loss through death of two of my colleagues. Sir Guy Garnet joined our Board in 1927 and was held in the highest regard and affection by us all. The practical common sense, derived from long experience, which he brought to bear on all questions, was of great service to our deliberations, while his high principles and courageous outlook made him a most valuable colleague and friend.

The same may be said with equal truth in regard to Lord Luke, who died last February. Not only had he the advantage of long experience at the head of a great business, but his wide sympathies and connection with so many charitable objects made his name known wherever suffering and illness were experienced, and his death will be deplored by all.

Since our last annual general meeting we have had the pleasure of electing the Rt. Hon. Lord Luke of Pavenham, D.L., a son of our late director, and Major Egbert Cadbury, D.S.C., D.F.C., to seats on our board.

#### BALANCE SHEET

The story which our balance-sheet has to tell for the year 1943 is simply another chapter of the plain tale it has had to recount for each of the war years. Under the influence of deficit borrowing by the Treasury our deposits have continued their upward trend at about the same rate, and the whole of our additional resources has gone directly to the promotion of the war effort in the form of extended credit to the Government. Thus the rise of £82 million in our deposits is more than balanced by the increase of £70 in Treasury deposit receipts and £18 million in our gilt-edged investments, whilst loans and advances to customers have suffered a further decline of £7 million.

#### PROFIT AND LOSS

Naturally, such an important addition to our resources has meant increased earning power, but no one who has followed my remarks in previous years will expect the whole of the increased earnings to have found their way into our net profits. To take one item alone, a further drop in our advances to customers, which is our best interest-earning asset, counterbalances, so far as profits are concerned, the greater part of the increase in our Treasury deposit receipts. Then, too, we have felt it only right, in these difficult and costly times, to help our loyal and hard-working staff to balance their family budgets by a cash bonus which we paid to them just before Christmas. Nevertheless, after meeting our heavy charges for income-tax and national defence contribution, there remains a balance of profit available for distribution of £1,515,000, an increase of £151,000 on the preceding year.

We made a start last year towards building up a separate war contingency fund for certain purposes, the nature of which I broadly indicated to you at that time. We have thought it very desirable to make a further addition to that fund this year and

at the same time to allot £200,000 to our general contingency fund and £100,000 to our premises account. Having regard to the continued growth in our figures and the uncertainties of the post-war period, shareholders will I am sure agree that these are prudent and reasonable provisions. We are then able to recommend the payment of our usual dividend, leaving quite a substantial amount to increase the balance carried forward.

#### NATIONAL SAVINGS

I have shown how the whole of any increase in our deposits is at once made available to HM Government in the form of Treasury Deposit Receipts or National War Bonds. From the point of view of the country as a whole, however, it would be preferable if the public were to subscribe direct for Government loan issues, rather than keep their deposits with the bank and leave it to us to invest the money in Government securities. As I pointed out in my speech to the shareholders in January, 1942, the necessity for saving and investing all that is possible still holds good.

The deposits of the public represent potential purchasing power, and in order to assist the Chancellor of the Exchequer to keep his promised intention of repaying Savings Certificates, and other savings securities, in money of the same value as when it was received, it is desirable that the purchasing power inherent in deposits should not be kept in a form liable to the temptation of expenditure, but should be removed temporarily out of harm's way into one of the forms of Government savings securities. Every increase in purchasing power, unaccompanied by a commensurate rise in the amount of consumable goods, only adds to the difficulty of the Chancellor of the Exchequer in laying the bogey of inflation.

#### POST-WAR RECONSTRUCTION

Our balance-sheet of to-day bears little resemblance to those of pre-war days. Not only are the figures greatly swollen, but their proportions one to another have completely altered. It is true that they show a greatly increased condition of liquidity, but they represent a picture which in former days would have been considered much more applicable to an investment trust business than to a bank. This raises problems which become more and more immediate every month the war draws nearer to its end. When that happy day arrives it would seem inevitable that there will be great demands for financial assistance of various kinds in the great work of reconstruction. Countless firms will require help in the turn over from wartime to peace production. Machinery will have to be replaced or converted; destruction of buildings made good; new houses erected; demobilised men from the Forces will want capital with which to start new businesses, or to reopen those which have been shut down in their absence; and many millions of pounds will be required for these purposes.

It is probable that the capital market will remain closed to the general public for a time, as the demands of the Government will not cease immediately after the last shot has been fired, and the necessary money for reconstruction will have to be found elsewhere. I have no doubt that the banks will not only be anxious to play their part in the great tasks then facing the country, but they will be also willing to be

more elastic in their views as to what constitutes a legitimate banking loan. It has been generally regarded as a principle in deposit banking that medium or even short term loans for capital purposes ought not to form part of their business. In theory that is perfectly sound, but banks are at present so strong and enjoy such a liquid position, that some departure from strict principles would seem to be justified in the conditions which are likely to confront us after the war.

#### ADVANCES AND LOANS

A glance at our figures, and they are very similar to those of other banks, shows that if we returned to anything like the proportion which our advances bore to our deposits in more normal times, we could increase our loans by over £200 million and still be lending only 50 per cent. of our deposits. If this change-over took place in all the banks there could be an increase of well over £1,000 million in their advances to the public, without in any way laying them open to the criticism that they were "over-lent." Admittedly, on the figures of our balance-sheet, this result could only be obtained by the equivalent realisation of our more liquid assets, by turning Treasury Deposit Receipts and short-term Government bonds into cash as they mature; but this would only take place gradually, as shortage of material, and possibly also for a time of labour, would prevent anything like the whole amount being required at once, and the demands on the Treasury and on the banks would in consequence be staggered over a period. Apart from the banks, there will no doubt be other agencies ready to finance the re-starting of our peace-time activities.

#### AN IMPORTANT POINT

On the whole question of post-war reconstruction an important point was stressed in the report of the delegation appointed by the League of Nations last year, over which Sir Frederick Phillips presided. It is a point in which industry generally is very closely concerned, and I have no doubt the authorities are giving it careful consideration, but it would be a great relief to industry if some definite announcement could be made. The report states, "The post-war problems created by the construction of war plants will be particularly serious if provision is not made to allow producers to amortise their plants adequately during the war. If, in interests of national revenue, amortisation rates are kept low, so that at the end of the war the unamortised capital value of the plant greatly exceeds its capital value as determined by the income it can earn in the production of peace-time goods, a powerful factor of dislocation will have been created." It will be seen that the whole question of the equitable working of the Excess Profits Tax is closely connected with the point raised by the Delegation's Report.

#### EXPORT TRADE

Of all the tasks before us, none is more important than the re-establishment of our export trade. Without it we can neither eat nor work. Both food and raw material are essential for our livelihood, whether we are engaged in production for our home or foreign consumption, but without an adequate export trade we shall be unable to pay for the food and raw materials required for both. It is idle, therefore, to suppose that we can exist on home markets alone. Our means of payment for necessary imports have been largely curtailed during the war.

Not only have our exports been reduced, but there has been a great reduction in our foreign investments, the interest on which provided one of our chief invisible exports, and as other invisible exports have also been cut down, we shall be more than ever dependent on restoring our visible exports to the fullest extent. It is highly desirable, therefore, that no unnecessary obstacle



should be placed in the way of our doing so, and that the paths for our export trade should be kept as fully open as possible.

#### TRIBUTE TO STAFF

I cannot conclude these remarks without paying a very sincere tribute to those who carry on the daily work of the bank, and reminding the shareholders of what they owe to the very hard-working members of our permanent and temporary staff. It is an outstanding fact that, in spite of our having released for national service more than half our pre-war male staff, we are running the bank to-day with hardly any

serious diminution of our services to the public and with a smoothness which, in the circumstances, is truly remarkable, and can only have been attained by good organisation, hard work and a strong sense of duty.

For this we have to thank not only our head office executive and the staff in general, but perhaps more particularly our sorely tried branch managers who, in many cases, have been left with hardly a single trained man to help them in the office. I am sure that the shareholders will wish me to express on their behalf our highest appreciation of the work of the staff during the past year.

## WESTMINSTER BANK LIMITED

### INCREASED RESOURCES LEAD TO LARGER PROFIT

### POST-WAR CURRENCY AND TRADE PROBLEMS

### MANPOWER AND EQUIPMENT NEEDS

### THE HON. RUPERT E. BECKETT'S VIEWS

The annual general meeting of the Westminster Bank, Limited, will be held on the 26th instant at the head office, 41, Lothbury, London, E.C.

The following is the statement of the chairman, the Hon. Rupert E. Beckett, circulated with the report and accounts:—

This statement is circulated to shareholders together with the balance sheet and profit and loss account of your bank and its subsidiary Ulster Bank, Limited. The Westminster Bank has made a profit of £1,347,815, which is an increase on last year of £110,230, and has resulted from the increased resources which have been at our disposal during the past year. These augmented figures of money lodged with us are, of course, observable in the case of all the clearing banks, though the Westminster has not shown the same proportionate increase as some others. This may be ascribed to the fact that the Westminster Bank is a comparatively late-comer in some districts where war-time production is most intensive, and therefore, compared with other banks longer established in those neighbourhoods, has a lesser share in the expansion of deposits, which results from continuous and heavy Government disbursements. The tendency of our loans to customers is still in a downward direction, which, again, is a feature common to all banks.

After paying dividends, less tax, of 18 per cent. on the partly-paid shares and 12½ per cent. on the stock, the directors have decided to make the usual provision of £300,000 to officers' pension fund and to allocate £250,000 to the bank premises reinstatement and rebuilding fund. The Ulster Bank figures speak for themselves. They show satisfactory progress and call for no special comment.

#### STRONG POSITION TO MEET CALLS

As is disclosed by the balance sheet of Westminster Bank, the large increases in our resources over the past year appear as assets in the form of Government loans, maturing at varying dates, nearly a half within ten years, and Treasury deposit receipts, which have a currency of six months and represent the largest item on the assets side of our balance sheet—£149 million. Thus we are in a strong position to find the wherewithal to meet all calls made upon us by our depositors when the inevitable demands ensue, and to meet liberally requirements for loans and overdrafts, which, at the present time, have sunk to a figure out of all proportion to the accepted canons of joint Stock banking. For the domestic side of banking, therefore, we can say that we are fully equipped.

But many other questions that will demand solution are by no means clear, and yet are vital to us as a nation. Among these are the post-war value of our currency, the question of exchanges, and the

means by which international trade may be got going again in an impoverished world.

#### A WORD OF WARNING

In the limited space at my disposal it is impossible adequately to discuss the various schemes that have been put forward by economists and others in different parts of the world. I will, however, utter a word of warning, which may be unpalatable, but which I feel we must heed. It is the unwisdom of accepting at this stage *obiter dicta* as to what we can or cannot afford. There is danger here: human nature, being what it is, is ever ready to accept easy phrases and pleasant prognostications. Some cry out for immediate legislation to give permanent sanction to what can be no more, at the present time, than ideas.

Just reflect that after the last war the Government debt stood at some £8,000 million, and the intervening period between the two wars was a time of continued economic stress and makeshift, arising, as I interpret it, out of the fact that Europe had not emerged from the welter of poverty and uncertainty which was the legacy of the nations having exhausted their resources by more than four years of war, 1914-1918. Already the Government debt in this country has risen to more than £18,000 million, and the end is not yet. The costs of service of the debt will have increased considerably. All nations in the world war are in the same dilemma and are spending on a similarly prodigious scale. I repeat, then, how can anyone say at this stage what we can afford when the longed-for days of peace at last arrive?

#### ESSENTIALS FOR TRADE REVIVAL

But to get world trade going again will be a paramount necessity, and the opportunities of so doing will devolve upon the shoulders of the Allied Nations. The obvious essentials, in order to achieve early success, are that all nations work peaceably together exchanging goods and services on a mutually beneficial basis, but I imagine that some considerable time will elapse before the nations of the world can be envisaged as working peaceably together. The aftermath of war will, I am afraid, produce some very natural but unpleasant reactions in the hearts and minds of those who have been under the harrow, and undergone the miseries of invasion, starvation and slavery.

The prime need for them will be an adequate supply of food, shelter and clothing, and it will not be until these wants have been supplied that the rebuilding of industry, whereby they can exchange goods and services, can be undertaken. Thus for some time after the war the Allies will have to be, as it were, self-contained, and perform the rôle of general provider to the stricken nations and re-creator of

their industries. The first essential step then is for the Allies to thresh out inter-ally the means towards these ends. America, Russia, China and ourselves should be able to achieve miracles so long as our solidarity as war comrades can be continued in years of peace.

#### CURRENCY SCHEMES AND GOLD

Second only to the task of rehabilitation of the stricken nations will be that of starting up the machinery of trade and commerce again. To assist in making this feasible, various currency schemes, emanating from both sides of the Atlantic, have been put forward, though as yet we cannot say that any practical development has been achieved. Obviously, credit on a large scale will be needed, and endeavours are being made to find a "token" or "common denominator" upon which this edifice of credit is to be based. The idea that gold should be the token, either directly or remotely, must be seriously considered, and it certainly presents some possibilities that are not apparent in other media. Long habit and usage of gold by all nations since the dawn of history has made it a means of trading and exchange familiar to all peoples. It is but natural, too, that American opinion should favour a currency medium based upon gold.

It is true that America holds a preponderating stock, but the British Empire and Russia are the principal producers, and it would seem that, in order to secure America's support and collaboration, which is invaluable and indeed essential for any workable scheme, it would be well to try to build on this premise. I am keenly aware of the difficulties which such a course raises; aware also of the merits and defects in the past working of a gold standard. A means must be devised to avoid the rigidity of the gold standard as we knew it in the past.

But America is a large creditor nation, with the responsibility towards securing trade equilibrium which that status implies. A creditor country cannot remain passive as hitherto, allowing gold to enter freely in payment for goods and services, but should for this purpose so adjust its economy as to permit the easy entrance of foreign goods. Goods and services must surely be a better exchange for exports than gold which passes forthwith into sterility.

#### PROSPECTS OF RECOVERY

I will turn now to a more domestic topic—what are the prospects of our recovery after the war? It is obvious that we have suffered considerable losses in many directions: our stock of gold, our foreign investments, our ships at sea, our factories and houses. The total loss from all these sources cannot be easily computed; it is certainly severe, but should not be unduly large either in comparison with our pre-war total national wealth or with our current productive capacity.

Our ability to make good this loss rests primarily on the effects of the war on our available manpower. It seems not improbable that the decrease in our national productivity through loss of manpower in the war will be more than offset by the additional output of the residual of war workers electing to remain in industry after the war. Numbers of workers called up for the Forces will have interrupted their education and training in special spheres, but the greatly augmented labour army in factories and training centres will have added considerably to their normal skill, knowledge and personal equipment in relation to industry.

The position as regards the country's industrial equipment is also of cardinal importance. It has been influenced in opposite ways. Buildings, plant and machinery have been destroyed, and a huge legacy of repair work, left undone through stress of war, remains to be undertaken. On the other hand, the Government has been responsible for the creation of a great many new factories, fully equipped with up-to-date tools and machinery, and a considerable number of these will be convertible to peacetime uses.

#### TWIN FACTORS

Our potential recovery rests in these twin factors of manpower and equipment, supplemented by the continued intensive scientific and industrial research and the application of the results of that research to industry, and it is encouraging to see that in these respects. It holds out the prospect of success, giving the will and determination to achieve it. Much, however, will depend upon the character of the peace settlement. If peace is established with the appearance of durability, the possibilities of recovery, not only for ourselves but for the world at large, will be greatly stimulated and will be rendered more favourable than at any other time during the past quarter of a century.

Great importance will attach to orderly demobilisation at such a pace as will enable industry gradually and regularly to reabsorb recruits. This may well prove to be one of the major transition problems. With the Government's declared policy of full employment, however, we should never again see an army of nearly two million in enforced idleness, as we did even as late as in 1938. If we succeed in this—putting the whole nation to work in peacetime—we should witness a vast improvement in our productivity.

#### EXPORT PROBLEMS

But it has to be remembered that it was mainly on the export side of our trade that unemployment was most marked and proved so obstinate to cure, and in this regard the difficulties have not decreased, but multiplied. We shall find ourselves operating in a world where marked changes in the form and direction of export trade have been brought about by the war. We have had to neglect certain of our impor-

## MARTINS BANK, LIMITED

### EXPANSION OF BUSINESS

### PREPARING FOR POST-WAR SERVICES

### MR. F. A. BATES COUNSELS WISE SAVING

The one hundred and thirteenth annual general meeting of Martins Bank, Limited, will be held on the 25th instant at the head office, Water Street, Liverpool. Along with the report and accounts which have been sent to shareholders, the chairman, Mr. Frederic Alan Bates, M.C., A.F.C., D.L., has issued the following statement:—

I commence my remarks on a note of sincere regret as I have to record the resignation of Mr. W. R. Glazebrook after twenty-two years of outstanding service to the bank and the general board. We shall miss his customary presence, his wise counsel and the very valuable contribution he brought to our discussions by reason of his great ability and grasp of affairs. He carries with him the good wishes of us all in the leisure he feels he should now take. As mentioned in the report, Sir Nicholas Cayzer, Bt., and Mr. A. Claude Morrell, O.B.E., M.C., whose main interests are shipping and the provision trade, respectively, have recently joined the general board, who warmly welcome their election. Major A. H. Aykroyd has been elected to the Manchester board. He has many interests, and his wide experience will be of great value to that board. I have pleasure in taking this opportunity of expressing thanks to the district boards for the close attention they give to the bank's policy in their respective areas.

#### CHIEF GENERAL MANAGER'S JUBILEE

This month Mr. J. M. Furniss completes fifty years in the service of the bank. He began his notable career with the bank, and, I am happy to say, retains his energy after this long period. I cannot speak too highly of that service, and more especially of his able guidance since March, 1933,

tant trade connections, and these will need cultivating anew.

America will emerge as a more powerful competitor in the export field, but, on the other hand, Continental and Japanese competition will be much less formidable. American countries, formerly among our customers, have turned energetically towards industrialisation of their own economy, as have also important countries in the Empire, from which it follows that the demand from these sources for some classes of our goods will be smaller than heretofore. It is therefore up to us to be ready with new and attractive lines of goods so as not to miss the chance of at least maintaining our trade with these countries at its pre-war level. Then some of our principal exports demand imports of the raw material, but we cannot pay for imports except by exports.

#### OUTLOOK FAR FROM SIMPLE

Another part of our imports consists of food of all kinds; whilst continuing to foster our own increased agricultural output, we can, if need be, cut imports to a minimum, but we shall to that extent prejudice the purchasing power of the primary producing countries, with inevitable adverse repercussions on our own trade. All these, and other factors, render the outlook for our export trade far from simple and straightforward, and resolution of the complex problems involved will call for vision, energy and perseverance.

That these qualities will be forthcoming I have little doubt, for they have been amply shown in our great war effort. I will conclude by recalling to your minds the words of General Smuts: "The British Empire and the British Commonwealth remain as one of the greatest things of the world and of history, and nothing can touch that fact."

## MARTINS BANK, LIMITED

### EXPANSION OF BUSINESS

### PREPARING FOR POST-WAR SERVICES

### MR. F. A. BATES COUNSELS WISE SAVING

when he became the head of the executive as general manager. In 1939 he joined the board of directors, and since 1941 has been chief general manager. The period has not been without its difficulties, including those arising from the war, and he has overcome them all with outstanding success. You will, I know, welcome this opportunity of joining his colleagues on the board and all his fellow members of the management and staff in congratulating him on the occasion and thanking him for all the ability and enthusiasm he applies to the bank's affairs. We were very pleased to see his name in the list of New Year Honours, and warmly congratulate him upon the honour of Commander of the Order of the British Empire conferred upon him by His Majesty the King.

At the end of the year Mr. E. T. Nicholson, North Eastern district general manager, retired after forty-seven years of loyal and able service. He has been succeeded by Mr. M. Conacher, formerly assistant district manager.

Before I deal with the accounts, I should like to pay tribute to all those members of our staff, men and women, who have joined the Forces or are engaged in other forms of national service. We are proud of their achievements, and we look forward with hope to their early return. Our men in the Forces have further distinguished themselves, and have gained many more decorations. To them and their families I send our warmest congratulations. Our losses in those who will not return, or who are missing, also increase, and our sympathy with relatives in bereavement or anxiety is indeed deep and sincere. The spirit of the men in enemy hands is fine, and you will read with admiration that numbers of them are keeping up their banking studies and

passing their Institute of Bankers' examinations while in prison camps.

In previous statements I have given the numbers of our staff withdrawn for national service. Those numbers continue to grow. The course of the war, although favourable as it has now become, imposes, with its daily difficulties, a strain upon the remaining staff, but they take the strain cheerfully, and from the chief executive officers downwards the work is done with great efficiency and loyalty.

#### SOUND PROGRESS

From the balance-sheet accompanying this statement, you will see that the bank has progressed soundly, very much on the lines of the previous year. Our total resources now exceed £197,558,000. Customers' deposits and current account balances have reached the new record figure of £180,131,000, which is an increase of £12,793,000 on a year ago. The increase has been almost entirely absorbed by Treasury deposit receipts, which have risen during the year to the large amount of £58,000,000. On the other hand, advances (formerly the bank's main asset, but now taking third place), after a steadily reducing tendency for some years, were fairly stable last year, and at the date of the balance-sheet were somewhat higher than twelve months ago.

The bank's high degree of liquidity, which is itself a reflex of the liquidity of our customers, amounts, quite apart from our large holding of short-dated investments in British Government securities, to 55.03 per cent. of our public liabilities. That percentage represents our holdings of cash, balances with other banks, market money, Treasury bills and Treasury deposit receipts, amounting in all to £99,123,000, and places us in a strong position to meet any post-war demand for accommodation. When that time happily comes, and controls have been relaxed, we shall welcome requests for banking assistance, and ready consideration will be given to the requirements of small traders whose businesses have been affected and will need re-establishment after the ravages of the war years. In the consideration then given, the problem of the returning ex-Service men will have a full share.

The net profit for the year is £606,700, which is £30,066 in excess of the figure for the previous year. After bringing in the balance from that year's accounts, the amount available for distribution is £994,346. The two dividends of 7½ per cent. each, less tax, will take £312,003 net, and this will leave a sum of £682,343, which has been dealt with in the following manner. A further amount of £100,000 has been placed to the published reserve, increasing that fund to £3,800,000. Reserve for future contingencies again receives £100,000 and reserve for pensions £50,000. The balance of £432,343 is carried forward to next account.

#### GROWTH OF THE BANKING HABIT

In spite of war conditions, and in fact to a large extent due to those conditions, the bank's business has been remarkably active, with expanding turnover and a notable increase in the number of new accounts. The last-mentioned feature is particularly encouraging, for, notwithstanding the folly of the hoarding of currency notes, to which public attention has been frequently drawn, it is a clear indication that the people generally are becoming increasingly banking-minded and are making still greater use of the bank's many services. This is all to the good, for the years immediately following the termination of the war will be not less difficult, having in mind the dangers of inflation, than those through which we are now passing. The increasing note issue is a warning, and in this connection it may be relevant to say that the proper employment of currency notes is not to keep them in wallets or private hoards, where there is great risk of loss, but, so far as saving is possible, in investment in Government

loans. All notes not required for immediate need should be taken out of circulation by such investment, or by paying them into banking accounts, whence they can be transferred into Government loans as savings can be made by the account-holders. In this way the public who are in receipt of the money dispensed on account of war production will become not

## DISTRICT BANK LIMITED

### SATISFACTORY RESULTS

#### STATEMENT BY THE CHAIRMAN, SIR R. NOTON BARCLAY

The chairman, Sir R. Noton Barclay, has issued the following statement to the shareholders of District Bank Limited prior to the 114th annual meeting to be held on the 28th instant at the head office, Spring Gardens, Manchester.

Since last year's meeting the Board have elected Sir Samuel Turner to succeed the late Mr Francis J. Dickens as deputy-chairman, and I am indeed grateful to have Sir Samuel's support, for, as you know, his experience is very wide and varied. I am also pleased to welcome the Right Hon. The Earl of Crawford and Balcarres as a member of the board.

#### STAFF

With a deep sense of loss I have to record a growing list of war casualties amongst members of the staff. Since hostilities commenced the total of those who have lost their lives has now reached 43, 9 are missing, and 22 are known to be prisoners of war. We honour these gallant men and tender sincerest sympathy to their families, who are now called upon to bear so grievous a burden of trouble. During the past year more of our men have been rewarded for bravery in action and for conspicuous service. On behalf of us all I desire to express our congratulations to them and also say that we look forward to welcoming our staff back again.

The fourth year of war has presented more difficulties as regards the maintenance of essential banking services. In twelve months of planning we have been much pre-occupied with the urgent need for the release of manpower. While accomplishing this, however, we have also endeavoured to continue serving our customers with maximum efficiency. That this policy has brought its reward is clearly indicated by the trend of our business, which in war, as in peace, steadily expands. Not the least important factor in this connection has been the loyal support of our much reduced permanent staff and the unflagging efforts of our temporary employees. In particular I would mention the services of the many retired members of the staff who have so willingly sacrificed well-earned leisure and thereby to some extent made good the depleted ranks of our experienced personnel. To the staff, in acknowledgment of excellent service and of the attendant results, the board for the second year in succession have been pleased to approve the payment of a bonus, which was distributed in December.

#### THE YEAR'S FIGURES

In terms of earnings, our progress is marked by an increase of £12,595 in net profit as compared with the previous year.

only banking-minded but savings-minded, to the great advantage of the country and of themselves. A very large amount has already been saved wisely during the war years, but it is essential that the habit of saving and investing, as opposed to spending, engendered throughout those years should be carried forward to the post-war period.

in satisfying innumerable demands. Admittedly, to meet an emergency, a nation may spend well ahead of income, but cannot continue such overspending indefinitely. It must not be overlooked that sooner or later war debts have to be paid. These considerations should not, however, lead to drastic curtailment of expenditure such as resulted in precipitating calamitous depression after the last war. On the other hand, whilst avoiding foolish optimism, we should continue to spend freely on economic reconstruction and development. This implies carefully controlled expenditure and priorities until supplies become normal: indeed these are requisite conditions for a regulated development which alone will ensure a sufficiency of the necessities of life and progressive social improvement.

#### EXPORT TRADE AND SCIENTIFIC RESEARCH

In planning for our future it should, from the outset, be appreciated that the hoped for development will mean larger imports of raw materials and foodstuffs. Also that war-time losses and overseas investments will necessitate increased exports to pay for these essential supplies. It is vital, therefore, that the rehabilitation of our export industries must be in the forefront of any reconstruction programme. The world's urgent need will be the expansion of purchasing power, coupled with maximum production at minimum cost. Profiting by war-time experience in production and distribution, our future contribution should not be by way of cheap labour but through first-class organisation and equipment. Industrial concentration and mobility of labour will also play their parts, but a proper and full measure of scientific research is equally essential. It is again the war which has enabled us to appreciate more fully the value of the scientist, and the opportunity should be taken to widen the future scope of his activity in industry. That adequate scientific expression cannot be achieved without adequate finance is a matter which the Government should recognise, and should provide incentive by a generous attitude towards progressive technical experiment and research. Furthermore, industry can itself help by exploring the possibilities of collective research where this is beyond the reach of individual concerns.

#### POST-WAR CONTROLS

Economic problems cannot well be considered without some reference to the future course of the many Government controls now so familiar. The apparent prosperity which at present prevails whilst these are widely imposed is no doubt largely responsible for increasing pressure for their continuance. Although some control will be essential in the immediate post-war period, nevertheless it is well to remember that, under war-time limitations of supply and abnormal demand, such apparent prosperity can scarcely be regarded as a reliable criterion as to the results of control on a return to peace-time conditions. It was under free exchange and more normal trading that successful commercial enterprise was built up, and which, *inter alia*, enabled us to develop a banking system that has successfully withstood the shocks of world wars and of depressions.

#### PRESENT AND FUTURE PROBLEMS

The war has brought extraordinary developments in economic and political conditions, and further far-reaching changes are likely before hostilities cease and a post-war order is established. Nevertheless, while prosecuting the war to the utmost, it is, of course, essential to prepare for peace. I should, therefore, like to express an opinion on certain important problems which lie ahead.

#### MONEY POLICY

The welfare of mankind will largely depend of progressive economic expansion permitting full employment and maximum consumption whilst controlling the sequence of booms and depressions. In this, success will be limited by the degree of monetary expansion that can be allowed without adverse inflationary consequences, and the problem seems best approached by world agreement and co-operation within the broad outline of the much discussed proposals for an international monetary mechanism.

#### NATIONAL EXPENDITURE

Turning from more general aspects of monetary planning to specific problems as they may affect this country, it seems that urgent attention will have to be given to the growing assumption that if we can spend without limit during war-time we can continue to spend lavishly afterwards

# RECORDS and STATISTICS

## FINANCE AND BANKING

**THE MONEY MARKET.**—Credit has again been in comparatively short supply this week. Heavy revenue payments have drained funds from the market while the January making-up is already under way. The market had the benefit of a £10,000,000 excess of Treasury bill maturities over payments on fresh bills, but the effective Treasury Deposit receipt maturities approximately balanced the new payments of £40,000,000 under this head. The market obtained a 26 per cent. allotment at last week's tender for Treasury bills, and in

order to take up its quota had to receive small assistance from the special buyer. The banks are operating on an exceptionally ample cash basis, the latest Bank return showing bankers' deposits at £177,001,000. This is a reduction of £11,215,000 on the week, but is still a relatively high figure. The net return of notes from circulation over the past week amounted to £7,916,000. The main counterpart to this movement and to the fall in bankers' deposits is found in a reduction of £19,860,000 in Government securities.

(Continued on page 130)

## GOVERNMENT RETURNS

For the week ended Jan. 15, 1944, total ordinary revenue was £125,938,000, against ordinary expenditure of £107,917,000, and issues to sinking funds of £580,000. Thus, including sinking fund allocations of £10,837,119, the deficit accrued since April 1st is £2,437,735,000 against £2,383,854,000 for the corresponding period a year ago.

### ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

| Revenue                         | Estimate 1943-44 | Receipts into the Exchequer (£ thousands) |                          |                          |                          |
|---------------------------------|------------------|-------------------------------------------|--------------------------|--------------------------|--------------------------|
|                                 |                  | April 1 to Jan. 16, 1943                  | April 1 to Jan. 15, 1944 | Week ended Jan. 16, 1943 | Week ended Jan. 15, 1944 |
| ORDINARY REVENUE                |                  |                                           |                          |                          |                          |
| Income Tax                      | 117,500          | 517,242                                   | 630,214                  | 61,902                   | 76,027                   |
| Stamp Duty                      | 80,000           | 35,359                                    | 33,192                   | 5,850                    | 6,690                    |
| Rate, etc.                      | 100,000          | 73,455                                    | 76,406                   | 1,540                    | 2,300                    |
| Duties                          | 17,000           | 10,570                                    | 13,960                   | 100                      | 200                      |
| D.C. (Net)                      | 500,000          | 22,431                                    | 24,323                   | 927                      | 585                      |
| P.T.                            | 1,000            | 269,297                                   | 380,307                  | 6,420                    | 11,210                   |
| Her Ind. Rev.                   |                  | 420                                       | 418                      | 30                       | 10                       |
| Total Ind. Rev.                 |                  | 187,300                                   | 928,774                  | 115,882                  | 76,769                   |
| Excise                          |                  | 525,320                                   | 361,468                  | 436,463                  | 7,476                    |
| Stamps                          |                  | 450,180                                   | 324,900                  | 367,000                  | 4,100                    |
| Total Customs & Excise          |                  | 975,500                                   | 686,368                  | 803,463                  | 11,576                   |
| Motor Duties                    | 25,000           | 17,618                                    | 16,648                   | 7,089                    | 7,701                    |
| Canadian Govt. Contribution     |                  | 224,719                                   | ...                      | ...                      | ...                      |
| O. (Net Receipts)               | 400              | 9,700                                     | ...                      | 250                      | ...                      |
| Irish Licences                  | 4,700            | 3,090                                     | 3,190                    | ...                      | ...                      |
| Own Lands                       | 800              | 720                                       | 730                      | ...                      | ...                      |
| Receipts from Sundry Loans      | 4,100            | 2,931                                     | 5,710                    | 54                       | 1,169                    |
| Isell. Receipts                 | 24,000           | 78,807                                    | 61,957                   | 556                      | 1,099                    |
| Total Ord. Rev.                 |                  | 2,907,500                                 | 1,952,727                | 2,050,518                | 96,294                   |
| SELF-BALANCING P.O. & Brdcastg. | 110,632          | 82,500                                    | 85,850                   | 1,300                    | 1,850                    |
| Total                           |                  | 3,018,132                                 | 2,035,227                | 2,136,368                | 97,594                   |

| Expenditure                     | Estimate 1943-44 | Issues out of the Exchequer to meet payments (£ thousands) |                          |                          |                          |
|---------------------------------|------------------|------------------------------------------------------------|--------------------------|--------------------------|--------------------------|
|                                 |                  | April 1 to Jan. 16, 1943                                   | April 1 to Jan. 15, 1944 | Week ended Jan. 16, 1943 | Week ended Jan. 15, 1944 |
| ORDINARY EXPENDITURE            |                  |                                                            |                          |                          |                          |
| Int. & Man. of Nat. Debt        | 375,000          | 264,268                                                    | 288,617                  | ...                      | 5,167                    |
| Payments to N. Ireland          | 9,500            | 5,844                                                      | 5,668                    | ...                      | ...                      |
| Other Cons. Fund Services       | 7,500            | 7,064                                                      | 6,650                    | 223                      | ...                      |
| Total                           |                  | 392,000                                                    | 277,176                  | 300,935                  | 223                      |
| Supply Services                 | 536,675          | 404,980                                                    | 417,641                  | 125,400                  | 102,750                  |
| Total Ord. Exp.                 |                  | 578,675                                                    | 432,698                  | 447,741                  | 125,623                  |
| SELF-BALANCING P.O. & Brdcastg. | 110,632          | 82,500                                                     | 85,850                   | 1,300                    | 1,850                    |
| Total                           |                  | 589,307                                                    | 440,948                  | 456,326                  | 126,923                  |

A change has been made in the method of showing an excess of Post Office Expenditure over Post Office Revenue. Such excess is now included as ordinary expenditure (under "Total Supply Services") instead of being shown, as up to July 24 inclusive, as a deduction from ordinary revenue.

After decreasing Exchequer balances by £322,261 to £3,173,798, the other operations for the week (no longer shown separately) reduced the gross National Debt by £16,222,157 to £19,276 million.

| NET ISSUES (£ thousands)   |       |
|----------------------------|-------|
| War Damage Act             | 389   |
| Defence Loans Act          | 892   |
| P.O. and Telegraph         | 250   |
| Overseas Trade Guarantees  | 20    |
| Total                      | 1,551 |
| NET RECEIPTS (£ thousands) |       |
| Land Settlement Acts       | 9     |

## BANK OF ENGLAND RETURNS

JANUARY 19, 1944

### ISSUE DEPARTMENT

| £                    |               | Govt. Debt                                  |               |
|----------------------|---------------|---------------------------------------------|---------------|
| Notes Issued         | 11,015,100    | Govt. Debt                                  | 11,015,100    |
| In Circulation       | 1,067,391,059 | Other Govt. Securities                      | 1,088,243,616 |
| In Bankg. Department | 32,850,659    | Other Secs.                                 | 730,887       |
|                      |               | Silver Coin                                 | 10,397        |
|                      |               | Amt. of Fid. Issue                          | 1,100,000,000 |
|                      |               | Gold Coin & Bullion (at 168s. per oz. fine) | 241,718       |
|                      |               | Total                                       | 1,100,241,718 |

### BANKING DEPARTMENT

| £               |             | Govt. Secs.          |             |
|-----------------|-------------|----------------------|-------------|
| Props. Capital  | 14,553,000  | Govt. Secs.          | 204,624,576 |
| Rest            | 3,360,217   | Other Secs.          | 16,045,072  |
| In Bankg. Dept. | 10,966,429  | Discounts & Advances | 4,762,411   |
|                 |             | Securities           | 20,807,483  |
| Other Deps.     | 177,000,762 | Notes                | 32,850,659  |
| Bankers         | 177,000,762 | Gold & Silver Coin   | 632,228     |
| Other Accs.     | 53,034,538  |                      |             |
|                 | 230,035,300 |                      |             |
|                 | 258,914,946 |                      |             |

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

### COMPARATIVE ANALYSIS

| £ millions                      |       | 1943    |        |         |         |
|---------------------------------|-------|---------|--------|---------|---------|
|                                 |       | Jan. 20 | Jan. 5 | Jan. 12 | Jan. 19 |
| Issue Dept.                     |       |         |        |         |         |
| Notes in circulation            | 909.4 | 1083.9  | 1075.3 | 1067.4  |         |
| Notes in banking department     | 40.9  | 16.3    | 24.9   | 32.9    |         |
| Government debt and securities* | 948.6 | 1099.3  | 1099.5 | 1099.3  |         |
| Other securities                | 0.9   | 0.6     | 0.5    | 0.7     |         |
| Silver Coin                     | 0.5   | 0.0     | 0.0    | 0.0     |         |
| Gold, valued at s. per fine oz. | 0.2   | 0.2     | 0.2    | 0.2     |         |
| Deposits:                       |       |         |        |         |         |
| Public                          | 9.5   | 9.6     | 11.9   | 11.0    |         |
| Bankers'                        | 166.6 | 184.1   | 188.2  | 177.0   |         |
| Others                          | 65.3  | 53.7    | 54.0   | 43.0    |         |
| Total                           | 239.4 | 247.4   | 254.1  | 241.0   |         |
| Banking Dept. Secs.:            |       |         |        |         |         |
| Government                      | 190.5 | 231.6   | 224.5  | 204.6   |         |
| Discounts, etc.                 | 4.7   | 1.6     | 6.1    | 4.8     |         |
| Other                           | 20.6  | 14.9    | 15.9   | 16.0    |         |
| Total                           | 215.8 | 248.1   | 246.5  | 225.4   |         |
| Banking depart. res.            | 41.5  | 17.1    | 25.6   | 35.5    |         |
| "Proportion"                    |       | 17.3    | 6.9    | 10.0    | 13.8    |

\* Government debt is £11,015,100; capital £14,553,000. Fiduciary issue raised from £1,050 million to £1,100 million on December 8, 1943.

### PROVINCIAL BANK CLEARINGS

| £ thousands  |        | Week Ended    |               | Aggregate from Jan. 1 to |               |
|--------------|--------|---------------|---------------|--------------------------|---------------|
|              |        | Jan. 16, 1943 | Jan. 15, 1944 | Jan. 16, 1943            | Jan. 15, 1944 |
| Working days |        | 6             | 6             | 13                       | 12            |
| Birmingham   | 2,792  | 1,977         | 8,393         | 4,847                    |               |
| Bradford     | 2,822  | 2,465         | 5,553         | 5,016                    |               |
| Bristol      | 760    | 789           | 1,822         | 1,616                    |               |
| Hull         | 892    | 670           | 1,938         | 1,496                    |               |
| Leeds        | 1,047  | 1,137         | 2,927         | 2,581                    |               |
| Leicester    | 1,100  | 970           | 2,479         | 2,189                    |               |
| Liverpool    | 5,216  | 4,691         | 10,284        | 10,054                   |               |
| Manchester   | 13,812 | 3,077         | 32,373        | 7,393                    |               |
| Newcastle    | 1,507  | 2,096         | 3,419         | 4,201                    |               |
| Nottingham   | 608    | ...           | 1,587         | ...                      |               |
| Sheffield    | 824    | 1,023         | 3,365         | 2,994                    |               |
| Southampton  | 172    | 146           | 377           | 373                      |               |
| 12 Towns     | 31,552 | ...           | 74,517        | ...                      |               |
| Dublin*      | 8,837  | 9,642         | 17,143        | 17,476                   |               |

\* January 9, 1943, and January 8, 1944.

## FLOATING DEBT

| Date     | Treasury Bills |        | Ways and Means Advances |                 | Treasury Deposits by Banks | Total Floating Debt |
|----------|----------------|--------|-------------------------|-----------------|----------------------------|---------------------|
|          | Ten-           | Tap    | Public Depts.           | Bank of England |                            |                     |
| 1943     |                |        |                         |                 |                            |                     |
| Jan. 15  | 1040.0         |        | Not available           |                 |                            |                     |
| Sept. 11 | 1170.0         |        | "                       |                 |                            |                     |
| " 18     | 1170.0         |        | "                       |                 |                            |                     |
| " 30     | 1078.8         |        | 259.5                   | 1114.5          | 4452.8                     |                     |
| Oct. 9   | 1170.0         |        | Not available           |                 |                            |                     |
| " 16     | 1180.0         |        | "                       |                 |                            |                     |
| " 23     | 1190.0         |        | "                       |                 |                            |                     |
| " 30     | 1200.0         | 1872.3 | 326.5                   | 16.7            | 1213.0                     | 4628.5              |
| Nov. 6   | 1210.0         |        | Not available           |                 |                            |                     |
| " 13     | 1210.0         |        | "                       |                 |                            |                     |
| " 20     | 1210.0         |        | "                       |                 |                            |                     |
| " 27     | 1210.0         | 1868.9 | 365.6                   | 27.0            | 1291.0                     | 4760.5              |
| Dec. 4   | 1210.0         |        | Not available           |                 |                            |                     |
| " 11     | 1210.0         |        | "                       |                 |                            |                     |
| " 18     | 1210.0         |        | "                       |                 |                            |                     |
| " 25     | 1210.0         |        | "                       |                 |                            |                     |
| " 31     | 1210.0         | 3115.2 | 367.0                   | 65.2            | 1401.0                     | 4948.4              |
| 1944     |                |        |                         |                 |                            |                     |
| Jan. 8   | 1210.0         |        | Not available           |                 |                            |                     |
| " 15     | 1200.0         |        | "                       |                 |                            |                     |

## TREASURY BILLS

| (£ millions)   |    |         |             |          |                           |    |                                |
|----------------|----|---------|-------------|----------|---------------------------|----|--------------------------------|
| Date of Tender |    | Amount  |             |          | Average Rate of Allotment |    | Per Cent Allotted at Min. Rate |
|                |    | Offered | Applied for | Allotted | %                         |    |                                |
| 1943           |    |         |             |          |                           |    |                                |
| Jan.           | 15 | 75.0    | 140.0       | 75.0     | s.                        | d. | 36                             |
| Sept.          | 24 | 90.0    | 188.8       | 90.0     | 19                        | 10 | 37                             |
| Oct.           | 1  | 90.0    | 190.2       | 90.0     | 19                        | 11 | 38                             |
| "              | 8  | 100.0   | 199.8       | 100.0    | 20                        | 0  | 35                             |
| "              | 15 | 100.0   | 196.3       | 100.0    | 19                        | 11 | 32                             |
| "              | 22 | 100.0   | 181.8       | 100.0    | 20                        | 0  | 41                             |
| "              | 29 | 100.0   | 193.4       | 100.0    | 20                        | 0  | 48                             |
| Nov.           | 5  | 90.0    | 213.1       | 90.0     | 20                        | 0  | 23                             |
| "              | 12 | 90.0    | 197.5       | 90.0     | 20                        | 0  | 27                             |
| "              | 19 | 90.0    | 190.4       | 90.0     | 20                        | 0  | 29                             |
| "              | 26 | 90.0    | 197.1       | 90.0     | 20                        | 2  | 30                             |
| Dec.           | 3  | 90.0    | 201.0       | 90.0     | 20                        | 2  | 23                             |
| "              | 10 | 90.0    | 197.2       | 90.0     | 20                        | 2  | 28                             |
| "              | 17 | 90.0    | 198.2       | 90.0     | 20                        | 1  | 17                             |
| "              | 24 | 90.0    | 183.2       | 90.0     | 20                        | 2  | 10                             |
| "              | 31 | 90.0    | 217.0       | 90.0     | 19                        | 10 | 41                             |
| 1944           |    |         |             |          |                           |    |                                |
| Jan.           | 7  | 90.0    | 206.4       | 90.0     | 20                        | 2  | 26                             |
| "              | 14 | 90.0    | 232.5       | 90.0     | 20                        | 2  | 50                             |

On Jan. 14th applications at £99 14s.



## OVERSEAS BANK RETURNS

U.S. FEDERAL RESERVE  
Million \$'s

|                                             | Jan. 14, 1943 | Dec. 31, 1943 | Jan. 13, 1944 | Jan. 12, 1944 |
|---------------------------------------------|---------------|---------------|---------------|---------------|
| 12 U.S.F.R. Banks                           |               |               |               |               |
| RESOURCES                                   |               |               |               |               |
| Gold certifs. on hand and due from Treasury | 20,510        | 19,615        | 19,512        | 19,500        |
| Total reserves                              | 29,046        | 20,148        | 20,100        | 20,115        |
| Total cash reserves                         | 404           | 315           | 336           | 353           |
| Total U.S. Govt. secs.                      | 5,975         | 11,615        | 11,650        | 11,855        |
| Total bills and secs.                       | 5,995         | 11,726        | 11,691        | 11,912        |
| Total resources                             | 28,541        | 34,252        | 34,081        | 33,932        |
| LIABILITIES                                 |               |               |               |               |
| F.R. notes in circ.                         | 12,109        | 16,875        | 16,908        | 16,296        |
| Excess mr. bank res.                        | 2,150         | 1,130         | 970           | 1,130         |
| Mr. bank res. dep.                          | 13,279        | 12,769        | 12,602        | 12,801        |
| Govt. deposits                              | 329           | 764           | 961           | 638           |
| Total deposits                              | 14,916        | 15,441        | 15,515        | 15,284        |
| Total liabilities                           | 28,541        | 34,252        | 34,081        | 33,932        |
| Reserve ratio                               | 77.5%         | 62.3%         | 62.4%         | 62.5%         |
| BANK AND TREASURY RESOURCES                 |               |               |               |               |
| Monetary gold stock                         | 22,712        | 22,004        | 21,938        | 21,938        |
| Treasury & bank currency                    | 5,697         | 4,096         | 4,094         | 4,092         |
| LIABILITIES                                 |               |               |               |               |
| Money in circulation                        | 15,322        | 20,428        | 20,436        | 20,404        |
| Treasury cash and dep.                      | 2,519         | 3,080         | 3,275         | 2,956         |

CENTRAL BANK OF IRELAND  
Million £'s.

|                      | Dec. 18, 1943 | Dec. 25, 1943 | Jan. 8, 1944 | Jan. 15, 1944 |
|----------------------|---------------|---------------|--------------|---------------|
| ASSETS               |               |               |              |               |
| Gold                 | 2.65          | 2.65          | 2.65         | 2.65          |
| British Govt. secs.  | 24.16         | 24.16         | 24.16        | 23.41         |
| Sterling balances    | 1.92          | 1.78          | 1.33         | 1.76          |
| LIABILITIES          |               |               |              |               |
| Notes in circulation | 28.84         | 28.70         | 28.31        | 28.06         |

CENTRAL BANK OF TURKEY  
Million Turkish pounds

|                          | Oct. 24, 1942 | Sept. 30, 1943 | Oct. 16, 1943 | Oct. 23, 1943 |
|--------------------------|---------------|----------------|---------------|---------------|
| ASSETS                   |               |                |               |               |
| Gold                     | 139.4         | 201.7          | 201.7         | 201.7         |
| Clearing and other exch. | 54.1          | 69.6           | 76.5          | 76.7          |
| Treasury bonds           | 134.4         | 131.9          | 131.9         | 131.9         |
| Commercial bills         | 395.7         | 430.3          | 427.3         | 429.0         |
| Securities               | 55.5          | 62.0           | 61.9          | 61.8          |
| Advances                 | 257.6         | 255.3          | 257.5         | 253.7         |
| LIABILITIES              |               |                |               |               |
| Notes in circulation     | 679.0         | 746.5          | 750.1         | 755.0         |
| Deposits                 | 185.0         | 222.2          | 228.2         | 224.0         |
| Clearing and other exch. | 26.4          | 35.9           | 35.8          | 36.1          |

## AUSTRALIAN COMMONWEALTH BANK—Million £'s.

|                           | Nov. 15, 1942 | Nov. 15, 1943 | Nov. 15, 1943 | Nov. 15, 1943 |
|---------------------------|---------------|---------------|---------------|---------------|
| ASSETS                    |               |               |               |               |
| Gold and English ster.    | 30.14         | 40.23         | 40.54         | 40.54         |
| Other coin, bullion, etc. | 8.23          | 9.74          | 11.06         | 12.58         |
| Call money, London        | 45.36         | 44.94         | 43.52         | 45.96         |
| Secrts. and Treas. bills  | 149.31        | 228.72        | 235.97        | 239.12        |
| Discounts and advances    | 23.63         | 19.27         | 19.17         | 19.73         |
| LIABILITIES               |               |               |               |               |
| Notes issued              | 115.86        | 156.01        | 156.01        | 156.01        |
| Deposits, etc.            | 156.52        | 166.60        | 173.81        | 18.154        |

SWISS NATIONAL BANK  
Million Swiss Frs.

|                         | Oct. 31, 1942 | Nov. 30, 1943 | Dec. 15, 1943 | Dec. 15, 1943 |
|-------------------------|---------------|---------------|---------------|---------------|
| ASSETS                  |               |               |               |               |
| Gold                    | 3484.1        | 3907.5        | 3937.7        | 3942.2        |
| Foreign exchange        | 87.3          | 91.5          | 68.9          | 71.7          |
| Discounts, etc.         | 41.8          | 47.0          | 49.5          | 52.2          |
| Advances                | 2.19          | 17.2          | 17.2          | 15.4          |
| Securities              | 64.8          | 64.5          | 64.5          | 64.4          |
| LIABILITIES             |               |               |               |               |
| Notes in circulation    | 2428.9        | 2921.6        | 2895.7        | 2900.0        |
| Other sight liabilities | 236.5         | 248.0         | 249.2         | 251.5         |

BANK OF PORTUGAL  
Million escudos

|                      | July 1, 1942 | June 16, 1943 | June 23, 1943 | June 30, 1943 |
|----------------------|--------------|---------------|---------------|---------------|
| ASSETS               |              |               |               |               |
| Gold                 | 1371.6       | 1397.5        | 1397.5        | 1397.5        |
| Balances abroad      | 2313.5       | 5381.1        | 7383.8        | 23852.5       |
| Discounts            | 271.5        | 229.8         | 266.3         | 228.5         |
| Securities           | 354.8        | 399.1         | 399.1         | 399.1         |
| LIABILITIES          |              |               |               |               |
| Notes in circulation | 4613.7       | 5592.3        | 5577.1        | 5678.4        |
| Deposits: Government | 1141.3       | 2775.0        | 2768.7        | 2731.1        |
| Bankers'             | 3566.6       | 4433.0        | 4516.0        | 4531.1        |
| Others               | 418.9        | 365.4         | 346.9         | 340.0         |
| Foreign commitments  | 237.7        | 247.2         | 252.9         | 252.5         |

BANK OF CANADA  
Million Can. \$'s

|                      | Dec. 16, 1942 | Nov. 30, 1943 | Dec. 8, 1943 | Dec. 15, 1943 |
|----------------------|---------------|---------------|--------------|---------------|
| ASSETS               |               |               |              |               |
| † Reserve: Gold      | 0.5           | 26.53         | 13.96        | 5.06          |
| Other                | 992.1         | 1263.88       | 1244.52      | 1240.87       |
| Securities           |               |               |              |               |
| LIABILITIES          |               |               |              |               |
| Note circulation     | 680.4         | 844.55        | 852.16       | 857.75        |
| Deposits: Dom. Govt. | 37.0          | 66.08         | 52.02        | 23.47         |
| Chartered banks      | 250.3         | 360.63        | 327.15       | 318.71        |

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

(Continued from page 128)

**MONEY RATES, LONDON.**—The following rates remained unchanged between Jan. 14th and Jan. 20th:—

Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 50 days, 1½%; 3 months, 1½%; 6 months, 1½%; 12 months, 1½%. Treasury Bills: 2 months, 1½%; 3 months, 1½%; 6 months, 1½%; 12 months, 1½%. Short Loans, 1½%. Bank deposit rates 1½%. Discount deposit at call 1½%; at notice 1½%.

**Exchange Rates.**—The following rates fixed by the Bank of England remained unchanged between Jan. 14th and Jan. 20th. (Figures in brackets are par of exchange.)

United States. \$ (4.863) 4.021-03½; mail transfers 4.021-03½. Canada, \$ (4.863) 4.43-47; mail transfers 4.43-47½. Switzerland, Francs (25.24) 17.30-40. Sweden, Krona (18.159) T.T. 16.85-95. Dutch West Indies, Florin (12.11) 7.58-62. Portugal, Escudos (110) 99.80-100.20; mail transfers 99.80-100.30. Panama, \$4.02 04; mail transfers 4.02-04½. Brazil, 83.64½ cr. (buying). Uruguay, 7.6597 p. (buying).

**Fixed Rates for Payment at Bank of England for Clearing Offices.** Spain, Pesetas 44.00. Turkey, Piastres 520. Italy, 71.25 lire.**Market Rates.**—The following rates remained unchanged between Jan. 14th and Jan. 20th.

Egypt, Piastres (97½) 97½. India, Rupee (18d. per rupee) 17½-18½d. Belgian Congo, Francs 176½-1. China, National \$3-3½. Iran, Rl. 128-150.

**Special Accounts** are in force for Chile, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London. Rate for payment into Argentine special account: 16.05 pesos.**Forward Rates.**—Forward rates for one month have remained unchanged as follows: United States, ½ cent pm-par. Canada, ½ cent pm-par. Switzerland, 3 cents pm-par. Sweden, 3 ore pm-par.

## NEW YORK EXCHANGE RATES

| New York on | Jan. 12 | Jan. 13 | Jan. 14 | Jan. 15 | Jan. 17 | Jan. 18 | Jan. 19 |
|-------------|---------|---------|---------|---------|---------|---------|---------|
| Cables:—    |         |         |         |         |         |         |         |
| London      | 402½    | 402½    | 402½    | 402½    | 402½    | 402½    | 402½    |
| Montreal    | 89.500  | 89.430  | 89.500  | 89.500  | 89.500  | 89.500  | 89.500  |
| Zurich      | 38.00   | 38.25   | 38.05   | 38.05   | 38.75   | 38.25   | 37.10   |
| Rio         | 25.06   | 25.06   | 25.06   | 25.06   | 25.06   | 25.06   | 25.06   |
| Barcelon    | 9.20    | 9.20    | 9.20    | 9.20    | 9.20    | 9.20    | 9.20    |
| Stockholm   | 23.85   | 23.85   | 23.85   | 23.85   | 23.85   | 23.85   | 23.85   |

\* Official buying rate 29.78.

† Free rate.

‡ Bid.

## INVESTMENT

## Stock Exchanges: London

## "FINANCIAL NEWS" INDICES

| 1944    | Total Bargains in S.E. List | Corres. Day 1943 | Security Indices | 30 Ord. shares* | 20 Fixed Int.† |
|---------|-----------------------------|------------------|------------------|-----------------|----------------|
| Jan. 13 | 5,194                       | 5,578            |                  | 103.4           | 134.3          |
| " 14    | 5,245                       | 5,349            |                  | 103.5           | 134.4          |
| " 17    | 5,514                       | 7,049            |                  | 103.5           | 134.4          |
| " 18    | 5,384                       | 5,372            |                  | 103.6           | 134.4          |
| " 19    | 5,058                       | 5,676            |                  | 103.8           | 134.5          |

\* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1943: highest, 106.1 (Oct. 1); lowest, 94.1 (Jan. 4). 20 Fixed Int., 1943: highest, 136.8 (Jan. 22); lowest, 133.1 (Sept. 8).

## New York

## STANDARD STATISTICS INDICES

## DAILY AVERAGE OF 50 COMMON STOCKS

| 1944   | Average | Transactions | 1944    | Average | Transactions |
|--------|---------|--------------|---------|---------|--------------|
| Jan. 7 | 117.9   | 833,000      | Jan. 11 | 117.6   | 996,000      |
| " 8    | 117.7   | 346,000*     | " 12    | 118.1   | 705,000      |
| " 10   | 117.9   | 722,000      | " 13    | 117.3   | 678,000      |

1943: High, 125.4 (July 14); Low, 99.3 (Jan. 2). \* Two-hour session.

(WEEKLY AVERAGES) (1935-36=100)

|                | 1943 | Dec. 29, 1943 | Jan. 5, 1944 | Jan. 12, 1944 |
|----------------|------|---------------|--------------|---------------|
| Low            |      |               |              |               |
| High           |      |               |              |               |
| 37 Industrials | 81.1 | 133.5         | 93.7         | 97.1          |
| 32 Rails       | 72.6 | 99.9          | 85.7         | 88.9          |
| 40 Utilities   | 67.9 | 89.6a         | 85.3         | 87.1          |
| 419 Stocks     | 78.5 | 100.9         | 91.9         | 95.0          |
| Av. yield %    | 5.36 | 4.35          | 4.85         | 4.71          |

\* Common Stocks.

(a) Aug. 25.

## Capital Issues

| Week ending          | Nominal Capital | Conversions | New Money |
|----------------------|-----------------|-------------|-----------|
| January 22, 1944     |                 |             |           |
| To shareholders only | 2,000,000       | 1,960,000   | £         |

Particulars of Government issues appear on page 129.

| Year† | Including Conversions | Excluding Conversions |
|-------|-----------------------|-----------------------|
| 1944  | 49,750,891            | 47,790,891            |
| 1943  | 57,298,985            | 55,053,495            |

| Year† | U.K.       | Foreign Countries | Nature of Borrowing* |
|-------|------------|-------------------|----------------------|
| 1944  | 47,672,641 | 118,250           | 47,672,641           |
| 1943  | 54,203,722 | 787,000           | 55,015,895           |

\* Conversions Excluded. † Includes Government issues to January 11, 1944, only. Above figures include all new capital in which permission to deal has been granted.

## INDUSTRY AND TRADE

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

|                  | Mar. 31, 1937* | Aug. 30, 1939 | Jan. 12, 1943 | Dec. 28, 1943 | Jan. 11, 1944 |
|------------------|----------------|---------------|---------------|---------------|---------------|
| Cereals and Meat | 93.0           | 66.9          | 108.4         | 108.1         | 108.7         |
| Other Foods      | 70.4           | 61.1          | 105.3         | 107.3         | 107.3         |
| Textiles         | 74.2           | 54.3          | 93.9          | 91.9          | 92.7          |
| Minerals         | 113.2          | 95.4          | 135.9         | 135.9         | 136.9         |
| Miscellaneous    | 87.0           | 77.6          | 124.1         | 127.2         | 128.9         |
| Complete Index   | 87.2           | 70.3          | 113.2         | 113.7         | 114.6         |
| 1913=100         | 119.9          | 90.8          | 155.8         | 156.5         | 157.7         |

\* Highest level reached during 1932-37 recovery.

(Continued on page 132)

## THE ECONOMIST

ESTABLISHED 1843

Vol. CXLV No. 5240

REGISTERED AS A NEWSPAPER

JANUARY 29, 1944

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

ONE SHILLING

Industrial Policy - - - - 133

South American Survey - - 144

Japanese Strategy - - - - 135

The Banks Look Ahead - 149

Planned Expansion - - - - 136

The Cotton Industry - - 150

NOTES OF THE WEEK - - - - 138

## THE BUSINESS WORLD

Mr Hudson Speaks; Whose Minister?; Stretched Defences; Commonwealth Co-operation; Independence and Interdependence; Mr Bevin's Concession; The Finance of Religious Teaching; Local Burdens; Protests to Spain; Stronger Line in South America; Poland, Russia and America; More Judges; Coal-mining Wages; The Government on Monopolies; UNRRA Debate; Domestic Service; Civil Service; Agricultural Education; Shorter Notes.

AMERICAN SURVEY - - - - 143

Fourth Term; States Rights vs. Soldiers' Rights; Debate on UNRRA; Labour Politics; Shorter Notes.

THE WORLD OVERSEAS - - - - 144

South American Survey; Canadian Fuel Resources; Russia at War.

COMPANY MEETINGS - - - - 157

RECORDS AND STATISTICS - - 160

THE ECONOMIST, BRETTENHAM HOUSE, LANCASTER PLACE, LONDON, W.C.2. TELE. TEMPLE BAR 3316. ANNUAL SUBSCRIPTION £3.

## Industrial Policy

THE substance of the Report submitted to the President of the Board of Trade by the Post-War Committee of the Cotton Board is analysed in an article in "The Business World" on page 150. Cotton is still one of the largest of the nation's industries, a vital constituent of the export trade and the chief support of a whole region. But issues of general industrial policy are raised by this Report which greatly transcend the importance of any single industry. The Cotton Board's Report is one of the first to be presented by a major industry in response to the request of the Board of Trade, and precedents will be set by its reception.

Indeed, from this point of view, the congratulations that are due to Sir Raymond Streat and his colleagues for their promptness are tinged with a certain regret that it is cotton, of all industries, that comes forward as the test case. For cotton is not a typical industry. It is that rarity in modern Britain, an industry that is more dependent on exports than on the home market (though only just, nowadays). And, partly because of this dependence on exports, it is one of the few industries that is much smaller than it was thirty years ago, and is nevertheless still suffering from over-capacity. Nevertheless, the general issues having been raised by cotton, it is against a background of cotton that they must be faced.

The circumstances in which the Report has been produced are worth noting. As the Committee observes, the Report has had to be written in "the absence of anything in

the nature of a lead from the Board of Trade" on the major issues of economic policy "in such matters as the terms of international trade, international exchange arrangements, the policy as regards raw materials of world-wide importance, the location of industry, national policy in regard to stability of employment, price control and so forth." Obviously, the Government cannot be expected to answer all these questions at once. But still less can a single trade; and if nevertheless it is asked to make its requests for the future, the result is bound to be somewhat self-centred. If industry is left in the dark, it will naturally ask for the moon. Moreover, the Committee making the Report was a body of 28 members representative of every section of an industry which, more than most, is divided horizontally, vertically and locally. With the exception of a reservation by three members on one small point, the report is unanimous. In the circumstances, the fact that it contains any specific recommendations at all is a tribute to the chairman, and the plethora of bromides and ambiguities should not be a matter of surprise. Clearly nothing new or sharp or forceful can be expected from the highest common measure of so many diverse factors.

The main outline of the Report's proposals is that maximum and minimum prices for cotton cloth should be fixed by law; that there should be an organised redundancy scheme, financed by compulsory contributions, in any section where redundancy can be proved to exist;

and that the whole plan should be administered by a Board designed to be representative of the industry. On these central recommendations everything else is made to depend. The report attaches its hopes for the industry's future prosperity to price management, to the reduction of capacity and to "self-government." With prosperity attained by these methods, there will be no difficulty about research, re-equipment and progressive efficiency. Without it, nothing can be done.

The only sound general attitude to take towards schemes for fixing minimum prices is one of intense suspicion. There are few occasions on which the interest of the general community can be served by preventing those who are willing to sell cheap from doing so, and many occasions on which the power to fix prices, whether conferred by law or by agreement, can be turned into a device to protect and enrich a special interest against the generality. The restraint of trade by the fixation of minimum prices should be permitted only in exceptional cases, and even then only under close supervision.

This doctrine has been stated the more emphatically because it may well be that cotton is one of the justified exceptions. When permanent over-capacity is combined with a large number of unorganised producers, the phenomenon of "weak selling" appears. The frequency of "weak selling" has perhaps been exaggerated. But it does exist, and it cannot serve the interest either of the consumer of cotton cloth or of the nation at large that the cotton industry should be forced to consume its capital.

But if, as a hypothesis and by way of exception, the advisability of price-fixing be conceded, a further question immediately becomes pertinent: by what criterion are prices to be fixed? The draftsman of the Report shows his awareness of the problem; but he takes refuge from it in a flurry of ambiguities:

The principle to govern the level of prices . . . should be that of securing a reasonable rate of return in the long run to an efficient firm as determined by an investigation of the average results of a representative group of efficient concerns.

This is almost meaningless. What is reasonable? What is representative? What is efficient? What, indeed, is cost? If anyone believes that these questions can be answered by the agreement of "reasonable" men, let him observe the present controversy over farm prices, or let him study the past history of any price-fixing scheme. There is, indeed, one economic test of a fair price. The fair price is that which, in conditions of competition, will in the long run bring forth exactly the amount that is demanded at that price, neither more nor less. But if any conclusion emerges from the history of price fixing with any clarity it is that the attempt to fix any such economically justified price is met with screams of anguish from the producers. Any price in the fixing of which the producers have the dominant say will, naturally and inevitably, be too high for the long-run stability of the industry. That can be propounded almost as a maxim of universal validity.

It follows that the state will be running counter to its own interests if it gives its consent, or its assistance, to any price-fixing mechanism without first laying down on what principles the prices are to be fixed, and without first making certain that the persons who are to do the fixing can be relied upon to abide by the principles. And what should those principles be? It is easier to say what they should not be. They should not be the average costs of a representative collection of firms deemed by themselves to be efficient—for that would probably turn out to be an endowment of the complacent. If the fixed price is intended to be a minimum—one below which no one is to be allowed to sell—it should not attempt to cover the total costs of most of the firms in the industry—for otherwise no newcomer of enterprise and efficiency can increase his share of the trade. The avowed object of a minimum price, after all, is to prevent weak selling, not competition. As one example of the sort of principle that could be set up, it might be provided that no minimum price should exceed the total costs of the most efficient firm, or the prime costs of the lower quartile—that is, of

the firm whose costs stand one-quarter of the way up from the lowest to the highest. Whether or not this would be appropriate, the important point is that the Government should never grant legal power to fix prices without laying down some principle, this or some other. And if such a principle were laid down, it is almost certain that the appropriate body to implement it would not be a representative board.

In short, it may be that a case can be made out for price-fixing in the cotton industry. But before it can be accepted the Government must provide itself both with a price policy and with an agent to execute it.

Much the same considerations apply in the matter of redundancy schemes. He would be a bold man who denied the existence of permanent over-capacity in some sections, and perhaps in all sections, of the cotton industry, and if there is redundant plant the industry can most quickly be placed on a sound footing by removing it. But the particular method proposed in the Report for the removal of redundancy is open to the most serious objections. Briefly, the Report follows the precedent of the Cotton Spinning Industry Act of 1936, the "spindles scheme." No firm is to be compelled to reduce its plant, but a price is to be offered for the purchase of plant for scrapping, the cost being recovered by a compulsory levy on the plant that remains in production.

Undoubtedly, this method is politically the easiest—which explains its enactment in the era of soft options. But it is thoroughly bad in principle. Since the scheme is voluntary, the bribe offered has to be considerable and the addition to price by means of the levy is significant. There is therefore (especially in the case of an export industry) the risk of a vicious circle. Excess capacity leads to a levy, which increases prices, which reduces sales, which swells the excess capacity. The only method by which excess capacity can be removed without adding to the costs of those who remain—that is, without reducing the efficiency of the industry—is by giving the owners of the scrapped spindles or looms a share in the equity profits, if any, of the industry. And the only method by which that result can be brought about is a policy of amalgamations, voluntary or compulsory. But before this alternative can be pursued, the Government must again go through the painful process of making up its mind what it wants and of finding agents to execute its wishes.

The preceding paragraphs have contained some severe criticisms of the Cotton Board's report. But it would be a mistake to regard the criticisms as being directed chiefly at the Board. Their concern, after all, is with the interests of the cotton industry, not with the requirements of general public policy. It is rather to the Board of Trade and to the Government generally that the complaints should be addressed. It is true that the economics of the future cannot now be laid down in all its details. But industry has a right to demand of the Government at least as much as the Government is demanding of industry—that it should consider the main outlines of its post-war policies and announce the results. To judge from public pronouncements, or their absence, the Government has very little notion of its industrial policy. Are price-fixing, quota-determining cartels looked upon with favour or not? If they are to be permitted, within what limits are they to work? What does the Government regard as the greater danger, "cut-throat competition" or restrictive monopoly? Can productivity be best secured by protecting what exists, or by leaving an open road for innovation? Which is better, high prices so that no one works at a loss, or low prices so that trade can expand? If the Government does not approve of the prescriptions that industries write for themselves, has it any medicine of its own? No one outside official circles has any idea what the Government's answers to these questions may be. Does anyone inside know?

Some answer will presumably have to be given to the Cotton Board's report, and to the others that will follow. Nor can the Government return either a simple Yes or an unexplained No. They will have no option but to give this whole complex of questions the hard thought of which it has hitherto been deprived.

## Japanese Strategy

JAPAN has entered the third year of war in a more sober mood. The exaltation of the early victories has passed. The rapid disintegration of the Axis position in Europe and the steady success of the Allied counter-offensive in the South-West Pacific are both danger signals of a world situation which is steadily turning against the interests of Japan. So far, perhaps, the people are not conscious of any striking change, but the note sounded by General Tojo and by most Government spokesmen has in it now an undercurrent of warning.

Yet the military and political leaders are not depressed. The political and economic position of Japan appears to be still fairly stable. Very little news percolates through the strict cordon of censorship and inaccessibility, but obviously the Japanese authorities are not facing any immediate crisis. There appear to have been no breaches in the political unity of the country. The economic situation is relatively speaking under control. As in other war economies, the workers are enjoying high wages and assured employment. Rationing is functioning fairly well, and the people are contributing fully to the war savings movement. The Japanese are a disciplined race, and although there is a big black market and a growing threat of inflation—almost no consumer goods are available and clothing is a special problem—the controls are adequate.

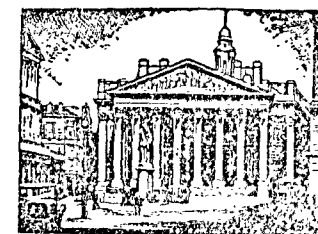
Yet there are undoubted danger signals, politically and economically. Since the suppression of all the political parties two years ago, there has been no open criticism of the Government in the Diet; but the political groupings still exist and still represent the opposition of the business world to the policy of the military leaders. This opposition expresses itself in restiveness under the growing pressure of Government control, and in apprehension at many of the profound changes which war has made necessary in the Japanese economy. The structure of Japan, in which effective power lies with the military and industrial leaders, has often been compared with that of Nazi Germany. The analogy is not exact. The struggle for power lay between the military and the business world, with the military leaders little by little gaining the upper hand. Up to the time of the attack on Pearl Harbour and beyond, the industrialists still held their own in the economic sphere. What control there was, they exercised, and Japan had by no means a total war economy.

The strain of the last two years has entailed very great changes. It has been necessary to introduce strict priorities and to concentrate industry; the textile industry has been cut down drastically; and such is Japan's shortage of steel that textile machinery has been scrapped whole-

sale and the materials used for machine building in the armaments and chemical industries. The balance of Japanese industry has tipped over from textiles and consumer goods to heavy industry. The process of transfer and rationalisation has been pressed through increasingly under the influence of military leaders. The process culminated in the changes introduced by General Tojo in September, 1943. Until that time, the old Ministries of Finance, of Commerce and Industry, and of Agriculture and Forestry had continued to guide the war economy under the direction of a Cabinet Planning Board, whose chairman was a Cabinet Minister. This machinery proved too cumbrous to put through the sweeping changes demanded by the worsening of the war situation. General Tojo abolished the Planning Board and the Ministry of Commerce and Industry. All non-war economic activities were placed under a Ministry of Commerce and Agriculture, and war activities came under the control of a new Ministry of Munitions of which Tojo is head, combining the post with those of Prime Minister and War Minister. Among the first acts of the new Ministry was to establish new priorities. Aircraft production occupies first place, shipbuilding second.

The centralisation of power under military leadership is displeasing to the business world, who have seen in Manchuria how far "military socialism" can oust them from control. But concern is more widespread than the grumbings of business people. Any Japanese leader, business man, court politician or soldier must have misgivings about the long-term effects of the war economy. There is the fact already noted that the traditional basis of Japan's export trade—textiles and cheap goods—has been undermined. It is true that the policy of concentration has been mitigated recently by a counter-policy of dispersion—Japanese experts are in Germany carefully watching the effects of the air offensive. But the top-heaviness of Japan's economic and social structure has been increased by the gathering of further resources and controls into the hands of the few giant concerns and the wholesale closing down of medium and small businesses and workshops. More and more independent artisans have become workers. The countryside has been so drained of manpower that the army, anxious for the future quantity and quality of its recruits, has demanded that the percentage of country dwellers to town dwellers shall not be allowed to drop below 42 per cent. At present, the flight from the land, the swollen proletariat, the topheavy industry, the lack of consumers' goods, present no immediate threat. But if a crisis were to develop under pressure of mass bombing and of defeat? If the collapse of Government credit were to ruin all the small savers?

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If the cutting-off of all outside supplies were to lead to famine? The long-term prospects of stability are absolutely conditional upon staving off defeat. In a complete military disaster, it is by no means certain that the traditional docility and loyalty of the people or the religious character of the Emperor's position would stave off revolutionary change.

Japan's leaders still believe that they can stave off defeat. Although it is only possible to guess at their intentions, it seems likely that they envisage a long war of attrition, in the course of which the British and Americans, deterred by enormous losses and the passage of time, will finally agree to a compromise peace. The military basis for this strategy would be the "impregnable" position of Japan, occupied China—or at least North China—and Manchuria. There is evidence to suggest that the Japanese are prepared to abandon their more scattered conquests—for example, in spite of the occupation of the Netherlands East Indies and the plethora of oil supplies, the production of synthetic oil is still going on in Manchuria. But the China-Manchuria-Japan triangle would be defended to the last. The new concentration on aircraft and shipbuilding is probably designed more to make the sea approaches to the triangle impregnable than to protect all the sea lanes of the Co-Prosperity Sphere.

The flaw in this strategy is the equivocal position of Russia. The Far Eastern Red Army threatens the Manchurian base and the Siberian air bases threaten Tokyo. The Japanese are working for one thing only, the neutrality of Russia. For example, after one incident two years ago, when a Japanese submarine sank a ship bringing in American supplies to Vladivostok, there has been no interference with the flow of war supplies across the Pacific to Russia even though the ships pass through the Tsugaru Straits between two islands of Japan. As a reinsurance, the pick of the Japanese army is kept in Manchuria, and the frontier is constantly reinforced. For the rest, the Japanese rely on Russia's war weariness and on the chance that the Russian leaders will be inclined to allow the brunt of the Far Eastern fighting to fall on the less tested Americans and British.

If, in spite of Russian abstention and in spite of delays and losses, the British and American forces succeed in getting within striking distance of the Japanese "triangle," then probably the Japanese Government will attempt to use the bogey of Bolshevism. Their own social equilibrium will be unstable enough to give some basis to their case. They will point to deep underground links between Japanese, Korean, Manchurian and Chinese Communism. It is of incidental interest that the Japanese Communist leader, Okano, arrived recently at Yenan at the headquarters of the Chinese Communists and issued

an appeal to the Japanese armies to return home, overthrow the tyrants and set up a "People's Government" to determine Japan's future. The Japanese militarists and business groups will protest that unless the Allies cease their attacking or bombing, they will be unable to resist the tide of revolution or the emergence of people's governments in Japan, Korea and Manchuria which will exclude all future American influence, look to Russia for leadership and bar British and American commercial interests in China. As an alternative, the present leaders would offer to abandon all their conquests, to set up a liberal regime under a "constitutional deity," to accept the Chiang Kai-shek regime in China and to enter into advantageous economic relations with American and British business. Obviously, an appeal of this sort, coupled with some such bait, might well tempt the timid in the United States, in Britain and in China. For example, the position of the Emperor, as a bridge to a more liberal system, is already under discussion in the United States.

Nor should it be ruled out that, if the four Great Powers do not co-ordinate their policies, revolutionary Governments might more or less spontaneously appear in the "triangle" in the hour of Japan's collapse, and the Far East might come to be sharply divided into spheres of conflicting interest and ideology, with North China, Manchuria, Korea and Japan looking to Russia and practising national planning on autarkic and exclusive models, while central and southern China looked to the United States and Britain and attempted to remain in contact with a world-wide economy. The possibilities of conflict need not be underlined.

The solution can only lie at the level of the Great Powers. Russia is the key to the rapid military defeat of Japan. Russia is equally the key to Japan's long-term plans for military and political stalemate. If the Great Powers cannot agree on a common policy for the Far East, on the type of regime they will jointly find acceptable, on the economic policies they will jointly pursue, on the wider political framework into which they will fit the liberated and restored territories—ultimately including in these Japan—then the likelihood of splits and divisions and the building of hostile spheres of influence cannot be dismissed. The problem is very similar to the problem of finding unity in Europe, although Russia's Far Eastern neutrality represents a further element of ambiguity in that region. Russia, China, the United States and Britain have an overwhelming interest in Far Eastern stability and prosperity. These cannot be achieved unless they all contribute their part. If they are not prepared to do so, the Japanese may achieve what Hitler has so far failed to achieve—the disintegration of the Grand Alliance.

return, you face starvation. And thirdly, the compulsory preoccupation of governments with full employment makes it much more difficult for them to ignore even a small and temporary adverse balance of payments. There is no inherent bias towards restriction in the multilateral system—on the contrary it has in the past been the great principle of expansion—but in the actual circumstances of the post-war world, it is probable that an unplanned multilateral system would, in fact, achieve a balance of debits and credits by the harmful process of cutting down the larger.

Nor, as was argued last week, do the projected international currency and development schemes promise to go far enough to remedy this defect. The Keynes and White plans defer the debtor's necessity to cut down his imports—but only for a time and at the cost of supervised restriction thereafter. The scheme for an international development bank—though highly desirable for its own sake—would not direct enough funds to the right places in the international credit system to prevent the necessity for

restriction. The economic thinking on international matters exemplified in these plans is still only at the point reached by orthodox thinking on internal employment policy before the Great Depression. A deficit country is in much the same position among the nations as an individual who, within a community, cannot buy as much as he wishes owing to the lack of demand for his labour. It is no longer the orthodox view that nothing at all should be done and that events should be left to take their course. But official thought has not yet got beyond the view that temporary loans are all that can be offered to the unemployed, and that all public works must be "remunerative." This is an advance, and it may be as far as it is possible to get in the present climate of opinion; but it is not enough.

The next step in the argument is to enquire whether there are any means by which an international policy of balance-through-expansion could be built up within the multilateral framework, to match the modern ideas on the maintenance of income within each national economy. Two proposals that have been put forward in public within the last two years can be selected as fair examples of the lines on which thought might proceed. The first is simple in its basic conception, but is not complete. The second meets the theoretical requirements, but would be complicated in operation.

The first example is the proposal put forward in the January 1942 issue of the American review *Foreign Affairs* by Mr Herbert Feis. (Mr Feis was at that time on the staff of the State Department, from which he has since resigned; but he was writing in his unofficial capacity.) Reduced to its essentials, Mr Feis's proposal was that if any country, in any year, incurred a favourable or positive balance of payments—that is, broadly speaking, if it sold more than it bought—the amount of the balance should stand to its credit on the international books for two years. Within that period, the country could use its credit to buy goods or services of any kind from anywhere; but any credit that remained outstanding at the end of two years should be cancelled. Cancellation would, of course, wipe out a corresponding amount of the deficits of countries with unfavourable balances of payments.

The merit of Mr Feis's scheme is that it puts the responsibility for balancing the accounts on the only person who can, by his own volition, balance them upwards—namely, the creditor. To the extent that a creditor increased his imports rather than lose all benefit from his sales, the Feis plan would induce upward balancing. But it does not compel upward balancing and, political pressures being what they are, most creditors would probably submit to cancellation rather than increase their imports. The debtor would be relieved of the necessity of balancing his accounts by cutting down his imports—which would be much better than nothing at all—but the Feis plan would not achieve the ideal solution of increasing the debtor's exports. It is a halfway house between expansion and contraction.

The proposals that can be taken as an example of the second line of thought are those put forward by Mr Kalecki and Mr Schumacher of the Oxford Institute of Statistics in August last. The essence of this plan is that, in addition to any balances arising out of ordinary trade, international credit should be created by the Clearing Union or other international authority; that it should be placed at the disposal of countries requiring international help in their development, industrialisation or reconstruction (these countries would define themselves as those willing to accept foreign capital goods for development purposes); and that it should be spent only in countries having a debit balance on ordinary trade. This would be closely analogous to the financing, in the domestic sphere, of "unremunerative" public works out of a credit expansion, with the further stipulation that the money should be spent only in depressed areas. Provided that these "international public works" could be set on foot at the right time and to the right amount, and provided also that the deficit countries could provide the capital goods required—two large provisos—this scheme satisfies

the theoretical requirements. It would cure any lack of balance in the international accounts by creating additional trade which would not otherwise have existed.

But neither the Feis plan nor the Kalecki-Schumacher plan can be regarded as practical politics. If American opinion is inclined to look with suspicion on the much more orthodox Keynes plan, it would clearly be quite impossible to get assent to these bolder proposals. It is true that the United States would not suffer any real disadvantage. On the contrary, America stands to gain from any successful balancing of world trade, since the alternative is a vicious spiral of restriction in which American exports, and therefore American employment, would certainly suffer. Nevertheless, it cannot be expected that the American politician should be in favour of a plan that would lead to the regular cancellation of large American credits, or to the financing, with international help, of exports of capital goods from countries of which America would not expect to be one.

It would be unfair and incorrect, however, to pretend that the only difficulty is an insufficiency of logic in Washington. There is a real difficulty involved as well. It is most unlikely that either the forgiveness of debts or international public works could be organised on a scale large enough to solve the problem. The probability is that the total of the world's favourable balances of payments (or of the unfavourable balances, which in the final analysis are the same thing) will, in the absence of special restrictive or bilateral devices, be of the order or magnitude of \$5 billion a year. Gaps as large as this cannot be closed by the methods hitherto discussed.

It may seem to some readers that too much of a fetish has here been made of the necessity of seeking balance in international trade by expansion. May there not be occasions when a country's international trade difficulties are due to mistakes in its policies, and can best be corrected by compelling it to set its internal house in order? May there not be times when an insistence on expansion may merely lead to inflation? There may be substance in these doubts; but they run counter to the economic philosophy which is the deliberate choice of the present generation. There is, once again, an analogy between the relations of individuals within a nation and of nations within the world community. There is a risk in the policy of full employment that it may let fundamental distortions go uncorrected. But the corrective force of adversity is arbitrary and uncontrollable, it disturbs harmony more often than it corrects distortion, it inflicts a ton of misery for every ounce of healthy correction. For good or evil, the fundamental postulate of economic policy the world over is expansion, and the system of international trade must conform. There may be times—the present is one—when the task is to compress a limitless demand within the measure of the available supply, and at such times all the rules work in reverse. But in peacetime the presumption is that inflation will always be less to fear than deflation.

The conclusions to be drawn from this long discussion of the prospects of a universal, multilateral system are thus three. First, no system will better suit the interests of Great Britain than a universal system, if it can be attained. Second, there are means by which a multilateral system could be made to serve the interests of a general policy of economic expansion. But third, these means are not at present attainable, partly because of a lack of agreement upon them, partly because of the magnitude of the present dislocations. The course of British policy is thus, in outline, clear. The re-establishment of a universal system, with an expansionary bias, should be the objective of our long-term policy and we should do everything in our power to persuade the commercial world to accept the means by which it can be established. But until this agreement is attained, and until the present enormous gaps in the nation's balances of payments can be closed, we have no option but to examine the less-than-universal, the less-than-fully-multilateral, the less-than-completely-orthodox alternatives. It is with them that the next article will be concerned.

### The Principles of Trade—V

## Planned Expansion

THE universal or multilateral system of international trade has served the world well in the past. Without the ability to seek profitable exchanges wherever they could be found and to engage in buying and selling free from the restrictions and complications of bilateral barter, the volume of world trade could never have been built up to the dimensions it reached, to the great advantage of living standards, in the years before the Great Depression and Hitler's War.

But in the circumstances in which the world will find itself when the war is over, it is unlikely that a simple reversion to unplanned multilateralism will meet the requirements of economic policy. The international accounts of most nations, including those of America and Britain, will be too badly unbalanced to be left to the natural curative processes of unplanned trade. Moreover, to work a multilateral system requires that all the participants, or at least the larger participants, shall have substantial reserves. It is foolish to cast your bread upon the waters of multilateralism if, before the due season of its

## NOTES OF THE WEEK

### Mr. Hudson Speaks

Mr Hudson's exposition of the Government's case in Wednesday's debate on farm prices necessitated, as many people expected, the use of a number of figures hitherto unpublished. The large increases in the gross receipts of agriculture were shown to have exceeded very considerably any increases in costs of production, whether arising from wages or from other causes. The gross receipts of agriculture on the pre-war basis were £270 million. By 1940-41 there had been an increase of £110 million to a total of £400 million. Against this, gross costs had risen by £46 million, of which £26 million represented wage increases. Up to 1940-41, therefore, farmers had a net gain of £64 million. By December, 1941, there had been a further increase in costs of £30½ million, of which £19½ million represented wages. Against this the farmers claimed price increases of £55 million and were granted £23 million. Then again at the end of 1943 there were wage increases amounting to £15 million, against which price increases amounting to £6 million were given. The gross receipts of farmers increased by £110 million up to 1940 and have increased by a further £130 million since; over the whole period the gross income has risen faster than the gross costs. These were the main disclosures; for the rest, Mr Hudson's case was well and fairly explained. He resisted the temptation to sharpen the controversy; and both by the tone of his speech and by the timely offer of a concession to small milk producers, he went a long way to allay the hostility of the farmers, which received only softened expression in the subsequent debate. Indeed, when the issue is fully explained (as it has never hitherto been) the charge of a breach of faith can hardly be sustained. The underlying issue, of course, is future policy. But if nothing else of value has emerged from over three months of acrimonious dispute and indignation, the proposals to set up a permanent mechanism to fix guaranteed prices for agriculture, beyond doubt in its impartiality and beyond question in its accuracy, are most welcome.

### Whose Minister?

This week's debate in Parliament on farm prices raises a consideration of very great general importance. A new and dangerous doctrine of representation is creeping into our politics. The corporative idea, according to which legislators or Ministers represent interests and special groups within the community, has never been accepted in this country—though it was proposed, by Mr Churchill of all people, as the basis of an additional Economic Parliament, in his Romanes Lecture nearly twenty years ago. It is the community, mirrored in its constituencies, that Parliament represents, and the communal interest that Cabinets should be concerned to defend and further. This is both traditional and right. But there are those who would have it otherwise. Mr. Hudson is sometimes attacked, not because he has let the country down, but because he has let the farmers down. Mr Bevin openly speaks on behalf of trade unionists. Sir Archibald Sinclair is expected by the Air Marshals not only to press the rightful claims of his department, which is his duty (within the limits of Cabinet policy), but also to press their views and stratagems in inter-Service controversies. Sir Stafford Cripps is regarded askance by the aircraft industry because he has tried, with mixed success, to be not their man but the community's. In part, this nonsense arises from the conditions of wartime Coalition. The setting-up of Mr Churchill's Government in 1940 was, largely at least, a process of bargaining between groups and interests. Mr Bevin had to be Minister of Labour to bring in the trade unions. So, in wartime conditions, the farmers must apparently be appeased by a Minister who, until now, has been ready—as “one of them”—to do them proud. But, whatever rules or expedients may have been needful three and a half years ago, the time has come to go back to a more wholesome and more democratic doctrine. Mr Hudson is not, or should not, be the “farmers' boy.” Mr Bevin is a Minister of the Crown and of the community, not Labour's mouthpiece. Coalition has many disadvantages; but none is greater than this tendency to regard its essence as collective bargaining, not only between

political parties, each seeking rights and staking claims in the distribution of offices, but also between organised interests, almost regardless, it would seem, of the common man—and elector.

### Stretched Defences

With the Allied landings at Nettuno on January 22, the Italian campaign again assumed the amphibious character that makes it possible for the Allies to overcome the important tactical handicaps of land warfare in the Italian peninsula. In striking contrast to the experience at Salerno, the Nettuno landing completely surprised the enemy. It met with almost no opposition in its initial stage. Even after five days only “gradually stiffening enemy resistance” has been reported. The disembarked divisions are by now well supplied with armour and heavy equipment. The nearness of the landing base to Rome perhaps led laymen to expect a lightning stroke at the Italian capital. In General Alexander's intention, however, the operation seems to aim rather at enveloping Kesselring's forces which are fighting to the south on the Garigliano and Rapido rivers. The German reaction has given a significant indication of their strategic position. Unable to meet the Allied forces at Nettuno quickly and in sufficient strength, they concentrated first on holding the Fifth Army on the Garigliano and the Rapido and then on launching counter-attacks against it. By doing so they hope to prevent the southern jaw of General Alexander's pincers from closing, and in the meantime to gather forces for action against the northern threat. They have the advantages of interior lines. But in practice it is very difficult for them to switch forces from east to west over the now snow-covered Apennines. The alternative is to switch forces from north to south. But the German lines of communication here are exposed to heavy air bombardment by the Allies. The latest reports speak of German reinforcements dropped by parachute; but such reinforcements can hardly be sufficient to prevent the consolidation and extension of the Nettuno springboard. In the last resort the issue will be decided by the reserves on which Kesselring is free to draw for the defence of southern Italy. So far the signs point to shortage of reserves to draw on, just as reports on the victories which the Russians are scoring on the Lenin-grad front speak of undermanned defences.

### Commonwealth Co-operation

Mr Attlee has told the House of Commons that a meeting of Commonwealth Prime Ministers will be held in London very soon. A few days ago, at Toronto, Lord Halifax made a remarkable and statesmanlike speech which might well inspire the Conference's work. The gist of his argument can be stated in a single sentence from the speech:

The Statute of Westminster was in a sense a declaration of independence, but it was more than that; it was also a declaration of interdependence, a recognition that in the world of the twentieth century no country can live by itself and for itself alone.

This recognition was embodied, in a very practical fashion, in last week's Canberra Agreement between the Governments of Australia and New Zealand; which set down specific proposals for the permanent and continuous co-operation of these two Dominions in, to borrow Lord Halifax's later phrase,

all fields of common interest, foreign policy, defence, economic affairs, Colonial questions and communications.

What Australia and New Zealand have learned from their wartime peril, and what Lord Halifax emphasised in his Toronto speech, was that

the magnificent response of the Dominions in 1939 was not, thank God, too late to save the cause for which the Commonwealth and Empire stood and stands, but there is a real sense in which it was too late to save peace,

—and all but too late to prevent disaster. “In the years of peace, there is a weakness which we should try to cure.” Lord Halifax, in pointing out that isolation has been the ruin or nearly the ruin of all small states, did not follow, say,

Mr Lionel Curtis by proposing a formal federation of the Commonwealth for all its external affairs; nor did he precisely follow Mr Curtin by proposing the setting up of some new and definite constitutional arrangement for the settlement of Commonwealth policy. All he did was to make it plain, and convincing, that

we shall find it desirable to maintain and extend our present wartime procedure of planning and consultation which itself adapted and extended the methods we practise in peace.

### Independence and Interdependence

Lord Halifax's Toronto speech has been criticised, somewhat unjustly, on the ground of its supposed implication that each of the Dominions might be compelled, for the sake of working out a common policy in their common affairs, to surrender some of its independence, and enter, perforce, some interdependent organisation. Lord Halifax did not, in fact, say or mean this, though perhaps he might have made the point somewhat more plain, speaking as he was to Canadians, who do not share some Australians' desire for a new institutional framework for Commonwealth affairs. Canada, close to the United States, is wary of closer Imperialism; so, too, indeed, is Australia, which looks beyond closer Commonwealth co-operation to more mutual action by all the nations in regional self-defence. But Lord Halifax was simply appealing to common sense, and asking that the necessity for the members of the Commonwealth to speak with a common voice, always, in fact, recognised in the hour of danger, should be recognised, more safely and more sensibly, at an earlier stage, while peace can still be preserved. As he said, “The Dominions are absolutely free to choose their path”; and they will remain so. It is merely reasonable, and not in any way dictatorial, to suggest that

in the field of defence, while there must be individual responsibility, there must also be unity of policy.

This is as true of all peace-loving nations as it is of the Commonwealth. War has shown that Russia and the United States—described by Lord Halifax as “the Titans”—are no more secure in isolation than the smaller and weaker states. If Europe is to look to Britain for leadership and guidance, then the best practical response will be the translation of Lord Halifax's principles, and proposals like those of the Canberra Agreement, into Commonwealth fact. Then there will be a unit sufficiently safe and strong to work in partnership with the United States, Russia and Europe, in order to provide the same safety and strength for the world at large.

### Mr Bevin's Concession

At the conclusion of the Committee stage of the Disabled Persons (Employment) Bill, a new clause, tabled by Mr Bevin, was moved which attempts, in accordance with his promise last week, to give statutory preference to ex-Service men and women, if in the administration of the measure priorities have to be established. At the time of going to press, it is not known whether the new clause satisfies the Tory critics who pressed for the preference. The wording runs that, if at any time it appears to the Minister that vocational training and industrial rehabilitation courses are insufficient for all disabled persons in need of them, he shall so exercise his discretion in selecting persons for these courses that, so far as is consistent with the efficient exercise of his powers, preference shall be given to men who have served whole-time in the armed forces or the mercantile marine, and to women who have served whole-time in any of the women's auxiliary services. A similar preference is to be given to the same categories of men and women in the submission of names for employment. Thus the wording of the amendment apparently includes within the preference ex-Service men and women who are injured or fall ill after they have been discharged, perfectly fit and well, from the armed forces where they may never have been near the firing line. It excludes, however, men and women who have served in the civil defence service—including London's firemen injured in the blitz—young men conscribed into the mines, and young women directed into factories. Mr Bevin has given the Conservatives the chance to catch the ex-Service man's vote after the war. But if he really intends this preference to be administered strictly, he has come near to spoiling what was a good comprehensive measure, which aimed high and created no anomalies. It is possible, however, that he has still saved it by the phrase “so far as is consistent with the efficient exercise of his powers”—which, in effect, will leave

him considerable administrative latitude. The Bill, when it becomes law, can only be administered efficiently if, first, rehabilitation and training facilities are adequate for all, and there are jobs for all, and if, secondly, until this is achieved, any preference is given to those who are worst injured, most sick, and best fitted to take up a job.

### The Finance of Religious Teaching

The Education Bill has now entered the Committee stage in the Commons. A majority of the speeches in last week's very friendly debate on the second reading of the Bill dealt with the position of church schools. No discussion in Parliament, with religion as its centre, has ever been so amiable and mutually understanding. The truth is that the topic of debate was really not religion, but finance, not God but Mammon. The Roman Catholics did not vote against the second reading. If they could be sure of raising the money needed to maintain the present freedom of their schools, built up by voluntary levies on their community, they would not oppose the Bill at any stage. The position is, according to their own calculations, that they will need to raise £10,000,000, voluntarily, in the next twenty-five years, against £3,000,000 raised in the past twenty-five years. They do not believe they can do it, and so they seek greater aid, from taxes and rates, for wholly Catholic schooling. But public funds already meet the overwhelmingly larger part of the total cost of all church schools, and the Butler Bill proposes to increase the total public charges for this purpose. The Government rightly judges that to meet the Catholics' demand for sufficient extra public aid in every instance to enable Church control of the schools to be retained might raise opposition enough from other quarters to wreck the Bill. The fact is that, while the Church of England, like the Nonconformists, can accept the compromise by which, in schools transferred to public control for lack of voluntary funds, an agreed syllabus of religious teaching will meet the need, the Roman Catholics, by their immutable dogma, cannot. The terms offered to all denominations are identical; but the Roman Catholics cannot agree to any transfer of control, because their principles are different. On the other hand, the Government cannot agree to any special concessions to their viewpoint—which is shared by some minorities in other churches—because the weight of public opinion has been, and is, definitely on the other side. Probably, when the Bill passes, the Roman Catholics will find themselves able, by their sense of community and mutual devotion, to save their schools from transfer; and the project of guaranteed loans, at low interest (but not interest-free, as has been suggested), is being discussed between them and other churchmen.

### Local Burdens

The finance of religious education was only one part, if the largest, of the time applied in last week's debate on the Education Bill to money matters. Stress upon the burden laid upon local rates was, in weight though not in time, at least as heavy. Again, in the cost of the proposals to local authorities as in the cost to churches, the Government can, and did, claim that its own contribution will be increased by the Bill, both relatively and absolutely. “A total increase of £51.2 million—increase over pre-reform expenditure—will be borne by taxes, whereas only £28.6 million will be the extent of the increase which is to be

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expected from local rates," said Mr Butler; but he could not, and did not, deny that the extra local expenditure will be a very heavy burden upon rates in general (perhaps a fifth of present rate expenditure), and especially heavy and grave in the case of local authorities with many children and low rateable value. This is, of course, a criticism, not of Mr Butler's Bill, but of the distribution of public expenditure between taxes, which are uniform and even-handed throughout the country, and rates, which are not. Mr Arthur Jenkins, in the debate, put the position very plainly. In 1939 the average rate liability throughout the counties of England and Wales for elementary education was 2s. 10d. in the £ yearly; but, while in Surrey and the Isle of Wight it was 1s. 7½d., in Carmarthen it was 7s. 5d. and in Durham 5s. 6½d. In Surrey or Middlesex the produce of a penny rate brings in going on for 10s. per child in average attendance; in Glamorgan or Durham it brings in only about 2s. Mr Butler hastened to call the allocation between taxes and rates "transitional"; not even the provision of £900,000 from central funds to aid the poorest authorities appreciably alters the picture. Mr Ede, Parliamentary Secretary, spoke of a "transitory arrangement," and suggested that early reform was inescapable. As it is, the scope and quality of the education open to a child depends, capriciously, upon the rateable value of the area he lives in and the number of other children in that area—which is indefensible. Moreover, the Butler Bill is only, in the Minister's own words, "the first of the Government's measures of social reform." When the full tale is told, the total rate burden may even be doubled—and, in many localities, it may be unbearable.

### Protests to Spain

The most recent British protest to Spain concerns the continued presence on the Russian front of Spanish volunteers. After the withdrawal of the Blue Division, it appears that a few hundred Spaniards (many of them probably men General Franco would have been glad to leave on the field of battle) remained behind as a sort of Spanish Legion. This breach of neutrality is naturally a matter of grave military concern to the United Nations. Other recent protests were not aroused by matters of such importance. They covered time-bombs discovered in cargoes of oranges and the attack made on the British Vice-Consul at Saragossa; and the Spanish Ambassador in London has assured Mr Eden that the authorities have taken the strongest measures to prevent further acts of sabotage. Both actions, like the telegram sent to the puppet government at Manila, are probably due to the existence of a lunatic fringe in Spain among the Falangists. The Falange's relations with General Franco have grown more and more uncomfortable in recent months, and resentment against the Government finds easy outlet in resentment at the line it has adopted in foreign policy. The Falange lost caste during 1943 as the group most closely identified with Fascism and Nazism, whose stars were so evidently on the wane. General Franco, the Conservative elements, the Army and the Church had at least the prestige of having kept Spain clear of illusory Mussolinian adventures and of their subsequent collapse. A number of cautious pro-Allied steps have been taken—some economic concessions, some relating to the censorship, the publication of BBC programmes in the Spanish press. The withdrawal of the Blue Division, even though the gesture was bungled with characteristic clumsiness, was an attempt at conciliation. All this has increased the fretfulness of the Falange. Its extreme members have chosen thuggery and time-bombs to express their spite; and General Franco cannot control his wild men. Some observers are beginning to feel, with Mr Shinwell, that these verbal protests to the Spanish Government are of little avail, and that it might be necessary to take stronger and firmer action. It is doubtful, with the Second Front on the horizon and the military balance in Western Europe as precarious as it is, whether that time has come. But General Franco should be straightly warned that come it will.

### Stronger Line in South America

The Government of Argentina, after much internal stress and strain, has broken off diplomatic relations with Germany and Japan, on the ground of the violation of Argentine neutrality by Axis agents. The sequence of events shows the external pressure which produced this belated

decision. The Governments of Britain and the United States decided a few days ago not to recognise the revolutionary Government of Bolivia. They reached this decision after close consultation with the other Latin American governments through the Advisory Committee for the Political Defence of the Western Hemisphere. Evidence was at the disposal of the Committee to confirm the suspicion that the Bolivian coup was due, in the words of the State Department, to "groups hostile to the Allied cause." The implications of this for Argentina were obvious. The German Embassy there has been notoriously the greatest centre of Axis activity in South America, and the vigorous line taken by Britain and the United States over Bolivia was a warning that Argentina could have no hope of playing one of the Great Powers off against the other. The attitude of the other South American Governments indicates a growing sense of indignation and a readiness to follow the Anglo-American lead, which must have come as an unpleasant shock to the rather complacent officials at Buenos Aires. The Argentine Government seems to have seen the red light.

### Poland, Russia and America

Hope that the Russian Government may still be induced to resume relations with the Polish Government, or at least to start discussions less formally, cannot yet be altogether abandoned. For the moment, the matter is apparently being dealt with in direct diplomatic contact between Moscow, London and Washington. Mr Cordell Hull has announced that, while thanking the United States Government warmly for its offer, the Russian Government has refused the American offer of mediation; and Mr Eden, in Parliament, has explained the British Government's approach. The British Government now, as in 1941, does not recognise any territorial changes which have been effected in Poland since August, 1939; and, as in 1940, is not prepared to recognise changes unless with the free consent and goodwill of the parties concerned. But, as the Prime Minister said three and a half years ago, "We have not at any time adopted the line that nothing could be changed in the territorial structure of various countries." In the meantime, the Polish Prime Minister, M. Mikolajczyk, is leaving for Washington, presumably to discuss the issue with the President and the Secretary of State. In the United States M. Mikolajczyk will find a very difficult and delicate political situation among the Americans of Polish descent and the Polish émigré colony. It is now possible that the Polish-Soviet issue will loom largely in the Presidential election campaign. Polish votes number more than three million, and may play a crucial rôle in states like New York and Pennsylvania, where the chances of the opposing parties may depend on a relatively small margin of votes. There has been close connection between isolationist Republican elements, anxious to use the anti-Soviet card against the Administration, and the anti-Russian extremists among American Poles. The chief spokesman of this attitude in the United States is M. Matuszewski, former Minister of Finance in Pilsudski's Governments. On the other hand, an important and influential section of American Poles have come out in support of the Soviet-sponsored Union of Polish Patriots. The pro-Republican allegiance of anti-Soviet Poles has almost automatically led to a link-up between pro-Soviet Poles and the Democrats. M. Mikolajczyk's visit will almost certainly be used by the Pilsudskists as an occasion to put pressure on the Polish Prime Minister, and to involve him in the tangle of American-Polish politics. It is to be hoped that during his visit he will find it possible to avoid commitments or statements which would compromise Polish-American relations as well as further embitter the relations between Poland and Russia.

### More Judges

The Supreme Court of Judicature (Amendment) Bill, which was due to come up for its second reading this week, does little more than to increase the maximum number of puisne judges of the High Court from 29 to 32, and allow a simplified procedure by which, within a minimum of 25 and a maximum of 32, the actual number of High Court judges and their distribution among the different Divisions will be determined by the Lord Chancellor, having regard to

the state of business in the High Court as a whole. But the Bill is the direct result both of the growing congestion of divorce business and of the recommendations of the Matrimonial Causes Committee, which sat under the chairmanship of Sir Ralph Wedgwood, and presented its report (Cmd. 6480) in October of last year. From the end of the nineteenth century until the last war, divorce was a luxury for the rich, but after the Poor Persons' procedure was instituted, the number of cases grew rapidly. Thus there was a tendency for divorce business to become congested even before the Matrimonial Causes Act came into force in 1938, and, by adding desertion *inter alia* to the grounds for divorce, caused such business to get virtually out of hand. The position has been further complicated by the different procedure for the trial of "rich" persons' and Poor Persons' cases. At present the latter, whether defended or undefended, may be tried in the provinces at assize courts. Non-Poor Persons' cases, however, may only be tried in the provinces if they are undefended. If they are defended for the purposes of the regulations—and this includes cases where the court is asked to exercise its discretion—they have to be tried in London, which greatly increases the costs. The position is made more illogical by the fact that cases in the provinces are heard by King's Bench judges, as part of their assize work, whereas those heard in London are reserved for the specialised Probate, Divorce and Admiralty Division. The Wedgwood Committee, therefore, recommended that all divorce cases, whether defended or not, and whether Poor Persons' or not, should be allowed to be tried in the provinces. But by itself this recommendation would throw an even greater burden on the present assize judges, who already find that too great a part of their work is divorce work of which they often had had no experience prior to their elevation to the Bench. Thus, the Committee made the further recommendation, after dismissing the suggestion that there should be special separate divorce assizes, that, wherever practicable, a judge of the Probate, Divorce and Admiralty Division should go circuit in order to relieve the King's Bench judge of the divorce work at assizes, and that at least two additional judges should be appointed. The new Bill does not state that the additional judges will be appointed to the Probate, Divorce and Admiralty Division, nor that they will go circuit. But it authorises a simplified procedure transferring judges from one division to another, and the Attorney-General has stated in a written parliamentary reply that it is intended that some of the divorce judges will be available to go circuit, and that the regulations will be altered to allow "contested divorce suits in appropriate cases to be tried and disposed of in the provinces."

### Coalmining Wages

The fourth award of the National Reference Tribunal for the coalmining industry, of which Lord Porter is chairman, raises the weekly national minimum wage of underground miners from 83s. to £5, and that of surface workers from 78s. to £4 10s. (The details of the new rates are shown in a table on page 160.) The new rates are substantially above the present level, but considerably below the £6 a week for underground workers and £5 10s. for surface workers claimed by the miners. The reasons for granting this increase are the need for output and recruitment and the compulsory direction of boys to the mines. The Tribunal emphasises that the award is only a "temporary expedient . . . pending an overhaul in the general wage structure of the industry" (sic) which is "long overdue." It points out, very correctly, that

the granting of the minimum wage is an unsatisfactory method of increasing wages, since it fails to provide an incentive for increased production or more efficient work.

The claim for advances in piece rates is rejected as inconsistent with the granting of merely a minimum wage. The Tribunal has revised its award on juvenile wages. The rate paid to an 18-year-old boy on the surface is increased from 44s. to 60s. a week, and the 19 and 20-year-olds receive increases of 17s. on 48s. and 53s. respectively. Rates for underground youths are correspondingly increased. These increases will apply immediately to the "Bevin boys" now in training. It is well that their grievances should have been so speedily settled, otherwise the whole scheme might have foundered. By an incredible miscalculation, 18-year-old trainees were left with a few shillings a week, after deductions had been made for lodging, dinners and travelling. In some cases the award for youths is above the rates asked for by the miners in their original claim. The Tribunal awards double rates for week-end work and 1½ rates for overtime.

The award will not fully please either side, although they are bound to accept it; but it corrects the anomalies in juvenile rates, and, more important, opens the way for a revision of the outmoded structure of wages generally.

### The Government on Monopolies

On Tuesday, Lord Strabolgi, in the House of Lords, asked the Government to state its policy "with regard to trusts, cartels and combines, national and international, in post-war reconstruction." The topic is of crucial importance, but the debate on Lord Strabolgi's motion served only one useful purpose. This was to elicit from Lord Woolton, on the Government's behalf, a promise that, within very few months, a White Paper on policy for full employment will be published, which will include, as an integral part, the Government's attitude towards this particular form of restraint of trade and production and, therefore, of employment. What the Government will in fact decide, and do, about these problems is, as in every aspect of reconstruction, still unknown and, almost certainly, still unsettled. All that can be said by the looker-on is that the Government does at least appear to be making a careful and conscientious survey of the right territory. The danger is that the serial of White Papers will do little more than state the problems and ask the questions, and will not provide the solution and answers without which legislation and action cannot be even begun in time. This is especially the case with full employment. The Government has been converted to the view that full employment is of the first importance, but the tendency of Ministers and their advisers, it would appear, from indirect evidence, is to rest upon this praiseworthy discovery and, by concentrating on the immediate and critical tasks of demobilisation and the adjustment of industry to changed peacetime conditions, to set aside for later decision, when in fact it will be too late, the wider and deeper tasks of maintaining output and work.

### UNRRA Debate

"The moral obligation to make UNRRA a success," in the words of Mr Law, was acknowledged and welcomed in Tuesday's debate, and the first measure of practical support from this country has now been assured. The sum of £80 million—which is approximately the 1 per cent of national income assessment which the leading Allied nations will contribute—will be allocated for relief and rehabilitation purposes under the auspices of UNRRA. But Sir John Anderson, in moving the Vote of Credit in which the £80 million is included, made clear that this figure was only provisional and that, owing to uncertainties about the state of the territories concerned and the availability of supplies, it was impossible to say whether the proposed contributions would be adequate for so immense a task. The place which UNRRA may occupy in the gradual erection of an international system still remains obscure. Is UNRRA to be permanently limited, as it is now, to providing supplies for relief and the bare necessities of

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services and rehabilitation, or can it be given some sort of directing force? There will soon arise the need for international marketing and investment boards, but even before the need arises, it must be decided, in conjunction with the other United Nations, whether these should be developed within the framework of UNRRA, or whether they should be allowed to work out their own machinery according to their special needs.

### Domestic Service

Mr Bevin's latest proposals for domestic service have both an immediate and a long-term significance. There is a pressing need to staff hospitals and institutions and the school meals services, and to augment the home helps service run by the maternity and child welfare authorities. Priority is to be given to these kinds of domestic service, and the Minister of Labour is hoping to recruit between 20,000 and 30,000 women. This is quite apart from the replacement of the normally high rate of wastage, due to marriage and other circumstances. Appeals for volunteers, both for part-time and full-time work, are being made, but where necessary powers of direction will now have to be used. It seems unlikely that women will volunteer in large numbers for work which is in the main unpleasant, or at least is regarded so; and perhaps Mr Bevin will have to adopt the expedient of the ballot here too. Conditions of employment will be those laid down by the Hetherington Committee. Non-resident workers in general hospitals will get rates of pay ranging from 52s. 6d. a week for cleaners to 65s. a week for cooks. Hours are 96 a fortnight, and provision for meals, holidays and general welfare will be made. The scheme will come under the supervision of the recently appointed Standing Advisory Committee on Institutional Domestic Employment. Over and above these essential needs, a limited number of domestic workers may be available for service in private households, where there are special difficulties, such as in doctors' houses, or in homes where there are invalids, expectant mothers and young children. The Ministry's local offices, assisted by women's panels in difficult cases, will determine the degree of need in private households. One hopes that as far as possible help may be supplied to such houses. The experience of the influenza epidemic in December showed the exceptional difficulties of families where the wage-earner or the housewife was sick, and where help in the house could not be found. The Minister of Labour's long-term object is to improve the status and conditions of all domestic servants, and to remove the stigma hitherto attached to this occupation. With the Catering Bill, it represents a bold attempt to raise the standards of a (very often) badly paid, barely organised and eminently exploitable section of the workers.

### Civil Service

In one sense the policies of post-war Governments will stand or fall, not by their skill or even, wholly, by their successes, but by the quality of those who administer them. This is very obvious in wartime. Much of the common attitude to state-run schemes and public policies is determined not by the achievements of public direction in wartime, but by the personal frictions and delays too often arising between the public and the public's servants. It is almost as easy now as it was twenty-five years ago for amoral newspapers to lash millions of readers into a consistent state of fury and irritation about the sins of bureaucrats—with the intention, no doubt, of building a public opinion in favour of as little Government interference as possible after the war. The truth is that the public is already irritated before these articles and cartoons do their work. To begin with, they are irritated by the monstrous regiment of regulations under which they live their wartime lives and do their wartime work. Then they have all had experience of some incompetence, some ignorance and some incivility on the part of the minor and intermediate officials with whom they have had to deal. Business men have all a store of almost unbeliev-

able stories, albeit very one-sided, about needless correspondence with wartime Ministries. The country's mobilised millions have a wide fund of acquaintance with apparent inefficiency and lack of understanding at this or that labour exchange—as the unemployed had before the war. Partly, of course, this has been inevitable in wartime, if only because skilled labour has been as scarce in Government service as elsewhere, and Ministries could not pick and choose to find precisely the right men and women to deal with business men, or to handle applicants for war work—though they might have tried harder to do so. But there is a more fundamental reason for the friction. The lower grades of these departments and institutions which are in contact with the public at large have never been given, either in training, selection, pay or status, the consideration which their importance requires. It is for this reason that the decision of the Assistance Board, announced in a statement sent to all its officers by the Board's Whitley Council, to raise the status of its investigating staff is of immense importance, not only for the efficiency of its own work and the avoidance of personal discords and grievances, but also for the standing of government after the war—when, with the return of private enterprise, a considerable sector of public enterprise will remain. Whether the measures proposed—short lecture courses and discussions, as well as the allocation of interviewing work to officers of a higher grade—will in themselves be sufficient must be doubted. Much more is needed than rules of thumb and "the human touch." Social administration, in addition to its personal implications, is a science, to be studied with the same intensity and the same skilled acquaintance with its data as any other science; and this has never been done in this country, where the aptitude for social service is taken to be an inborn art. Nevertheless, the Board's aims, and its first small steps, are of the highest importance in the growth of government.

### Agricultural Education

Mr Hudson's proposals for the development of agricultural training represent a new departure in the training of farmers. As the Luxmoore Report, on which the proposals are largely based, pointed out, present methods have resulted in a dull and narrow training, locally controlled, into which any progressive measures of the Board of Education aimed at broadening and integrating technical education were not allowed to penetrate. Now Mr Hudson is to propose that the Local Education Authorities should take over control of farm institutes. But the Board of Education will not be, as in the case of other technical training, the directing Ministry. Financial control, through the power to give grant-aid, will be left with the Ministry of Agriculture. These proposals will do much to bring back the lost sheep into the fold of a cohesive educational system, with its parallel academic and technical branches; but it is not proposed that agricultural education should be put on all fours with, say, engineering education. The scheme does, however, involve less separate treatment of agricultural education than the idea of a National Council responsible to the Ministry of Agriculture, put forward by the Luxmoore Committee. By means of a joint committee between the Board of Education and the Ministry of Agriculture, which will advise the Ministry on general educational policy and the methods of training at farm institutes, and through the right to inspect the education given in the institutes in every subject except the theory and practice of agriculture, the Board of Education will, in fact, acquire a very much wider control of this particular technical education than it has ever had before. It remains to be seen whether such dual control will gain more from its partial co-ordination into the national system than it will lose through the division of responsibility which it involves. These proposals, together with the reorganisation of the agricultural advisory service, which is, in fact, agriculture's method of adult education, represent a valuable addition to the armoury of weapons which the Ministry will be able to use in revitalising policy for agriculture.

### Shorter Notes

According to a written Parliamentary answer, the consumption of gas and electricity was greater than consumption in the corresponding months of 1942 by the following percentages:

|                | Gas<br>Per Cent. | Electricity<br>Per Cent. |
|----------------|------------------|--------------------------|
| October .....  | 9                | 9                        |
| November ..... | 6                | 11                       |
| December ..... | 12               | 13                       |

## AMERICAN SURVEY

### Fourth Term

It is hardly headline news that the Democratic National Committee favours the President's nomination for a fourth term. The Republican *Herald Tribune*, indeed, cynically comments that the party has arrived at this decision

with all the grace, forethought, and cheerful acquiescence of a stout man falling downstairs.

Certainly there is no visible alternative. There is no more striking contrast than between the Gallup polls of presidential preferences among Democratic and Republican voters. The former shows a steady, solid 80 per cent vote for Mr Roosevelt, the latter a far more usual scattering of choices. The resolution passed by the Democrats in Washington firmly reasserted the party's grasp on Mr Roosevelt's coat-tails, endorsed his liberal leadership, "both at home and abroad," urged him to continue in his role of "great humanitarian world leader" and set forth two elemental post-war aims, the maintenance of a secure peace, and the provision of work for all. The Republicans were charged with frankly appealing to the "weakness and selfishness they believe to be inherent in the American people." Most surprising, in view of recent huffy warnings to foreign countries to cease meddling in American politics, was the insistence that

our Allies are praying with us for the continuation of Mr Roosevelt's services, both in war and peace.

This is a daring, and, perhaps, inspired attempt to capitalise on what in Opposition circles is being played up as a major Democratic weakness. The main function of the meeting, besides launching the "draft FDR" movement, was to make arrangements for the coming campaign. Like the Republicans, the Democrats have chosen Chicago for their convention, at which, if Mr Roosevelt decides to run again, the main choice will be that of his running mate. It appears now that Mr Wallace may be replaced by someone like Mr Rayburn, Speaker of the House, who would carry more weight with the South. Meanwhile, Mr Robert Hannegan, of St Louis, has been elected to the Chairmanship of the National Committee. He was a famous American football player and is spoken of as a second Farley. He will need the attributes of both if he is to score the winning touchdown. Mr Wallace has been busy keeping the banner of the New Deal flying, while mending Democratic fences south of the Mason-Dixon line with his endorsement of the South's grievance against freight-rate discrimination. But there are thornier issues ahead, like the campaign against race discrimination in war industries. It will require all Mr Roosevelt's fabulous skill, not to mention a great deal of hard campaigning, to steer his party between the Scylla of offending the Conservative Southern Democrats and the Charybdis of alienating labour and the negroes, without losing sight of the need to win back the farm vote, which has been registering steady Republican gains. These considerations do not make any easier the working out of a strong and successful policy for the home front.

### States Rights v Soldiers' Rights

A new Bill to assure the participation in the Presidential election of the Armed Forces, and certain other persons serving overseas, is now being considered by the Senate. The Bill has been supported by a Presidential message and by Mr Willkie's statement that he did not wish to be elected President unless every member of the services had the chance to vote. In this second version of the Lucas-Green Bill a compromise has been attempted between the need for simplified Federal distribution of the ballots and the insistence that the states retain their constitutional control over elections. Like the earlier Bill, which was emasculated by the Senate a month ago, it provides for a War Ballot Commission, but the Commission is to have only the functions of a "messenger boy"; that is, it will be responsible for drawing up a Federal ballot from states lists

and with the co-operation of the Army and Navy will undertake to distribute it overseas to "the fullest extent compatible with military operations," giving the transmission of ballots priority over unofficial communications. The gist of the compromise is contained in the provision that state officials, and not the Commission, shall have powers to determine the validity of ballots. The Bill has been approved by the Senate Elections Committee, but its opponents, both Republican and Democratic, are using every stratagem to defeat it. Ostensibly the main reason for opposition is the invasion of states' rights, but Senator Taft descended from his constitutional high horse this week to accuse Secretaries Knox and Stimson, both Republicans, of taking a "partisan position" in their insistence that it would be impossible for the Services to distribute the ballots of 48 separate states, and alleged that they were "running for a fourth term." In addition to this intemperate language, Senator Taft attempted to postpone consideration of the Bill by pressing forward the Commodity Credit Corporation Bill, but this move has been defeated. The fear inspired in many, but not all, Southern Democrats is that the Bill will break down the poll-tax and other barriers erected in their states to prevent the negro and poor white from voting; and this line is still being argued, despite the fact that the present compromise specifically reserves to the states their right to pass on the validity of ballots. It is significant that, now that the issue has been put squarely before the country, a poll taken by the National Opinion Research Centre of the University of Denver showed 92 per cent of those questioned in favour of soldier voting, 75 per cent in favour of Federal control, and 77 per cent in favour of negro participation in the vote. The majority believed, however, that it was a matter of simple justice, and would not materially affect the election results—a conviction which is apparently not shared by the party leaders. The present agitation in the Senate is probably not more than a rearguard action. Now that full state control has been identified with the disfranchisement of the soldier serving overseas, there will be few Congressmen who will care to go on record as preferring states' rights to soldiers' rights.

### Debate on UNRRA

The House of Representatives, by an overwhelming and non-partisan vote of 338 to 54, has passed and sent to the Senate the resolution authorising the appropriation of \$1,350 million as the United States contribution to UNRRA. The most significant aspect of the measure was the employment, for the first time, of the device of an executive agreement, to be validated by a simple majority of both Houses, rather than a treaty, which would require a two-thirds vote of the Senate. The agreement of the leaders of both Houses on this formula means that, in certain limited spheres, a way has been found round the power of a one-third minority in the Senate to block post-war arrangements, and it has the advantage of associating the House with the Senate and the Administration in some aspects of foreign policy. The debate which preceded the vote does not appear to have been very enlightening. The opposition, which consisted mainly of a familiar line-up of pre-Pearl Harbour isolationists, made a number of equally familiar charges, such as that UNRRA was nothing more than a "gigantic WPA" (the American form of made-work) for Europe; that it would encourage Soviet dictatorship; and that no part of the funds should be used for education or rehabilitation. Much of what was said seemed half-hearted, a sort of isolationist conditioned reflex. The most dangerous amendment was that of Mr Hamilton Fish, of New York, which would have required that 90 per cent of the American contribution should be spent on purchases of American goods. This, however, was defeated by 135 to 78. The Republicans appeared at first to have scored a substantial coup by the passage of an amendment making the State Department, rather than the Foreign Economic Administration, the link with UNRRA. This would have been a characteristic expression of Congressional dislike

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for the agencies established under the President's emergency powers, but later the Administration appears to have rallied its forces and reversed the decision. What apparently has been accepted, by a voice vote—and consequently is open to reversal—is the principle that any area important to military operations should receive help from UNRRA. This is interpreted as a reference to India, and as such would be contrary to agreements reached at Atlantic City. Probably it is to some degree an expression of anti-British and pro-Indian feeling; this particular amendment was originally part of the isolationist attack on UNRRA. It does not detract, however, from the fact that the action of the House is encouraging proof of non-partisan support for the principles of international collaboration.

### Labour Politics

The Executive Council of the American Federation of Labour, meeting at Miami, has made known its expected refusal to attend the world trade union conference in London on June 5th. The rival labour organisation, the Congress of Industrial Organisations, has, on the other hand, already accepted. Both organisations have acted in character. The AFL has consistently maintained that it can have no relations with the Soviet trade unions because they do not "truly represent free and democratic labour movements." The Council's explanatory statement paid lip service to the desirability of a world conference of labour "under proper auspices and at an appropriate time," but its charge that the proposed London conference lacks proper sponsorship and is untimely makes it difficult to see how any world conference could meet its requirements. More interesting, although still obscure, is the progress of negotiations with John L. Lewis for the re-entry of the United Mine Workers into the Federation. It has been Mr Lewis's contention that the Federation should welcome the prodigal's return without conditions—that is, without requiring the Mine Workers to abandon District 50, their catch-all branch whose jurisdiction conflicts with that of several already established AFL unions. This the executive council has refused, proposing instead that the Mine Workers

should return with only the jurisdiction they possessed when they left the Federation. A resolution was passed, however, favouring the return of the UMW, and the way is now open for some sharp bargaining by the "clarifying" committees. It looks as though Mr Lewis is reasonably certain of readmission on not too unfavourable terms. He will bring a formidable addition of numbers, money and vigour to the Federation, but, to put it mildly, he will not have a liberalising effect. Mr Lewis's mouthpiece, the *United Mineworkers' Journal*, is still a platform for isolationist and rabidly anti-Administration sentiment, and the extension of his influence will increase the difficulties of keeping Federation policy in step with that of the Administration on both political and economic issues.

### Shorter Notes

Insistence that current "cutbacks" in the war production programme represent switches to other kinds of war production, rather than over-all reductions, has been the theme this week of Mr Nelson, of the War Production Board, and Mr. McNutt, of the Manpower Commission. This probably is more than a coincidence, and suggests that the Administration is concerned by public enthusiasm for rumours of large-scale reconversion to civilian production. Mr Nelson emphasised that any such movement would be folly; and that until it was certain that war production facilities would not again be needed, they would not be reconverted.

A War Refugee Board, consisting of the Secretaries of State, of the Treasury, and of War, has been created by President Roosevelt by Executive Order, to take action for the rescue from the Nazis of as many as possible of the persecuted minorities of Europe, consistent with the successful prosecution of the war. This step is probably a response to the very vigorous public campaign to urge the Government to make every effort to save European Jews from extermination.

## THE WORLD OVERSEAS

### South American Survey

IN the last six months, dictatorial systems have been established by force in two Latin American states, Argentina and Bolivia, and in at least two others, Chile and Peru, the governments claim to have put down attempted military coups d'état, both with Axis backing. This evidence of political instability and unrest is disturbing and surprising. It is, of course, true that in the nineteenth century, Latin American politics were traditionally violent and unstable. A century ago, Bolívar, the great liberator, said of the republics he helped to create:

These countries will fall into the hands of the unbridled multitude and pass afterwards under the sway of little tyrants. . . . A thousand revolutions will make necessary a thousand usurpations.

His prophecy was borne out. In the nineteenth century, Colombia had ten civil wars as well as many lesser disturbances, and Bolivia alone had sixty revolutions. Yet the coming of the twentieth century brought with it some stabilisation and a promise of better things. In many states the rule of the single leader, *personalismo*, gave way to democratic methods; governments changed less frequently, and when they were changed it was by normal political methods. It is, therefore, a matter for concern why, at this time, when the two most powerful democracies of the world seem likely to defeat the Nazi dictatorship, there should be this reversion to dictatorial methods in South America. What are the reasons for it? And in which states is the infection most likely to spread?

There is no denying that some seeds of dictatorship lie in most South American states. In certain political and social

atmospheres these seeds develop, in others they lie dormant; but they are there. It is truer to speak of dictatorship than of fascism, as some of the basic elements of fascism in the European model are missing. In few of the South American countries is there a large but desperate and impoverished middle-class, or any possibility of setting-up the administrative apparatus of a totalitarian state. In none of the states, except Peru, is there a mass movement of the Left to call into being a mass movement of the Right. None of the recent dictatorial regimes has based itself on a mass party of the Nazi, Fascist or Falange type.

The dictatorial tendencies in Latin America have hitherto been more of the traditional pattern—the seizure of power over the central organs of the state by a single man, or a small group, backed by the army, and by one or more factions among the politically conscious minority of the people. For this type of dictatorship there is no difficulty in finding explanations. The chief reason is the smallness of the political elements in contrast with the ignorance and poverty of the mass of the inhabitants. Public opinion, as understood in mature democracies, hardly exists. Nationalism is a strong force in each republic, and is fed by the fact that so much of the continent's capital is in foreign ownership. Land ownership is a perennial source of conflict. In every republic there is an army (many of them German-trained) with little to do but play politics. Many of the young officers are perpetually in debt and anxious to better their fortunes; successful political intrigue can lead to the dizzy ascents of fortune, and Nazi agents are believed to have laid out large sums of money, with considerable

effect, in paying off officers' debts. There are also foreign settlements. There are German colonies in almost every republic. Italians have settled in large numbers in Argentina and Brazil. Peru has a flourishing Japanese colony, so has Brazil. Not all the colonists are Axis-minded. Some of the older German immigrants, and the newest wave of refugees, are not trouble-makers and the Italians as a rule are non-political. But the extremist groups and the Nazi cells are there, and in every plot and counter-plot of recent years, Axis agents have been concerned at some point.

The war, on balance, has encouraged the forces of stability. The sense of pan-American unity has been fostered by the three Conferences at Panama, Havana and Rio de Janeiro. The leadership of the United States has made for coherence, and American economic assistance has brought both enrichment and common objectives. But there have been influences on the other side. Shipping difficulties have led to some economic distortions. Producers without markets and consumers without supplies are both of them potential centres of discontent. Moreover, the economic predominance of the United States, its leasing of bases, the ubiquity of American officials have set a hundred chords of fear and xenophobia vibrating. Axis propaganda, great as it was before the war, was increased enormously in the early years of the conflict and has only recently been driven underground.

### The Dividing Line

If the South American states are taken one by one, it is possible to divide them into two groups, one in which the tendencies are democratic and those in which there is actual dictatorship or the tendencies seem to lie in that direction. Curiously enough the line which divides the two groups crosses the continent almost diagonally, from the mouth of the River Plate to the frontier of Ecuador and Colombia. The distinction is not absolute. Chile, to the west of the line, has a parliamentary, middle-of-the-road government. Brazil, to the east of the line, is a benevolent dictatorship under President Getúlio Vargas. Yet even so, there are forces at work in Chile making for dictatorship while in Brazil the tide of affairs is moving towards a democratic conclusion. The line of division is roughly valid; on one side of it, Brazil is the dominant Power, on the other, Argentina.

The reasons explaining the establishment of a dictatorship in Argentina need not be rehearsed here. Fear of United States domination, strong nationalism, disgruntled army, Axis support, deep economic discontent, were all present. To these were added the political corruption and disintegration of the former Castillo régime. In Bolivia, too, the classic causes of dictatorship were there—the appalling poverty and distress of the mining populations and the Indian labourers, army control of politics, German propaganda and attempted plots, a turbulent tradition, the Gran Chaco war with its ghastly, pointless slaughter. The present Villaroel government is a mixture of radicals, army men, pro-Nazis and right-wingers. It is still not certain whether the main emphasis of its national socialism will be on socialism or nationalism.

The three states in which a coup of the Bolivian type would not be impossible are probably Paraguay, Peru and Ecuador. Paraguay is already a dictatorship. In 1940, General Morinigo, after assuming the Presidency, proceeded to announce his intention of setting up a new state on the basis of discipline, hierarchy and order. It would have advanced social legislation and no politics. Behind Morinigo is a group of officers and intellectuals. In setting up the "new state," violence was employed to purge opposition and a number of conspiracies have been crushed since 1940. There is a dangerous German element. Economically, Paraguay is desperately poor and has hitherto been almost completely controlled by Argentina. The Morinigo administration has co-operated in the anti-Axis measures decided upon at the Rio Conference and taken action against its own Fifth Column; it is prepared to accept American economic assistance, for example, in developing its roads and hopes for closer relations with the growing economic power of Brazil. Thus, although Paraguay has a dictatorial form of government, it is not politically under Argentina's domination.

Peru is politically a semi-dictatorship. The President, Dr Prado, is a genuine liberal, but he is tied to the dictatorial tradition of Leguía and inherited office from the turbulent President Benavides. The constitution is democratic in form, but if free elections were held it is likely that the Apristas, an indigenous left wing movement, would sweep the country. The present regime rests on an army-landowner backing,

and struggles unsuccessfully with Peru's devastating poverty. There is a German fifth column and possibly a Japanese one, too. This month the Government alleged the discovery of a German and Japanese plot. Xenophobia is strong, but Peru officially supports pan-Americanism, has welcomed American capital in developing its new plans for iron and steel, and American Canal Zone aircraft use Peruvian bases.

Ecuador resembles Peru in that its government is democratic in form but the President governs in fact by decree. President Arroso's term expires this year, and, so turbulent have the politics of his country been, he will be the first President since 1924 to complete his term of office. Some of the classic elements of unrest are present in Ecuador—extreme poverty, some Fifth Column activity, great landowners, no industrial development. As recently as 1941 the Ecuadorians were fighting Peru over a frontier dispute. It was settled in 1942, but has left an aftermath of bitterness.

Chile is far more mature in a political sense than most Latin American countries. It is now governed by a union of centre and radical parties. The Communists are not included and President Ríos gets some moderate right wing support. The country's economic life is unbalanced, for industrial development is still small and little has been done, even by this supposedly radical Government, to divide up the vast estates. There is a large German colony, the army contains disaffected elements, and there are a number of



extremist nationalist groups who resent Chile's participation in hemisphere defence, look with hostility at the United States and might perhaps flirt with Argentina. These groups and some militarists caused trouble last month. The existence in Chile of Left Wing parties and some degree of organisation among the working class is regarded on the Right as a special incitement to violence. Obviously, the inflammable material is there and the Ríos Government has some of the inevitable instability of a coalition.

### The Eastern Republics

It is unsafe to risk generalisations about Latin American politics, but it is probably true that the smallest danger of a spread of dictatorial rule lies in Uruguay, Brazil, Venezuela and Colombia. Uruguay, under the presidency of Dr Amézaga, is a socially progressive democracy. The Vice-President, Dr Guani, is a leader in the pan-American Movement. The social legislation of Uruguay is well in advance of any other South American state and preceded Mr Roosevelt's New Deal by many decades. Although much has still to be done to equalise the distribution of wealth, there are less extremes and a better land system than anywhere else in South America. Uruguay has a troublesome Fifth Column and is economically over-dependent on Argentina, but fewer of the seeds of dictatorship lie here than among any of its neighbours.

Brazil is a very mild personal dictatorship. Dr Getulio Vargas has controlled Brazilian politics since the *coup d'état* which brought him to power in 1930. The regime is tolerant. Even its enemies admit that, in a population of over 40 millions, there are only some 500 political prisoners. The death sentence has never been enforced. Dr Vargas is friendly and popular and goes about unguarded. He has no mass party and relies on no particular ruling clique. No country has gone so far in welcoming participation by the United States in the defence and economic development of Latin America. Brazil is using the opportunity of war and of lavish American credits to get schemes of industrialisation under way. The Government's economic policy resembles that of Turkey—étatist in the main, but not to the dogmatic exclusion of private capital. The standard of living has risen in the last ten years. There is a large body of German immigrants, but many of them are old-established and non-Nazi. There are still remnants of the old Fascist *Integralistas*, and the army had until 1941 a reputation for German sympathies. However, Brazil is fully committed to the war (in which, with Colombia and Bolivia, it is a belligerent), and President Vargas has promised a broadening of the political basis of his regime and a movement towards more democratic government.

Venezuela is remarkable in that, until 1935, it was ruled by one of the most ruffianly dictators ever produced by South America's erratic politics. When President Gomez died, his Minister of War, Lopez Contreras, took over the presidency, ended the tyranny, introduced a Three Year Economic Plan, restored at least a beginning of parliamentary rule, freed the press, and allowed the growth of parties. His successor, President Medina, is following the same path. Venezuela has this advantage, that there is virtually no German settlement or Fifth Column; and the army is barely a factor in political affairs. Its disadvantage is its hopelessly lopsided economy; over-dependence on the oil industry led to the neglect of other economic activities, especially agriculture. This is being remedied, but poverty is still great. Yet here, too, the new Venezuelan regime has pursued a moderate policy. There have been no expropriations on the Mexican model, but a new oil law came into force in 1943 after negotiations with the foreign companies. The new law assures an increase in the revenue derived by Venezuela from the industry.

Colombia, along with Uruguay, has had the best record in the continent in recent years. The standard of education among the wealthy is high and among the masses of the people a strong sense of regional autonomy has left the provinces strong and taken much of the passion out of federal politics at Bogota. There is little disgruntled nationalism in Colombia, and the army is not a great factor in politics. There has been some danger from the German Fifth Column, but that is past, and Colombia is now at war with the Axis.

In spite of the encouraging stability of many of the South American republics, the outlook is unsettled. Between the two groups a polarisation of opposed forces may come into being—the Argentine "group" representing isolation, political and economic, opposition to foreign countries and dictatorial governments; the Brazilian "group," working with United States backing for the pan-American ideal, the industrialisation of the continent with American and possibly British aid, and the return to democratic methods.

## Canadian Fuel Resources

(FROM OUR OTTAWA CORRESPONDENT)

December 20, 1943

A PARLIAMENTARY committee on reconstruction and re-establishment has been giving Canadians an interesting survey of their post-war problems and resources. Its examination of the latter has been, on the whole, impressive, but a more sober note has been struck from time to time. For example, Canadians have now obtained for the first time a realistic estimate of the resources of the Athabaska bituminous tar-sands.

In the past the most extravagant statements have been made about this field, some of them from high places. Dr R. C. Wallace, president of Queen's University and chairman of one of the parliamentary sub-committees, speaking in March, 1943, said:

We know that there are 100 billion [a thousand million] barrels of oil available there some day, and I hope to live to see the day when it becomes one of our great fundamental industries of Canada.

Premier E. C. Manning, of Alberta (as late as November 26, 1943), told the committee,

Geologists of the Dominion Department of Mines and Resources declare that, long after the deep well fields of Texas, California, Borneo, Russia, and the Near East and South America have been exhausted, the bituminous sands of Alberta will be supplying the world's requirements of fuel oil. . . . The vision of 100,000 barrels of oil per day flowing through pipelines to tidewater from the oil sands of the Athabaska River Valley is not a dream but an objective.

A few days later, these rosy pictures were dimmed by a quartet of geologists and engineers of the Department of Mines and Resources, who placed on record the results of core-drilling conducted this past summer, and some facts and figures of actual mining and separating experience in the Athabaska field. To those holding such views as those expressed by the Premier of Alberta the evidence came as a shock. It begins to appear that much earlier "literature" on the subject was guesswork or promotion propaganda. The existence of "billions of tons" of bitumen was not challenged; but it is clear that earlier ideas about availability and cost of conversion into motor fuels will probably require drastic revision.

The effect of the earlier reports about the Athabaska field was to convince the general public, and even those well posted in Canadian economics, that the bituminous sands were readily available in vast quantities, that the problems of mining and separation had been largely solved, and that the chief—if not the sole—barrier to commercial development on a large scale was the competition of petroleum from flowing wells. Production figures had been published purporting to show that gasoline could be produced from the tar-sands at a figure between 20 and 30 cents. The assumption was that the Athabaska field would lie undeveloped only until such time as a more favourable cost relationship should arrive, either by lower production costs in the Athabaska field, growing scarcity and higher price of petroleum, or a combination of both. But now, it appears, there are serious mining and separation problems to overcome. Until they are overcome the oil cannot be extracted in large quantities, no matter how favourable the economic position, and therefore the question of competition with other sources is still hypothetical.

The evidence given to the committee by the geologists, physical chemists and engineers of the Department of Mines and Resources may be summarised as follows:—

1. Diamond core-drilling conducted this summer over an area classified as one of the most favourable has shown that layers of clay as much as several feet thick are commonly found in the deposits. The engineers did not think any process would handle tar-sand with more than 10 per cent clay content. The general exploration by core-drill has not gone far enough to measure this obstacle. Four years of intensive drilling will be necessary before a decision can be reached as to the wisdom of undertaking a major development.

2. While the total area underlain by tar-sands has been estimated at 1,500 square miles, the overburden above most of it is too deep to make open-cut mining feasible. Only 2 to 5 per cent of the total area is estimated to be suitable for open-cut methods.

3. The remaining 95 to 98 per cent can only be recovered by some process of *in situ* mining. A number of schemes for pumping hot water, cold water, or some other fluid into the bitumen beds so as to melt it free from the sand have been examined by the department, but all of these have been rejected as too expensive for commercial production.

4. The tar-sands which can be cheaply mined by open-cut methods were estimated as capable of producing of the order of 750 million barrels of oil. This is equivalent to about ten years' supply for Canada, but is only one-third of world production as estimated for the year 1942. (It is clear, therefore, that the Athabaska field can be classed as a world source only if—or when—some method of mining the bitumen *in situ* is developed.)

5. Open-cut mining of the tar-sands where the overburden is not excessive is possible at low cost (records were quoted showing costs of less than 10 cents per ton for these operations), but, unless the terrain is favourable for the disposal of the overburden and subsequently the spent sands and tailings, a very difficult problem is faced.

6. Much work is still necessary before separation plants can be expected to work safely and continuously. The first plant erected by the Abasand Company (now taken over by the Dominion Government) burned down from gas or fumes created by the separation process. Fine sand getting into the machinery caused costly shut-downs and replacement of equipment. No experience in winter operations has yet been gained, and it may prove impossible to work the full year.

7. Bitumen content as high as 17 per cent has been encountered, but an average of 10 per cent was quoted as a working figure. As hydrogenation tests have produced 194 Imperial gallons to the short ton of bitumen, this suggests a yield of about 20 gallons per ton of sand mined.

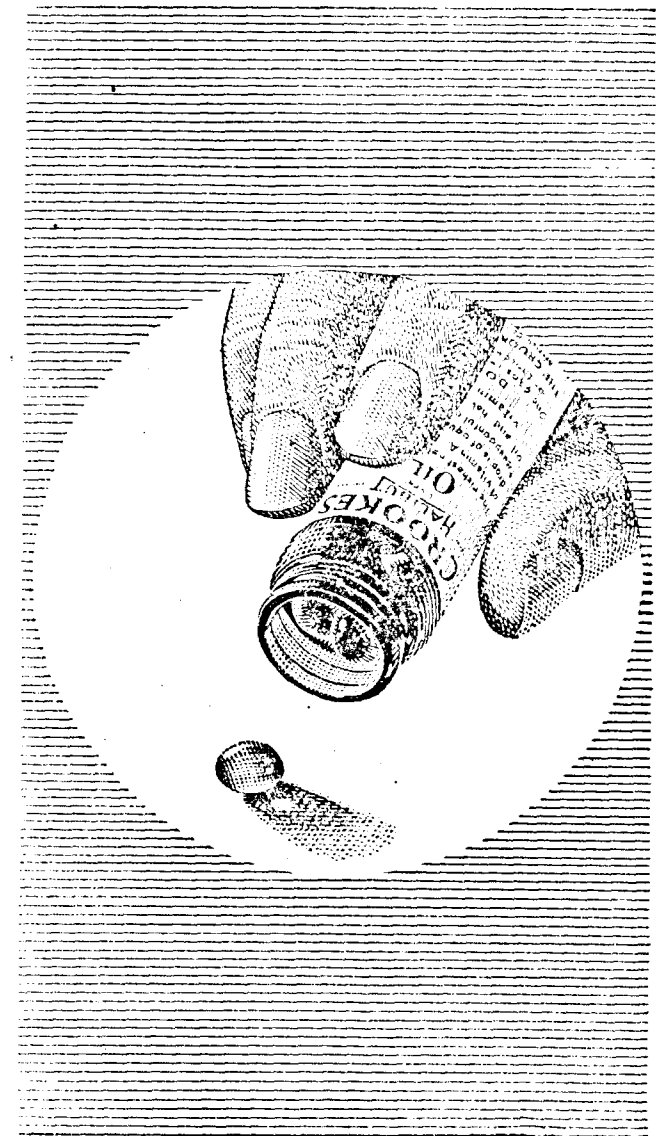
8. Beds vary considerably in thickness. Present operations are taking place on a 40-foot seam of sand, but a range of from 25 feet to 75 feet has been found in drilling. Lower horizons are richer than the higher ones, but no evidence has been obtained of free bitumen, and geologists have predicted that free petroleum will not be found in association with these deposits.

This evidence was given following the presentation of a brief in which the officials of the Mines Branch urged that sums should be included in the estimates for the coming year for the erection of a semi-technical hydrogenation plant at Ottawa capable of producing about 200 Imperial gallons per day, using Canadian bitumens, bituminous coals, lignites, heavy crude oils and residues from petroleum refining. So far, the tests at Ottawa, begun in 1929, have been confined to laboratory-scale operations, using a modification of the Bergius-Fischer process.

### An Oil Shortage?

The Director of the Mines Branch reminded the parliamentary committee of Canada's vulnerable and unsatisfactory position in liquid fuels. At present 83 per cent of Canada's consumption has to be imported. The committee was reminded of the growing concern by the United States over its own reserves and the rapidly rising consumption of liquid fuels in nearly all countries. It was necessary to face the possibility that Canada would be compelled to lean much more heavily upon its own resources in future. Even the semi-technical plant as recommended would take eighteen months to put into operation, and only then could a useful start be made on commercial development.

The discouraging data on tar-sands does not, of course, leave Canada without vast fuel resources. The proved coal reserves are among the world's largest, and laboratory tests on hydrogenation of Canadian coals have been promising. Canada's best coals for this purpose compare very favourably with samples imported from Durham and Pittsburgh. Yields from 50 to 143 Imperial gallons per short ton of Canadian coal have been obtained, compared with 121 gallons from Durham coal and 129 gallons from Pittsburgh coal. Allowing for fuel actually consumed in the process, the yield of one ton of liquid fuel from 4 to 5 tons of Canadian coal is predicted.



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## Russia at War

### Party and Army

ON January 22nd, Russia celebrated the twentieth anniversary of Lenin's death. The tributes paid to the memory of the founder of Bolshevism and of the Soviet state coincided with the victories around Leningrad; and the celebrations were closely connected with the war. The occasion was not used for any retrospective review of the Party's internal history, as was customary in peacetime. The war, it seems, effaces memories of the bitter struggles which filled the stormy period from Lenin's death up to the late 'thirties. For two and a half years now, the Soviet press has hardly ever mentioned any "enemies of the people." There can be no doubt that the dramatic chapter of internal Party strife during the post-Lenin period was closed shortly before the war; and that the war itself has resulted in a strong consolidation of the regime.

The Party has radically changed its outlook since those days in January 1924 when, over the tomb of Lenin, Stalin took his historic oath to fulfil the testament of the dead leader of Bolshevism. The meaning itself of that testament subsequently became the subject of conflicting interpretations. The interpretation of Bolshevism now established is that of a national set of ideas and doctrines, more or less reconciled even with the pre-revolutionary past and Russia's long traditions.

#### Revival of Nationalism

The revival of nationalism in Russia has found many expressions during the war. It has been most strongly pronounced in the life of the Red Army, which has re-adopted most of the symbols and customs of the Imperial Army. The war has naturally resulted in an all-pervading militarisation of the country. A martial hierarchy has been introduced in many fields of civilian life; even railway staffs have been given the titles of majors, colonels, and generals. Yet, parallel with this process, there has been the growth of the Party. More than one and a half million new members have been admitted to the Party since the outbreak of war.

The unity of Party and Army has been the guiding principle. The embodiment of that unity is Stalin himself—the Supreme Commander and Leader of the Party. The great majority of the new Party members are soldiers on active service. The tendency to link Army and Party with the closest possible ties from top to bottom has been reflected in a series of measures, such as the conferring of the highest military ranks on a number of political leaders and the reduction of the probation period for soldiers who apply for Party membership from one year to three months.

Even so, differences in outlook between Army and Party are undeniable. Both Army and Party emphasise their national, Russian character. At the same time, both look to their revolutionary origin. But, whereas the Army recognises in the Revolution simply one element of Russia's national tradition, and looks beyond it far back to the Military Regulations of Peter the Great, the Party adopts the new nationalism as a post-revolutionary fact, and seeks to interpret it in terms of Party doctrine. To the officers' corps, with its newly developed *esprit de corps*, Lenin seems to be the legitimate descendant of the Russian Empire builders—Peter the Great, Suvorov, Kutuzov. In the eyes of the Party, it is Lenin himself, without this historical parentage, who dominates Russian history.

For the moment there appears to be no conflict between the cult of Leninism and the rediscovery of the Russian heritage. Beneath the surface, too much is still in flux for any final judgment. But this at least is clear: during the greater part of the war, most of the startling changes in ideas and

attitudes have taken place in the Army; it is the Army that has seemed to take the initiative in almost every change, reform or counter-reform. This was particularly so in the most critical period of the summer of 1942, and in the first phases of Russia's stupendous recovery during the first half of 1943. It was supreme crisis that made Russia's leaders turn sharply to traditional sentiments and slogans as the means by which to sustain the mass of Russia's fighting men in their heroic effort—first, to defend and then to attack. It was then that the political commissars disappeared; that the Guards were re-established, the orders of Kutuzov and Suvorov, as well as the epaulettes, introduced, the military hierarchy reorganised along "orthodox" lines, exclusive officers' clubs set up.

Since then there have been no new conspicuous developments of this kind. Amid the thunders of great victories on the battlefields, the Army itself has even slightly faded from the limelight. The names of victorious generals appear regularly in Stalin's Orders of the Day; but it is the Party rather than the Army that has received the warmer tributes in recent months, and been hailed as the real architect of victory—though it must be remembered how closely the two are now linked in personnel and leadership.

The Lenin anniversary was a fresh occasion for a tribute to the Party. The speaker at the anniversary meeting was Alexander Shcherbakov, who, as Party leader, now ranks almost next to Stalin. He is Chief of the Political Administration of the Army, that is, spokesman of the Party in the Army, and also the Secretary-General of the Party organisation of Moscow. In his speech, he contrasted the position of the Red Army in this war with the position of the Tsarist Army in 1914-1917. Old Tsarist Russia, he said, was backward in all respects. It was unable to arm its soldiers.

The country was then travelling a road which would inevitably have brought it to the loss of independence. It was the Bolshevik Party that saved our country from this disgrace.

He described the great work done by the Party in the Five Year Plans; the vast construction of a modern industry "over enormous expanses from the Baltic Sea to the Pacific Ocean, from the Arctic Ocean to the Black Sea." This work has enabled Russia to withstand the German onslaught, though its armies have now had to fight 260 enemy divisions compared with the 127 divisions which the Germans threw against Tsarist Russia in the last war.

#### Foreign Relations

M. Shcherbakov pointed to the growth of Russian prestige abroad, which he contrasted with the underestimation of Russia's fighting capacity during the earlier stages of the war.

In the early months of war not only the Hitlerites, but, one can say without exaggeration, the majority of political leaders and statesmen in Allied countries, regarded the temporary reverses of the Red Army as a manifestation of the military and economic weakness of the Soviet state. . . . The unity of the Soviet people and the strength of the Red Army were underestimated in those days not only in Berlin, but also in Washington and London.

Coming on the morrow after *Pravda's* canard about secret negotiations between Britain and Germany, this remark was perhaps not altogether free from a topical purpose. But it was carefully balanced by the listing of yet another achievement of the Party's policy:

The USSR's foreign political connections have grown stronger and more stable. The Nazi plans, aimed at provoking a split among democratic countries, fell through. The confidence and unity of the countries of the anti-Hitler coalition have been strengthened. This is proved in the first place by the decisions of the Moscow and Teheran conferences.

The interplay of the two trends in Russia's internal policy will probably not leave its foreign policy unaffected. The "conservative" party line, as it crystallised in the 'thirties, was orientated towards the League of Nations and collective security. The new nationalism, which appears as the inheritor of age-old traditions, may well develop the aspiration to "recollect" the lands of the old Empire, and to bring them back under Russian rule. In the Lenin period Soviet foreign policy was dynamic and expansive, not in the nationalist or military sense, but in the revolutionary sense. After Lenin's death it was "static" in its attitude of defensive isolationism. The new nationalism may perhaps make it dynamic again. The issue seems to depend on whether the Army is going to remain *La Grande Mueite* in politics or not.

## THE BUSINESS WORLD

### The Banks Look Ahead

EVERYTHING conspires to turn the bankers' eyes to the future. The new adventures that will open when the war is over are now approaching with visible acceleration. On the other hand prevailing conditions are dull in the extreme. How uneventful they are may be gauged from the accompanying table showing the principal clearing bank balance sheet items for the end of each year since 1938. The changes recorded during 1943 faithfully followed trends well established since the beginning of the war. The whole structure of credit has continued to expand and by the end of last year the clearing banks' deposits had crossed another milestone—the £4 billion line. Within this expansion of credit, bank loans have again contracted. Treasury Deposit Receipts, the new instrument of war-time short-term finance, have become the most important banking asset and their growth over the past year has in itself required explanation of the expansion in deposits. The other chief feature in the banking position during the past year has been the increased liquidity. Before the war a figure of 30 per cent was the figure around which the banks endeavoured to maintain the proportion of their quick assets (cash, cheques in course of collection, short loans and bills) to their deposits. In December, 1938, the ratio was 32 per cent. The figure has been rising steadily since that time and by the end of 1943 quick assets, now reinforced by TDR's, represented close on 55 per cent of the total of deposits.

The interest in the future is in part, therefore, an escape from the tedium of the present. But, in addition, the tempo of war developments is calculated to turn the attention of bankers to post-war problems and, in particular, to the rôle which the banks will play in financing the industrial and commercial transition to a peace economy. This interest was reflected in the chairmen's "statements" attached to the 1943 reports and, in particular, in those of the Midland Bank and of Lloyds Bank. The main and understandable concern of the bankers is to re-establish their genuine banking business—that represented by their loans and advances—which has had such huge inroads made into it during the war. As Lord Wardington has pointed out, the banks' balance sheets in these days bear all too close a resemblance to those of an investment trust. To what extent will the wartime distortion in the distribution of bank assets be remedied after the war? How will any increase in bank loans be "financed" by the banks themselves? These are the two questions to which the bank chairmen applied themselves.

Lord Wardington assumed that there would be a considerable expansion in the demand for bank credit after the war—"machinery will have to be replaced or converted; destruction of buildings made good; new houses erected; demobilised men from the forces will want capital with which to start new businesses, or to reopen those shut down in their absence." He might have added that when industry ceases to be so largely preoccupied with Government orders it will lose the financial aid of "progress payments" which now provide Government contractors and their hosts of subcontractors with the bulk of their current short-term finance. But even after generous allowance has been made for all known factors making for increased demands for credit, it must be admitted that those acting in the other direction may go a very long way to offset them. The exceptional liquidity of industry, in particular of its larger units, is a phenomenon which the end of the war will not remove. The greatly increased deposits are held by someone—and the possibility is that most of them are held by business concerns which might otherwise be in need of loans. Refinancing may present itself more as a problem of accommodating sales of gilt-edged and other securities by industrial enterprises than as a demand for additional bank loans. Moreover, a substantial part of the industrial switch-over to peace may be financed by the EPT refund of 20 per cent (less tax). The banks may, in fact, find themselves very fortunate to recover in the "transition years" the £250

million to £300 million of bank loans which they have lost during the war and which would restore the ratio of loans to deposits to only about half the 1938 figure. Too much should not be made of Lord Wardington's figure of £1,000 million as the total by which the banks could increase their loans. This was merely the result of an interesting but simple calculation of the kind of assets structure which the banks could maintain within the existing framework of credit. If that framework is defined by the total of £4,000 million of clearing bank deposits shown in the accompanying table, and assets were redistributed in such a way that £1,000 million were deducted from TDR's and added to loans, the total of quick assets would be reduced to £1,214 million and the ratio of these assets to deposits from 54.9 per cent to 30.1 per cent. In other words such a redistribution would still leave the banks' liquidity ratio slightly above what used to be regarded as the reasonable minimum. Lord Wardington was proving this point and not estimating the size of the potential demand for new bank loan facilities after the war.

The fact that the bankers look upon the redevelopment of this part of their business with no excess of confidence may be gauged from their readiness to explore new and rather unorthodox fields of loan policy. Mr Christopherson, in common with several other bank chairmen, dealt with the problem of the "small man." Too often in the past, he said,

COMBINED STATEMENT OF LONDON CLEARING BANKS, 1938-1943  
(£ millions)

| End of                        | 1938  | 1939  | 1940  | 1941  | 1942  | 1943  |
|-------------------------------|-------|-------|-------|-------|-------|-------|
| Deposits .....                | 2,254 | 2,441 | 2,800 | 3,329 | 3,629 | 4,032 |
| Cash .....                    | 243   | 274   | 324   | 366   | 390   | 422   |
| Items in Transit .....        | 71    | 119   | 135   | 162   | 186   | 201   |
| Short Loans .....             | 159   | 174   | 158   | 141   | 142   | 151   |
| Bills .....                   | 250   | 334   | 265   | 171   | 198   | 133   |
| Treas. Deposit Receipts ..... | ...   | ...   | 314   | 758   | 896   | 1,307 |
| "Quick" Assets .....          | 723   | 901   | 1,196 | 1,598 | 1,812 | 2,214 |
| Ratio .....                   | 32%   | 36.8% | 42.7% | 48%   | 49.9% | 54.9% |
| Investments .....             | 635   | 609   | 771   | 999   | 1,120 | 1,154 |
| Loans .....                   | 966   | 1,002 | 906   | 807   | 773   | 743   |

the enterprise and resourcefulness of the small business had been stultified or misdirected through inadequacy of financial resources. This, in so far as the Midland Bank can help it, will never again occur. Lord Wardington was more revolutionary. He pointed out that it had generally been regarded as a principle in deposit banking that medium or even short-term loans for capital purposes should not form part of their business. Lord Wardington added: "In theory that is perfectly sound, but the banks are at present so strong and enjoy such a liquid position that some departure from strict principles would seem to be justified in the conditions which are likely to confront us after the war." These two bankers thus propose to fill the two "gaps" in the British capital market defined by the Macmillan Committee, namely the capital requirements of the small business which is too modest to make its appeal in the new issue market and the provision of finance for capital purposes covering too short a period to appeal to the new issue market.

There is a great deal to be said for and against the proposal that the banks should fill these gaps and the subject promises to be the centre of bank policy debate for some years to come. Any conscious departure from a tradition which has stood British deposit banking in such good stead for so long needs very careful consideration. So far as medium-term capital loans for the larger enterprises are concerned, it is probable that the Macmillan gap, if it existed at all, has been an extremely small one. Given the liquidity of industry, it will be smaller than ever after the war. The provision of credit for the small business is, perhaps, the greater of the two needs, and political exigencies,

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apart from any other consideration, will probably call for some initiative on the part of the authorities and the banks. It remains to be decided whether the banks should provide such capital facilities from within their own organisation, or whether it would not be preferable for them, either singly or in concert, to establish special subsidiary institutions for the purpose. The latter would seem to be the preferable alternative. It would, in effect, separate the long term commitments which the banks would be undertaking from their current and short-term commitments to their depositors and might encourage the subsidiaries to raise some of their own finance on terms appropriate to the type of risks they were financing.

It remains to be discussed how any substantial increase in the demand for bank advances after the war would be "financed." If the increase occurs within a comparatively stable volume of bank credit, it will be financed by allowing other assets such as bills or TDR's to run off. The decision to repay Government debt held by the banks will, how-

ever, rest not with the banks but with the Treasury. It is possible that the end of the war may see budget surpluses out of which floating debt would be repaid, though this is a prospect about which it would be unwise to be unduly sanguine. There may be large funding operations through issues of Government stock to the public aiming, at one and the same time, at draining purchasing power (which will be redundant during the period of post-war scarcity) and repaying floating debt. If, however, neither of these occurs, any increase in bank loans would call for an appropriate increase in the basis of bank cash. But if there is a genuine demand for bank credit it may be presumed that the authorities will be willing to have it met; it would be difficult to reconcile any other course of action with the repeated promises of cheap and abundant credit or with the determination to avoid any post-war deflation. The task of the banking system, it would therefore appear, will be to find the borrowers, not the funds to lend.

## The Cotton Industry

THE Report on the post-war problems of the cotton industry, prepared for the Board of Trade by an imposing committee of the industry, headed by Sir Raymond Sreat, chairman of the Cotton Board, has the merit of containing not merely a set of recommendations but also the facts on which they are based. This method of presentation—one that might with advantage be followed by other industries—enables the critic to draw his own conclusions and to examine alternative remedies. The object of this article is to set out briefly some of the salient facts given in the Report of the industry's recent history, the estimates used in the Report of future demand for cotton and rayon, and the conclusions reached. Some comments on the issues raised are contained in an article on page 133.

### Past Experience

The most significant feature of the industry's recent history is its persistent shrinkage; during the twenty-five years preceding the war it shrunk by a third in size. It is common knowledge that the direct cause of this shrinkage has been the loss by the industry of more than three-quarters, measured by volume, of its exports. It is equally well known that the loss of exports has been due not merely to the growth of competition from other exporting countries, notably Japan, but also to the development of protected cotton textile manufacture in countries such as India, which formerly imported large quantities of goods from Great Britain. In other words, the British cotton industry was caught in the vice of a declining world trade and growing competition. The vice continued to close during the pre-war decade; between 1927-28 and 1937-38, though the total of world production rose by 13 per cent, the volume of world exports of cotton piece-goods fell by 27 per cent and Great Britain's share of the total declined from 44 per cent to 25 per cent. An interesting footnote to the decline in the British share of the export trade is provided by a table giving the change in the distribution of British exports before the war. Between 1929 and 1937, exports of piece-goods to the Dominions, to colonies in which quotas were imposed in 1934 on the imports of certain foreign textiles, and to twelve countries with which Great Britain concluded trade agreements, actually rose from 914 million square yards to 1,029 million square yards; but during the same period shipments to India fell from 1,374 to 356 million square yards and those to all other countries from 1,384 to 319 million square yards. British exports, in fact, have been steadily squeezed out of markets in which they did not enjoy special advantages by way of preferences, quotas and trade agreements. This trend reflects the growing disparity of costs between the industry in Great Britain and in other exporting countries.

Almost inevitably, the cotton industry has suffered from all the symptoms that go with industrial decay, such as surplus capacity of plant and labour, the reluctance of investors to throw good money after bad, and of young persons to run the risks of entering a declining industry. The number of new spindles and looms installed in recent pre-war years has been small, and that of young people

entering the industry fell from an average of 27,000 a year in 1925-27 to about 14,000 ten years later. Not unnaturally, a declining industry tends to become permeated with pessimism, that is to say decay tends to breed further decay. The industry has been carrying out a bare minimum of collective technical and scientific research, and only a few firms have been maintaining adequate research facilities. Unfortunately—this is a serious deficiency—the factual part of the Report does not include a survey of the financial experience of the industry; moreover, it deals with the position of the industry as a whole and therefore neglects its bright spots, for there are examples of enterprise rewarded by success.

As hitherto unpublished statistics show, the war has brought a further and severe shrinkage in the industry. Yarn production fell from 1,090 million lb. in 1939 to 730 million lb. in 1942; the output of woven goods declined

TABLE I.—PRODUCTION, EXPORTS AND HOME CONSUMPTION OF COTTON PIECE-GOODS (In million square yards)

|        |                         | Production         | Exports          | Home Consumption |
|--------|-------------------------|--------------------|------------------|------------------|
| U.K.   | 1937.....               | 3,806 <sup>a</sup> | 1,921            | 1,935            |
|        | 1942.....               | 1,850 <sup>a</sup> | 485              | 1,377            |
| U.S.A. | 1937.....               | 9,321              | 236              | 9,232            |
|        | 1942.....               | 12,000             | 410              | 11,600           |
| India  | 1937 <sup>c</sup> ..... | 5,548 <sup>b</sup> | 377              | 5,683            |
|        | 1942.....               | 5,800 <sup>b</sup> | 940 <sup>d</sup> | 4,860            |
| Brazil | 1937.....               | 900                | 7                | (e)              |
|        | 1942.....               | 1,400              | 250              | (e)              |
| Canada | 1937.....               | 245                | 5                | 339              |
|        | 1942.....               | 350                | 20               | 537              |

(a) Excluding made-up goods. (b) Linear yards; production seriously reduced in latter half of 1942 by civil disturbances. (c) Fiscal year 1937-38. (d) By sea only, excluding Government exports. (e) Not published.

from 3,400 million square yards to 1,970 million. The labour force was sharply curtailed. In the spinning and doubling sections the number of persons employed was reduced from 186,000 to 108,000 between 1937 and 1942 as a result of the cut in output and its concentration into the fewest possible mills; in the weaving section the reduction was from 206,000 to 104,000. The elimination of plant was less drastic, for idle machinery was put on to a care and maintenance basis by compensation schemes; the mule equivalent of spindles in place declined from 40,100,000 in 1939 to 39,000,000 in 1942 and the number of looms from 490,000 to 475,000. The following table of comparative production and exports of four countries in 1937 and 1942, reproduced from the Report, tells its own story of markets lost by Great Britain—this time through Government restrictions on exports—and gained by other countries, and

f a drastic cut in British consumption and expansion elsewhere.

### Post-War Estimates

The Report's estimates of post-war demand are intended to relate to the period after the replenishment of stocks. Home market requirements are raised slightly above the average for 1935-37; they are put at 790 million lb. of cotton and rayon yarn, and 2,300 million square yards of woven goods, including a small allowance for imports on the pre-war basis. A decline in the demand for cotton goods, from 1,820 million square yards in 1935-37 to 1,570 million square yards is expected to be offset by an increase in rayon and mixed goods. Three varying estimates are given of export demand; the first is based more or less on the maintenance of the *status quo*, the second envisages adverse, and the third favourable, changes. These are given in Table II. Table III shows combined home market and export demand, together with the requisite needs in operatives and machinery, on the basis of the three estimates of exports.

At the end of 1942 the number of persons in spinning and doubling mills, including staple fibre, was 108,000; in weaving the number of operatives was 104,000. The present labour force in both sections is therefore inadequate even on the most pessimistic of the three assumptions. The mule equivalent of the present number of spindles is 39,000,000, of which 15,000,000 are in closed mills; the number of looms is 475,000, including 160,000 in closed mills. Spindle capacity is therefore excessive except under the third estimate, but the number of looms is excessive under all three estimates. It is recognised that the assumptions underlying these calculations are not necessarily valid; their significance lies in the range of probabilities envisaged by the advisers of the Cotton Board Committee.

### Proposals

This, broadly, is the background of facts with which the Committee was faced; it is hardly a cheerful one. What remedies did they prescribe to arrest the decay of the industry, that is, to restore prosperity through efficiency?

The Committee's main recommendation is for a strong statutory central organisation, coming close to the pattern of industrial self-government, to administer such remedial prescriptions as will in its view be necessary to restore the industry's health, that is, to ensure

a suitably sized cotton industry, affording stable and congenial employment to workers, a fair return to capital and a solid contribution to national well-being. Such a central organisation would take the form of a post-war Cotton Board, appointed by the Government after con-

TABLE II.—ALTERNATIVE ESTIMATES OF EXPORTS

|                                             | 1937  | Estimate I | Estimate II | Estimate III |
|---------------------------------------------|-------|------------|-------------|--------------|
| Cotton yarn (million lbs.)                  | 159   | 124        | 96          | 215          |
| Cotton piece-goods (million sq. yds.)       | 1,921 | 1,284      | 648         | 2,090        |
| Rayon piece-goods (million sq. yds., woven) | 63    | 70         | 23          | 130          |

sultation with the industry, responsible to the Government rather than to trade organisations, but free to take decisions in the interests of the community and of the industry as a whole. The Board would have "a whole-time chairman who would be independent." In view of the "immense" future importance of rayon, the problems of the cotton industry could only be successfully overcome if the Board's "constituency" included firms "wholly or partly engaged in spinning rayon staple fibre, weaving rayon yarns, finishing rayon goods, and merchandising rayon goods." Rayon would be assigned a quarter of the Board's membership.

Next, the Committee is anxious to ensure a balanced and efficient capacity.

On the machinery side, the Government and the industry should proceed on the assumption that the spinning section should be of approximately the same size as in 1937. Mills closed down by the concentration of industry scheme would be reopened, but "for the time being at least" the installation of new spindles should be under suitable control. In the weaving and finishing sections there is excess capacity that would have to be eliminated by means of redundancy schemes; but such schemes, to be effective, would involve control of new entrants. This would in any case be necessary during the period of deconcentration. The Committee also

holds the view that there are too many merchants in the trade, and that reforms are necessary in distribution, but does not propose any specific action. But an adjustment of capacity is not enough; the remaining capacity should be efficient, which would involve a good deal of re-equipment. Inquiry has shown that a representative cross-section of firms intend to place orders for £43,000,000 (on the basis of pre-war prices) during the five years after the defeat of Germany. The Government could do much to encourage re-equipment and greater expenditure on research by an appropriate taxation policy.

On the labour side, the need is for an increase; indeed, the shortage of operatives will be one of the industry's most serious problems after the war. The immediate problem could be mitigated by the Government in encouraging former operatives to return to the industry; the Committee realises that the recruitment of young persons is a matter of restoring confidence in the industry, backed by improvements in working conditions, better training methods and other reforms, and that this problem is on a par with those of the "recruitment" and expenditure of capital.

A system of price control administered by the post-war Cotton Board is, therefore, an "indispensably necessary" part of the Committee's plan. It points out that the need for

TABLE III.—ESTIMATED TOTAL POST-WAR REQUIREMENTS

|                                       | 1937    | Estimate I | Estimate II | Estimate III |
|---------------------------------------|---------|------------|-------------|--------------|
| Spinning and Doubling:—               |         |            |             |              |
| Spun yarn output (million lb.)        | 1,375   | 1,125      | 927         | 1,418        |
| Persons employed                      | 186,000 | 152,000    | 125,000     | 192,000      |
| Spindles (mule equivalent, millions)  | 39      | 32         | 26          | 40           |
| Weaving:—                             |         |            |             |              |
| Woven goods output (million sq. yds.) | 4,530   | 3,700      | 2,947       | 4,626        |
| Persons employed                      | 206,000 | 169,000    | 134,000     | 210,000      |
| Looms required                        | 420,000 | 344,000    | 273,000     | 429,000      |

imposing maximum prices during the period of shortage after the war is widely recognised as a means of avoiding an inflationary rise; but legally enforceable minimum prices are held to be necessary when pent-up demand has subsided if the industry is to succeed in adapting itself to post-war conditions. Wherever possible, however, a "price band" should be adopted in order "to provide for flexibility and to encourage competitive efficiency." There should be at least a five-year mandate of reconstruction—with continuation beyond if "approved and sanctioned"—for producers

could not and would not take the steps we want them to take in the first and second years unless they know that the price system will be in operation in the fourth and fifth years. . . . In the horizontally organised Lancashire industry, with its very numerous separate units at each stage of production it has been impossible for any of the interested parties to know for certain at what point it would or would not pay the industry as a whole to accept a certain price. Consequently, throughout the long period of contraction, the buyer at each horizontal stage has thought it essential to drive his supplier down in price, in the hope of thereby making his position as a seller in the next stage so much the stronger and thus preserving his own volume of trade against his domestic competitors. The result has been innumerable orders booked at a loss.

It admits, however, that departures from standard prices may be desirable in certain conditions, such as sales to special markets. In the Committee's view

the principle to govern the level of prices in the various schemes should be that of securing a reasonable rate of return in the long run to an efficient firm as determined by an investigation of the average results of a representative group of efficient firms.

On exports, the mainstay of the trade, the Committee finds that the industry's future is in the hands of the British and overseas Governments. It has this to say:

It is clear that if the very low labour cost countries are going to enjoy equal terms of access to markets; if they are going to expand their production; and if their wages and conditions are going to remain where they are whilst our conditions improve as we intend them to, only a limited export trade in specialities will remain to the British cotton industry after the world shortage is overcome.

The Committee holds that during the period of shortage after the war, quantitative control may be necessary in the international cotton trade. It has an open mind about the future, but "could fit itself into a picture of that kind."



## Business Notes

### Civil Aviation

Lord Beaverbrook's speech during the debate on civil aviation in the House of Lords on January 19th was in the nature of a progress report. First, he stated that the Government is now ready for an international conference and is, in fact, waiting on the United States to complete its surveys. Since the rights of innocent passage and of landing for re-fuelling and other non-traffic purposes have been accepted as fundamental principles of civil aviation by both Governments, such a conference would presumably deal mainly with the problems of traffic regulation and arrangements. Secondly, Lord Beaverbrook remarked that although the British Overseas Airways Corporation has a monopoly of subsidies for overseas traffic, there can be no statutory objection to shipping and other private concerns engaging in international air traffic; but he did not say whether it is the intention of the Government to reconsider the position of BOAC. For example, is there to be equality of opportunity for all who wish to engage in overseas air transport, or are private concerns to be given an opportunity by restrictions on the field of operation of BOAC? Thirdly, he revealed that preparations were now going ahead for the provision of suitable types of transport aircraft. The two types of transport which he said were in preparation are the "Tudor" and the "Brabazon Type I." The first, which will have an all-up weight of 32 tons, may be ready before the end of the war, but it may be some years before the second, of an all-up weight of 100 tons, will make its regular appearance on the world's air routes.

### Road Plans

In reply to a question in the House of Commons on January 25, Mr Noel-Baker, Parliamentary Secretary to the Ministry of War Transport, gave some indication of the Government's attitude to the problem of improving Great Britain's road system after the war. He pointed out, rightly, that any proposals for an improvement or an extension of the road system must be "viewed in relation to the efficiency and development of our inland transport system as a whole." By this test there is, in the opinion of the Government, a clear case for extending the present trunk road system; it is the intention of the Government to draft legislation which would substantially increase the existing mileage of trunk roads—some 4,500 miles—which is at present vested in the Minister of War Transport. This would involve not merely the taking over by the Minister of additional existing stretches of road and, possibly, of by-passes, but also the planning of some new roads where existing facilities are inadequate. About motorways Mr Noel-Baker had this to say:

While the Government do not think that there is sufficient justification for embarking upon the construction of a wide-spread system of entirely new roads reserved exclusively for motor traffic, they are satisfied that it will be expedient and economical to construct suitable lengths of roads of this type, where engineering and traffic considerations make this course preferable to the extensive re-modelling of existing roads, in an attempt to make them more suitable and safer for mixed traffic. In selecting lengths of road for this treatment, the Ministry would be guided by the proper development of our transport system as a whole, by the convenience of road traffic. . . . Due regard would be paid to cost and amenity.

In other words, the motorway is to be regarded as one of the alternatives in improving facilities between any two points; the test is to be not whether motorways in general would be desirable, but whether a motorway linking any two points is the best solution of the traffic problem between them. This is the practical approach suggested in *The Economist* of January 1st. The execution of the Government's highway programme is to be related to general economic conditions. The order of priority is to be broadly as follows: the overtaking of arrears of maintenance; the resumption of works closed down during the war; the extension of works essential to public safety and the reconstruction of blitzed areas; the elimination of traffic obstructions; the execution of other works of high economic importance.

### Help for Lombard Street

Borrowers in the money market have again been hard put to it this week to make ends meet and they have had to seek special assistance from the Bank of England agents. This help has been readily forthcoming through official purchases of bills at 1 per cent. The main influence at work on credit conditions has been the heavy flow of revenue payments to the Exchequer. For each of the past two weeks revenue surpluses have actually been achieved. For the past week this factor should to some extent have been offset by the £10 million excess of Treasury Bill maturities over payments, and by the maturity of close on £10 million of Treasury Deposit Receipts against which no fresh payments have had to be made by the banks. The January making-up has, however, again affected the situation, and it is largely owing to the calling of funds by the clearing banks and to the absence of bill purchases on their part that the discount market was compelled earlier in the week to seek official assistance. The opinion prevails in money market circles that the impact of clearing bank window-dressing is likely to decrease this year. It has not escaped notice that the cash ratio revealed by balance sheets of December 31st was only 10.47 per cent, against 10.76 per cent for the end of 1942 and was easily the lowest end-of-year clearing bank cash ratio on record. The stunt of window-dressing, however, is to be measured not only by the figure to which the cash ratio is worked, but by the normal and unpublished level from which it is raised each month. The recent reminder from one of the banks that its own liquidity ratios owe nothing to window-dressing may also encourage the others to do likewise. The money market should not be unduly affected by the repayment of the £318 million of 5 per cent Conversion Loan on May 1st next. There is to be no special conversion offer in connection with this repayment.

### Gold and the Rupee

The volume of official sales of gold in the Bombay market is beginning to make its effect felt. The price quoted in the market has broken again; although the fall is only from Rs. 71½ to Rs. 71, it is significant owing to the relatively long period of stability which preceded it. The daily offtake in Bombay has slightly declined during the latter part of the week, and fallen below the average of 40,000 tolas maintained during the past five months. It is estimated that since August 17th, when the official selling programme became a decisive factor in the market, some 3,500,000 tolas have been sold through the Bombay market at prices ranging from Rs. 87, to Rs. 71 per tola. The proceeds of these sales must amount to the equivalent of about £20,000,000. At the price now ruling, gold in Bombay is still quoted at over £14 per ounce. Given the size of the official gold poured into the Indian market, it may be asked why the Bombay quotations should still diverge so widely from the parties indicated by the official prices for gold in Britain and America. There can be no real expectation that the sterling and dollar price of gold will ultimately come up to the equivalent of the present rupee quotation. As soon as the existing insulation of the various gold markets is ended, these abnormal disparities must disappear. One explanation of their persistence is found in the fact that the buying of gold in India, stimulated by inflationary forces, is for hoarding purposes, and not with the object of resale. The up-country cultivator who buys gold does so because in existing circumstances all his instincts tell him to invest his surplus in precious metals. Consumer goods are in short supply, prices are high, and bullion seems the obvious medium of investment. The long-term prospects for the rupee price of gold do not consciously enter into his calculations. None of the gold is, in fact, being bought for speculative purposes, since the facilities for such operations have now disappeared. The wide disparity between the rupee and sterling prices for gold might after the war be narrowed by a depreciation in the sterling value of the rupee. The scale of wartime inflation in India has been far greater than in Great Britain, and though over the same period the creditor-debtor position between the two countries has been revolutionised in favour of India, the resultant of these two opposing forces may still be to drag the rupee to a somewhat lower

exchange parity than the present rs. 6d. figure. It would, however, be unwise to count upon such a development to remedy the whole of the existing disparity between gold prices in India and elsewhere.

### LMS Airline Deal

In view of the insistence that air services should be run by shipping lines in more extended fields, a recent development concerning the provision of services at home is of interest. For some time past, Isle of Man Air Services has been owned by the Isle of Man Steam Packet Company, the LMS and Olley Air Services in equal proportions. Following the purchase of the last-named company by the LMS, the railway has decided that the holding in IOMAS should be split in equal proportions between itself and the Steam Packet Company. A sale of shares has, accordingly, been arranged and a new board installed on which the two companies are equally represented. The board is planning a wide expansion of services as soon as conditions are suitable and aircraft available. This concern has already some ten years' experience and has run considerable services even under the restrictions of wartime transport. It appears confident that there will be a very large expansion in the business in the post-war years, and this, presumably, applies to a number of other sections of internal and inter-island transport, almost the whole of which is in the hands of concerns in whose control the railways have a large, if not a predominant, place. If, as seems probable, such services are granted a relatively high priority, the way seems clear for development. This is in distinct contrast to the position of the overseas concerns, about whose arrangements little has been heard in recent weeks. Two shipping companies have, however, mentioned the matter, the managers of Orient Steam stating that they are looking into the costs of air operation and its effects on sea transport, while Houlder Line commit themselves to the policy of taking participations in air line companies rather than entering the business themselves.

### Shipping Replacement Costs

The accounts of Orient Steam Navigation for the year to June 30th last show a fall in the omnibus item of fixed assets amounting to some £424,000, of which £200,000 is due to depreciation. Against this there is a rise of £2,880,000 in a reserve item of which fleet replacement is, presumably, the main component. Since, however, depreciation on investments is now included under this head, instead of being written off holdings as heretofore, and contingencies—previously grouped with creditors—are also included, it is impossible to give an exact figure of the difference between book and insured value of the ships lost. Nor does it seem useful to base a calculation upon the figure of Government Tonnage Replacement Account. This stood at £409,700 when it was included in ship replacement reserve of £1,258,281. In the latest accounts the former figure has increased to £895,900 and is now shown separately. No doubt the new form of presenting the accounts is an improvement, but, in the absence of comparative figures, the shareholder is left more mystified than ever and the only conclusion that can be drawn from the great change in the reserve position is that investments, which have risen by some 50 per cent to almost £7,000,000, were heavily written down as well as the fleet. In the absence of the market value it is impossible to place a value on the reserve, but the assumption from the managers' statements from year to year is that investments are not now overvalued. If this is so the position is somewhat as follows. Depreciation of £1,200,000 apart, the balance sheet value of fixed assets has fallen by £985,000 since June, 1939. During that period, net liquid assets have risen by £6,750,000, thanks to excess of insured over book value of ships, the write-up in investments, revision of accounting practice and additions of £428,000 to reserve and carry forward. Of the last item almost half may not be available for general purposes. In addition, the company has the Government Tonnage Replacement Account to draw upon, making almost £7,650,000. This is to replace ships whose written-down value was of the order of £1,000,000, but the managers still express doubts whether these funds will be equal to the task.

### Planning the North-east

The absence of any Government decision on the post-war planning and location of industry has prompted local

industrialists and individuals in many areas to take the initiative; and the projected formation of a Northern Industrial Group, in succession to the old North-East Development Board, is the latest example of this tendency. The object of the Group is to prepare and co-ordinate development schemes for the area, and to keep its problems "before the attention of the Government." Its sponsors include Lord Ridley, Sir Colin Forbes Adam (a former Special Area Commissioner) and a number of leading industrialists and trade unionists in the area. Their report stresses the conclusion arrived at in *The Economist* on November 6th, that the war has actually worsened the region's prospects of post-war employment in relation to other more balanced areas. The principal remedy proposed is a greater diversification of industry in the region, by such measures as the encouragement of trading estates; the building of suitable factory premises; the revision of transport freight rates; the provision of suitable houses for business executives; and improvements in amenities. The report urges the need for unifying existing local authority administrations, and attacking the vast housing problem; it suggests that the policy, interrupted by the war, of transferring and rehousing the populations of the derelict villages of South-west Durham, should be resumed. It attaches great importance to the development of coal by-products and coal-based chemical industries, so as to utilise to the full the area's greatest asset. The report, quite correctly, emphasises that any plan for the north-east must fit into the framework of a national plan. It urges the Government to adopt the policy of taking work to the worker rather than workers to the work—a suggestion which has disadvantages as well as advantages—and to assume additional powers for the location of industry. The figures quoted illustrate the magnitude of the north-east's post-war problem. On the basis of pre-war statistics, it estimates an unemployment level of 130,000, out of a total insured population of 720,000. Before the war, two-fifths of the insured population were employed in mining, shipbuilding, engineering and iron and steel. The report's recommendations will not solve the problem of the north-east coast, which is fundamentally bound up with the future of heavy industry, though the measures proposed would alleviate it. But, in any case, little can be done in the direction of establishing a better geographical

## National Provincial Bank Limited

ESTABLISHED 1823

### Statement of Liabilities and Assets December 31st, 1943

#### LIABILITIES

|                                                              |                     |
|--------------------------------------------------------------|---------------------|
| Capital paid up                                              | £9,479,416          |
| Reserve Fund                                                 | 9,479,416           |
| Current, Deposit and other Accounts                          | 521,951,893         |
| Liabilities for Acceptances, Endorsements, Engagements, etc. | 10,855,206          |
|                                                              | <b>£551,765,931</b> |

#### ASSETS

|                                                                                                                                             |                     |
|---------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| Coin, Bank Notes and Balances with the Bank of England                                                                                      | £57,117,312         |
| Balances with, and Cheques in course of collection on, other Banks in the United Kingdom and Ireland, and Cheques, Drafts, etc., in transit | 27,777,249          |
| Money at Call and Short Notice                                                                                                              | 19,418,000          |
| Bills Discounted                                                                                                                            | 17,396,215          |
| Treasury Deposit Receipts                                                                                                                   | 168,500,000         |
| Investments                                                                                                                                 | 125,160,173         |
| Advances to Customers and other Accounts                                                                                                    | 108,687,467         |
| Bank Premises                                                                                                                               | 6,854,309           |
| Liabilities of Customers for Acceptances, Endorsements, Engagements, etc.                                                                   | 10,855,206          |
|                                                                                                                                             | <b>£551,765,931</b> |

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balance in industry, until the Government comes to a decision about the Barlow and Uthwatt reports.

### Uruguay's Sterling

Uruguay's favourable trade balance is causing a persistent increase in that country's reserve of foreign exchange. The excess of exports for the first nine months of 1943, expressed in US dollars, amounted to \$29,495,000, compared with \$473,000 for the corresponding period of 1942. The current review of the Bank of London and South America points out that the foreign exchange reserves of the Banco de la Republica now total \$58,519,000. This total is made up to the extent of \$42,039,000 of U.S. dollars and \$16,479,000 of sterling. During the recent debate on the national budget in Montevideo a suggestion was made that Uruguay's sterling funds standing on special account in London might be used to redeem part of Uruguay's consolidated debt. The Banco de la Republica has made public certain objections to this proposal. It has pointed out that as the sterling funds in question are not the property of the Government, but of the central bank, it would be necessary to float internal loans to raise the required pesos at a time when the capacity of the domestic capital market is already strained by large issues on the part of the Government. In addition, it was pointed out by the Banco de la Republica that the possession of a large foreign exchange reserve was not undesirable, especially in the case of a country like Uruguay, whose dependence on a limited range of exportable products was likely to lead to substantial fluctuations in the year-to-year balance of payments. The abundance of the foreign exchange reserve has, however, led the Uruguayan export and import control board to remove some of the restrictions on the grant of import licences. For the time being, therefore, the British holder of Uruguayan bonds can sleep o' nights.

### Raw Material Supplies

On Tuesday the Colonial Office announced that the Government's purchases of Rhodesian copper would be reduced by an amount equivalent to between 20 and 25 per cent of the aggregate rate of production achieved in 1943 by the four mines; to facilitate the transition the cut is to be made by stages, beginning in April. On the same day, the board of Roan Antelope, one of the companies, made public its decision not to pay a dividend in respect of 1942-43 on its issued capital of £4,993,160. The decision of the Colonial Office is symptomatic of a decisive improvement in the supply-demand ratio of a wide range of raw materials required by the United Nations for war production. It is due to a multiplicity of factors. On the

supply side they include the increase in shipping tonnage and the reduction in the loss of cargoes, the rise in the production of natural and synthetic materials, and the fact that the military advances of the United Nations have given them command of the battlefield, and, consequently, of the supply of "battle-scrap." Factors on the demand side include the completion of the greater part of the war plant and machinery production programme in the United States, and the experience gained during the period of scarcity in the economical utilisation of materials. Materials which are still scarce include rubber and aviation spirit, as well as timber and timber products. Supplies of many war materials required for munition production may become progressively easier this year, but there are a number of others, such as textiles, used mainly for civilian purposes, which will still be scarce at the end of the war.

### Non-Austerity

The lifting of restrictions is always welcome and as a general rule should never be delayed longer than necessary. The end of austerity restrictions on men's clothing has been received with acclamation. The President of the Board of Trade was influenced by the decision of the War Office that suits given to soldiers on demobilisation shall not be of austere design, and he has decided that civilians shall not be in a worse position in regard to turn-ups, buttons and pockets. There is, however, an element of doubt whether the new freedom can be afforded for everybody at this stage of the war. The savings effected by austerity have been considerable, although some of the restrictions could scarcely be described as economical in the long run. It is not possible to estimate the extra labour required to make suits free of restriction, but additional pockets, buttons and button holes will take longer to make. The number of buttons on a non-austere jacket varied, but was as high as twelve in some cases. The average may have been about nine, so that austerity dispensed with two-thirds the quantity needed. It is unlikely that button manufacturers will be able to meet increased demand on this scale. Labour and supply conditions generally may set a limit to the extent to which a return to the pre-war suit is possible. A number of questions are raised by Mr Dalton's decision. The price of utility suits of the non-austerity variety may have to be raised to take into account the higher cost. After March 1st, non-austerity suits can be delivered and austerity suits will require only 20 coupons. There will be no rule against adding "trimmings" to suits, but will six coupons have to be surrendered for this service? Some compensation may have to be given to retailers for the loss of coupons involved in the sale of austerity suits. It is hoped that the extent of the down-

## BENEFACTORS OF MANKIND

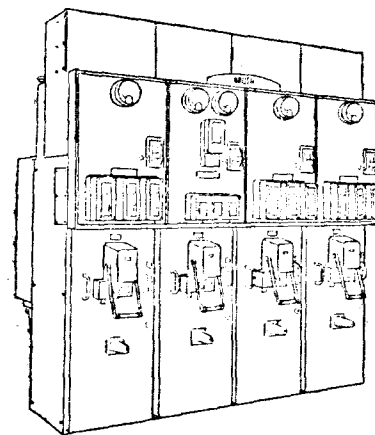


JOHN FREDERIC DANIELL (1790-1845)

*This brilliant life, all too short in point of time terminated at the peak of its activities. His great reputation as a scientist was equalled by his high personal character. In the prime of life he passed the torch to other pioneers.*

# Versatility

DISTINGUISHED in his research on the atmosphere, meteorology, chemistry and electricity, he brought together scattered knowledge, re-applying it, and adding the results of his own versatile gifts. He insisted upon accuracy of measurement, and invented the hygrometer which bears his name, for measuring atmospheric moisture, and also a new pyrometer for registering high temperatures. In the field of electricity his work was original; it included the invention of the Daniell cell, of great utility for telegraphic and other purposes. He added much to the knowledge of voltaic combinations and of electrolysis. The products of the Brush Electrical Engineering Co. Ltd. are versatile, comprising a very wide range of world renowned machines for the generation and distribution of power and electricity.



The  
**BRUSH**

ELECTRICAL ENGINEERING CO. LTD.  
LOUGHBOROUGH, ENGLAND.

TURBO-GENERATORS, TRANSFORMERS, E.H.T. and M.T. SWITCHGEAR, A.C. and D.C. MOTORS and GENERATORS, CONVERTORS, ELECTRIC TRUCKS, BUS and COACH BODIES

## WILLIAMS DEACON'S BANK LTD.

(Member of the London Bankers Clearing House.)

PRINCIPAL LONDON OFFICES:  
20 BIRCHIN LANE, E.C.3

9 PALL MALL, S.W.1

PRINCIPAL MANCHESTER OFFICES:  
MOSLEY STREET

ST. ANN STREET

OTHER OFFICES THROUGHOUT LONDON, LANCASHIRE, YORKSHIRE, CHESHIRE,  
DERBYSHIRE, STAFFORDSHIRE AND NORTH WALES

|                                                                                                 |             |
|-------------------------------------------------------------------------------------------------|-------------|
| CAPITAL ISSUED                                                                                  | £ 8,125,000 |
| CAPITAL PAID UP                                                                                 | 1,875,000   |
| RESERVE FUND                                                                                    | 1,000,000   |
| CURRENT AND DEPOSIT ACCOUNTS                                                                    | 74,341,710  |
| CASH IN HAND AND AT BANK OF ENGLAND                                                             | 7,436,807   |
| BALANCES WITH, AND CHEQUES IN COURSE OF COLLECTION ON, OTHER BANKS IN GREAT BRITAIN AND IRELAND | 5,019,348   |
| MONEY AT CALL AND SHORT NOTICE                                                                  | 4,000,613   |
| BILLS DISCOUNTED                                                                                | 1,158,579   |
| TREASURY DEPOSIT RECEIPTS                                                                       | 21,500,000  |
| INVESTMENTS                                                                                     | 25,124,492  |
| ADVANCES                                                                                        | 12,175,928  |

31st December, 1943.



pointing will have a favourable effect on sales, so that disposal of stocks will not be a problem. In any case, it will be some time before ready-made suits of the new designs reach the market. Men have disliked austerity suits since their introduction in March, 1942, but women, less conservative in their taste, have been less critical of the restrictions imposed on their clothes. It remains to be seen whether they will demand equality with men in this respect.

### Dearer Coal

On February 1st the price of coal will be increased by 3s. a ton to meet the rise in cost. The *Board of Trade Journal's* index of the wholesale price of coal rose by 58.2 per cent between August, 1939, and December, 1943. As a result of the new advance the war-time increase will exceed 60 per cent. It will naturally raise costs to consumers and substantially to industries with a large fuel bill, such as iron and steel. In an article in the January issue of *Man and Metal*, discussed on page 112 in *The Economist* of last week, Mr John Brown, general secretary of the Iron and Steel Traders' Confederation, drew attention to some of the post-war implications of dear coal. On the basis of a coal output of 200 million tons a year, the new increase in prices would add about £30 million to the nation's fuel bill.

### Winter Milk

The Minister of Agriculture announced last Wednesday that a temporary bonus would be paid to milk producers in England and Wales of 1½d. a gallon on the first 400 gallons of winter milk each month and ½d. a gallon on the first 500 gallons of milk each summer month. At a press conference last week, Mr J. L. Davies, the Milk Production Officer of the Ministry of Agriculture, said that the production of winter milk had made substantial strides since the outbreak of war. The trend of the index of sales of winter milk in England and Wales, shown in the accompanying table, indicates the large increases obtained:

SALES OF LIQUID MILK, OCTOBER-DECEMBER

|      | 1938=100 |      |     |
|------|----------|------|-----|
| 1938 | 100      | 1941 | 120 |
| 1939 | 96       | 1942 | 125 |
| 1940 | 114      | 1943 | 130 |

During the last quarter of 1943, production increased each month, compared with the corresponding month of the year before. In October, the percentage increase was 1.8; in November, 5.7; and in December, 7.5. Mr Davies was confident that the upward trend would continue this month, and he forecast an increase of 10 per cent. Priority consumers are taking up their allowances to a greater extent than before, and it is for this reason that the ordinary consumers' allowance remains low, and has not been raised with expanding production. The benefits of milk as a food are now more appreciated; consequently, demand after the war is likely to remain at a high level. Thus farmers will have no cause to regret the emphasis placed by the Minister of Agriculture on winter milk, or their efforts to raise production. Winter milk is paid for at higher rates, and its production does not reduce summer output. Nonetheless, bearing in mind the present dependence on home-produced feeding stuffs and the difficulties of autumn calving, the dairy farmers' performance is a fine one. There is every reason to believe that production next winter can be larger, since not all farmers have yet turned to a winter milk basis. The bonus should provide an additional incentive.

### Woolworths and Imps

Both Woolworths' and Imperial Tobacco are to pay the same final dividends for 1943 as for 1942, namely 30 per cent gross and 10 per cent tax free—of which 2½ per cent represents a bonus—respectively. The dividends of both concerns, not unnaturally and to no alarming extent, have been falling away during the last few years from their pre-war peak. Woolworths' total dividend for the year will amount to 40 per cent, which compares with 50 per cent for 1942, 55 per cent for 1941, and 65 per cent for 1940 and the two preceding years. Imperial Tobacco's full

(Continued on page 159)

## THE CHARTERED BANK OF INDIA AUSTRALIA AND CHINA

(Incorporated by Royal Charter 1858)

**CAPITAL (PAID UP) - £3,000,000**  
**RESERVE FUND - £3,000,000**

Branches and Agencies throughout INDIA and the EAST  
AFFILIATED BANK IN INDIA

THE ALLAHABAD BANK LTD., with 15 Branches & 30 Sub-Agencies

The Bank offers a complete Banking Service and provides exceptional facilities for financing every description of trade with the East.

Deposits for Fixed Periods or repayable at call or at short notice are received at rates which may be ascertained on application. The Bank also undertakes Trusteeships and Executorships.

**Head Office: 38, BISHOPSGATE, LONDON, E.C.2**

West End Branch:

**28, CHARLES II STREET, HAYMARKET, S.W.1**

Manchester Branch: 52, MOSLEY STREET

New York Agency: 65, BROADWAY, NEW YORK CITY

## NATIONAL BANK OF INDIA LIMITED

Bankers to the Government in Kenya Colony and Uganda.

**Head Office: 26 BISHOPSGATE, LONDON, E.C.2.**

BRANCHES:

|                       |          |                      |         |
|-----------------------|----------|----------------------|---------|
| Aden and Cochin       | Madras   | Kisumu               | Kenya   |
| Aden Point (S. India) | Mandalay | Mombasa              | Colony  |
| Amritsar              | Colombo  | Nairobi              | British |
| Bombay                | Dahli    | Nakuru               | M.A.    |
| Calcutta              | Kandy    | Entebbe              |         |
| Cawnpore              | Karachi  | Jinja                | Uganda  |
| Chittagong            | Lahore   | Zanzibar             |         |
| Dar-es-salaam         | Mwanza   | Tanganyika Territory |         |

**SUBSCRIBED CAPITAL ... £4,000,000**

**PAID-UP CAPITAL ... £2,000,000**

**RESERVE FUND ... £2,000,000**

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

## THE HONGKONG AND SHANGHAI BANKING CORPORATION

**CAPITAL ISSUED AND FULLY PAID UP \$20,000,000**  
**RESERVE FUNDS STERLING - £7,125,000**  
**RESERVE LIABILITY OF MEMBERS - \$20,000,000**

Head Office (temporarily),

**9, GRACECHURCH STREET, LONDON, E.C.3.**

Chief Manager: A. MORSE.

**BRANCHES AND AGENCIES THROUGHOUT INDIA AND THE FAR EAST, Etc.**

**HONGKONG & SHANGHAI BANK (TRUSTEE) LIMITED,**  
9, Gracechurch Street, E.C.3, a company incorporated in England and an affiliate of The Hongkong and Shanghai Banking Corporation, is prepared to act as Executor and Trustee in approved cases.

Full particulars may be had on application.

## COMMONWEALTH BANK OF AUSTRALIA

(Guaranteed by the Australian Government) Branches and Agencies throughout Australia.

Banking and Exchange Business of every description transacted. Bankers to the Government of the Commonwealth of Australia, the Government of the State of Queensland, the Government of the State of South Australia, the Government of the State of Tasmania, Commonwealth Savings Bank of Australia, 5,921 Agencies at Post Offices in Australia.

|                        |                          |                     |
|------------------------|--------------------------|---------------------|
| As at 30th June, 1943— | General Bank Balances    | £287,573,345        |
|                        | Savings Bank Balances    | 221,004,521         |
|                        | Note Issue Department    | 149,436,542         |
|                        | Rural Credits Department | 2,464,158           |
|                        | Other Items              | 21,990,375          |
|                        |                          | <b>£682,529,446</b> |

A. H. LEWIS, Manager.

London Office: 8, OLD JEWRY, E.C.2.

Also at AUSTRALIA HOUSE, STRAND, W.C.

## REFUGE ASSURANCE COMPANY LTD.

Chief Office: OXFORD STREET, MANCHESTER, 1

\* ANNUAL INCOME EXCEEDS - £14,000,000

ASSETS EXCEED - £81,000,000

CLAIMS PAID EXCEED - £147,000,000

(1942 Accounts)

### COMPANY MEETINGS

## WILLIAMS DEACON'S BANK, LIMITED

### SATISFACTORY RESULTS—INCREASED PROFIT

### BANK'S LIQUID POSITION

### MR G. P. DEWHURST'S STATEMENT

In place of his usual annual address, the following statement has been circulated by Mr G. P. Dewhurst, chairman of Williams Deacon's Bank Limited, in advance of the annual general meeting to be held on January 27, 1944.

TRIBUTE TO THE LATE COLONEL SIR ROBERT WILLIAMS AND THE LATE MR THOMAS FREDERICK TATTERSALL

From the report in your hands you will see that during the past year we have had to deplore the loss from our board of two of our most prominent and valued colleagues in Colonel Sir Robert Williams and Thomas Frederick Tattersall. Sir Robert was the great-grandson of the founder of Williams Deacon and Company and was himself a partner in that old private banking firm, who were the London agents of the Manchester and Salford Bank since the latter was formed in 1836. After the amalgamation of the two banks Sir Robert became a director until his death last April in his ninety-fifth year. Possessed of a strong personality, Sir Robert, in spite of his great age, retained his full powers to the end, and his good judgment and sound common sense were highly valued by the board, and by his London colleagues in particular. Thomas Tattersall had been a director of this bank for nearly twenty-one years, and deputy chairman since 1936. He was also chairman for many years of the English Sewing Cotton Company and a director of the Manchester Royal Exchange, and it is not too much to say he was a conspicuous success in those various capacities, but, apart from his business ability, his colleagues will best remember him for his sterling character, unfailing good humour, and, last but not least, his genius for friendship. We salute his memory and feel proud to have been associated with him.

### THE NEW DIRECTORS

To fill the vacancies thus caused, we have invited Mr Frank Longworth and Mr Douglas Thornbury Garrett to seats on the board, and the meeting will be asked to confirm their appointment. President of the Manchester Chamber of Commerce, a director of Jas. Williamson and Son, Limited, of Lancaster, and a member of a well-known family with large industrial interests in East Lancashire, Mr Longworth needs no introduction from me to business circles in Manchester. Mr Garrett is senior partner of Messrs Parker, Garrett and Company, solicitors in the City of London; he is also a director of the Legal and General Assurance Society. To both of these gentlemen we offer a very hearty welcome to our board, and are confident that their business ability and influence will be of the utmost value to the bank.

Before referring to the accounts, I would like in your name to offer our heartiest congratulations to two of our colleagues, Sir William Whyte on the honour of Knighthood which was recently conferred on him, and Mr Kershaw on receiving the C.B.E. in the New Year's Honours List.

We have to record, I regret to say, the death on active service of 10 of our staff, with a further 5 missing and 9 prisoners of war, these out of a total of 519 members of the staff serving with His Majesty's Forces. To the relatives and friends of those who have given their lives for their country we take this opportunity of offering our sincerest sympathy.

### BALANCE-SHEET ITEMS

Turning to the figures of the balance sheet, our current, deposit and other

accounts, in conformity with other banks, show a further considerable expansion, and at £74,341,000 constitute a record high level for the bank. At the same time, in spite of the above figures, we have evidence that the placing on tap of Tax Reserve Certificates has definitely slowed down the rate of increase of deposits.

On the other side of the sheet, and taking the first five items, which rank as the bank's most liquid form of assets, our cash, balances with other banks, money at call, bills discounted, and Treasury deposit receipts, give us a total of over £39 million, or 53 per cent. of our deposits.

Government investments are also up by £2,000,000, while advances show a small but welcome increase of £850,000. We have further reduced the figure at which our bank premises stand in our books by some £44,000, advisable in view of the possibility of further capital expenditure in that direction in the future.

### PROFIT AND DIVIDEND

Turning now to the figures of profit and loss, our net profit, after making the usual provisions, appears at £201,844 12s. 4d., as compared with £189,057 3s. 11d., or an increase of £12,787. This profit, with the balance of £127,275 15s. 2d. brought forward from last year, gives us a total of £329,120 7s. 6d. now to be dealt with. After transferring £30,000 to bank premises account and £30,000 to property maintenance reserve account to meet overdue repairs which will have to be faced after the war, we are in a position to pay a dividend at the rate of 12½ per cent. on both our "A" and "B" shares, and carry forward to next year's account £151,932 17s. 6d., as against £127,275 15s. 2d. brought in.

These figures, I submit, not only give ample proof of the extreme liquidity of the bank's resources, but emphasise the continued progress of our business, of which the increase in the number of customers' accounts is perhaps the most satisfactory feature. Since last July, the Manchester clearing, which was the largest provincial clearing, has been restricted to offices approximately within a quarter of a mile radius from the Clearing House, the remainder of the area covered by the clearing being diverted to the Central Clearing House, with the result that 75 per cent in value of the Manchester clearing is now dealt with by the Central Institution, thus enabling a further saving in manpower to be effected.

### POST-WAR PROBLEMS

Whilst the whole energies and resources of the State and individual alike are entirely pledged to the successful prosecution of the war, it is still essential for us, without any relaxation on the main issue, to look ahead and plan, as far as we can estimate them, for the problems which will arise in the early days of peace. Without entering into the vexed question of State control versus private enterprise, it is, I think, a matter of common agreement that a certain measure of control of money, prices and commodities must remain in force for a time, and can only be dispensed with by degrees. If such a policy is necessary for the trade of the country as a whole, it should apply with special force to the cotton industry, where control of every stage and process from the raw material to the type and destination of the finished article has been of the strictest, and where its premature removal would merely be inviting a repetition of the troubles that

overtook the trade after the conclusion of the last war. On the other hand, State control, however onerous and irksome in its incidence, has given the benefit of stable prices, and if the industry is to qualify for such benefit it is essential that it should produce evidence of its efficiency in an overhaul of its organisation and its willingness to adopt new ideas, and by the aid of research in the introduction of the most up-to-date plant and machinery.

### NECESSITY FOR EXPORTS

A successful export policy, we are all agreed, is vital to this country, and Lancashire has only to live up to its past record in this connection to play an important part in the restoration of the nation's finances. While our attention is thus directed to post-war planning, should we not spare a thought for that vast number of young men who, we hope, will be returning to our midst to take up a variety of occupations in civil life? These men, after their service in H.M. Forces and whatever their rank, will have graduated in the hardest of schools, where courage, initiative, and enterprise have been the first essentials; in other words, they will have imbibed the art of leadership. This priceless asset must never be allowed to fade out through want of appreciation or opportunity, and we must see to it that these qualities which have appealed so strongly to our imagination while on active service should be given their fullest scope in the years to come.

### TRIBUTE TO STAFF

And now may I on behalf of the board offer to the staff, permanent and temporary alike, our best thanks for their services and assure them of our keen appreciation of the manner in which they have performed their duties in the bank, whilst to our general manager, Mr Thomson, the assistant general managers and the other officials of the bank a special word of thanks is due for the manner in which their responsibilities and duties of management have been discharged.

## BARCLAYS BANK LIMITED

### ANNUAL MEETING OF STOCKHOLDERS

The forty-ninth ordinary general meeting of Barclays Bank, Limited, was held, on the 24th instant, at the head office of the bank, 54, Lombard Street, London, E.C.3.

Mr Edwin Fisher (the chairman) presided.

Mr. P. J. Diboll (the secretary) read the formal notice convening the meeting and the report of the auditors.

With the concurrence of the stockholders present the report and accounts and also the statement by the chairman, which had been previously circulated, were taken as read.

The chairman moved: "That the report of the directors produced, together with the annexed statement of the company's accounts as at December 31, 1943, duly audited, be received, approved and adopted, and that a final dividend of 5 per cent., making 10 per cent. for the year, on the 'A' stock, and a final dividend of 7 per cent., making 14 per cent. for the year, on the 'B' and 'C' stock respectively, less income-tax in each case, be declared, payable on the 8th proximo to the stockholders registered in the books of the company on December 31st last."

Sir William M. Goodenough, Bt. (deputy-chairman), seconded the motion, which was carried.

The retiring directors were re-elected, and the auditors, Messrs Kemp, Chatteris and Co. and Messrs Price, Waterhouse and Co., were reappointed for the ensuing year.

A vote of thanks to the staff and a vote of thanks to the chairman for presiding at the meeting were unanimously accorded and the proceedings terminated.

**WANTED.** Copies of *The Economist* for the years 1940, 1941 and 1942. Offers to Wm. Dawson & Sons, Ltd., 43 Weymouth Street, London, W.1.

# TURNER AND NEWALL, LIMITED

## SATISFACTORY RESULTS

### SIR SAMUEL TURNER'S STATEMENT

The annual general meeting of Turner and Newall, Limited, was held on the 21st instant in Manchester, Mr W. W. F. Shepherd, the deputy chairman, presiding in the absence of the chairman, Sir Samuel Turner, through indisposition.

The secretary, Mr John L. Collins, read the notice convening the meeting and the report of the auditors, Messrs Deloitte, Plender, Griffiths and Company.

A statement by Sir Samuel Turner, as the chairman of the company, had previously been circulated to the stockholders with the directors' report and balance sheet. This statement first referred with regret to the death of Mr A. P. Strohmeier, a director of the company, on January 23, 1943, also to the fact that two other directors, Messrs B. E. Williams and Harold Jones, having retired from the business after very many years' service with the company, did not offer themselves for re-election to the board, appreciation of their long and valued services to the company being expressed.

#### OPERATING TO CAPACITY

After dealing with the accounts of the company at some length, the statement proceeded as follows:—

Owing to limitations of space, I do not propose this year to attempt to give you an itemised survey of our operations during the past financial year, as in my case such a survey could not, for security reasons, be very informative. I can, however, say that generally speaking our mines and our factories at home and abroad are operating to capacity, and in so doing are producing, in very large quantities, materials which are essential for the prosecution of the war.

So far as our factories are concerned, our principal difficulty during the past year has been to obtain an adequate supply of labour to enable us to carry out our very large manufacturing programmes, but in view of the importance of our products to the war effort, we have been assisted by the Government to maintain and even, in some cases, to extend our labour force as far as circumstances would permit.

The pension scheme of the group has now been in operation for seven full years, and continues to progress satisfactorily. With regard to the Robert Turner Fund, your directors again recommend the contribution of £10,000 to Turner and Newall Welfare Trust, Limited, for account of the trustees of this fund, which, as you know, is being built up for the purpose of dealing with exceptional cases not adequately covered by the pension scheme itself. Last year I advised you that the total cost to the group of pension fund contributions and of the holidays-with-pay scheme for the workers amounted to £111,500; for the year ended September 30, 1943, the comparative figure was £127,500.

During the year under review significant expenditure has again been incurred in connection with air raid precautions, mainly in connection with the provision of additional shelters and other passive air defence measures, but also including fire-watching costs. Last year the cost of this programme was £35,083, in comparison with £45,535 during the previous year.

I am pleased to be able to report that during the year no significant damage has been caused by enemy action to any of your company's factories or equipment.

#### THE DIVIDEND

The final dividend recommended by the board makes, with the interim dividend already paid, a total distribution of 12½ per cent. for the year on the ordinary stock, and this is the same total rate as the dividend declared in respect of each of the previous two financial years. While the present

abnormal conditions of war continue, and with our factories already working to capacity, it is very unlikely that any of our production costs can be reduced. On the contrary, they will probably increase still further, and accordingly, it is most improbable that any significant increase in available profit will be forthcoming. At the same time, however, I feel sure that stockholders will agree that the maintenance of a 12½ per cent. dividend over the period of the past three years is eminently satisfactory, when the punitive effect of present taxation rates is borne in mind.

#### THE FUTURE

I have, on previous occasions during the war period, pointed out that it is impossible under the abnormal conditions prevailing to make any specific forecast as to the future. So far as the current year is concerned, one would not anticipate that conditions will be very different from those which have obtained in the recent past, and I hope before the date of our annual general meeting about a year hence, that it may be possible to see at least the beginning of a return to more normal conditions. Meanwhile, planning for the future, and research work to form the basis of future progress, are not being neglected, and I feel that we can confidently hope when conditions of peace return, to maintain and even to increase the status of our organisation in industry.

In conclusion, I would like once again, on behalf of the board, and on your behalf, to express to the officials and employees of our various undertakings, both at home and abroad, our high appreciation of their continued efforts in the interests of our business, and our confidence that these efforts will continue unabated both now and in the post-war period.

The usual resolutions were then passed approving and adopting the directors' report, the accounts for the year to September 30, 1943, and the balance sheet as at that date, and authorising the payment of the ordinary dividend of 8½ per cent., making 12½ per cent. for the year, subject to income tax, following which Mr R. H. Turner was re-elected as a director of the company, and Messrs Deloitte, Plender, Griffiths and Company, chartered accountants, were reappointed as Auditors for the current year.

## NATIONAL DISCOUNT COMPANY, LIMITED

### CAPITALISATION OF RESERVES

The annual ordinary general meeting of the National Discount Company, Limited, was held, on the 26th instant, in London, Sir Sigismund F. Mendl, K.B.E. (the chairman), presiding.

The following is an extract from the statement by the chairman circulated with the report: The continuance of cheap money during the past year has been accompanied by the small margin of profit between interest and discount which has characterised the war years. We have, however, been able to extend our operations in the short-bond market, by doing which we may fairly claim to have been of assistance to the Government with their war finance. These operations are largely responsible for the satisfactory report which we now present to the shareholders.

With regard to the balance-sheet, you will see that the company's turnover has continued to expand. The total shows an increase of £10 million over the previous year's figures and has now reached £79 million. This increase, as last year, has again taken place in deposits, which now stand at £72 million. There has been a

corresponding rise in investments and bills and short-dated bonds discounted. The total of bills re-discounted is again £4 million. We have seen no evidence of an increase in commercial paper, and I think it is very satisfactory that this figure has been maintained. The reserve fund, which now stands at £1,576,667 10s., has been increased to this figure by the transfer of £100,000 from the profits for the year and by the transfer of the sum of £76,667 10s. from a contingency account no longer required.

The profit and loss account shows that after making provision for rebate and taxation and providing for all foreseeable contingencies, our gross profit stands at £251,125. It is proposed to pay a dividend of 2s. 6d., less tax, on the "A" shares, making 10 per cent. for the year, and 7s. 6d., less tax, on the "B" shares, making 26 per cent. for the year.

For some time past the directors have had under consideration the desirability of capitalising part of the company's reserves and applying the amount so capitalised in paying up part of the uncalled capital on the "B" shares. We consider that the company's present reserve fund is more than sufficient to justify this proposal being put into effect, and a resolution will be submitted to capitalise £576,667 10s. out of reserve and to apply the same in paying up £2 10s. per share on each of the 230,667 issued "B" shares of £7 10s. (£2 10s. paid), thereby reducing the uncalled capital to £2 10s. per share. The paid-up capital will then be £1,576,667 10s. with a reserve fund of £1,000,000.

The report was adopted and the proposed capitalisation of reserves approved.

## MARTINS BANK LIMITED

### ANNUAL GENERAL MEETING

#### HELP FOR THE SMALL TRADER

The 113th annual general meeting of Martins Bank, Limited, was held, on the 25th instant, at the head office, Water Street, Liverpool.

Mr. Frederic A. Bates, M.C., A.F.C., D.L., chairman, who presided, said that normally the remarks he would have made had been issued in the form of a statement to members along with the report and accounts, and he had nothing to add.

In answer to an observation by Alderman E. A. Cookson, a shareholder, the chairman assured the meeting that what was called the "small man" was the special care of the bank. They did all they could to assist his interests, and in the post-war world it was their intention to continue to help the small man in his difficulties in the reconstruction of his business. It was universally recognised that the continuance of the small trader throughout the country was of the utmost importance to our general welfare. (Hear, hear.)

The chairman proposed the adoption of the report and accounts and the distribution of a final dividend of 7½ per cent., making 15 per cent. for the year.

Mr A. Harold Bibby, one of the deputy chairmen, seconded, and the motion was adopted.

Speaking to the re-election of directors, which was agreed to, Mr F. D. Sharples and Lt.-Col. W. B. Armitage expressed appreciation of what the board, management and staff had done.

The reappointment of the auditors was proposed by Mr E. M. Hodgkinson, seconded by Mr Bryce M. Hanmer and unanimously approved.

Upon the conclusion of the business, Col. J. G. B. Beazley proposed the thanks of the meeting to the chairman for his devoted attention to the bank's interests and the excellent results achieved during the past year.

The chairman returned thanks, and said that a message would go to members of their staff in H.M. Forces welcoming their return to the service of the bank. (Applause.)

## DLAND BANK LIMITED

### ANNUAL MEETING OF SHAREHOLDERS

The ordinary general meeting of shareholders of the Midland Bank Limited was held on the 27th instant at the head office, 1, Abchurch Lane, London, E.C.4.

Mr Stanley Christopherson (the chairman) presided.

The shareholders present agreed to take read the report and accounts, together with the statement by the chairman previously circulated and reproduced in these columns on January 22nd.

The chairman then moved the adoption of the report of the directors and the audited statement of accounts for the year ended December 31, 1943.

This motion was seconded by Mr F. Idley Docker (director) and carried.

The following resolution, also moved by the chairman, was seconded by Lord Davies (director) and carried:—

(Continued from page 156)

dividend for the year of 17½ per cent tax free is the same as those paid in 1942 and 1941, but contrasts with 20 per cent for 1940 and 23 per cent for 1939. Although the Woolworths' result was a satisfaction to the market while Imperial Tobacco's was something of a disappointment, a common feature, judging from the preliminary returns, seems to be that the final dividends can be comfortably afforded, although there is hardly room to spare for any increase. Thus the net profit figure of Woolworths' is only lower by about £238,000, so that, after allowing for the saving due to the cut in the interim dividend by 10 per cent, carry forward can be increased by £156,000. Considering the mounting effect of restrictions on supplies and on selling-space, this result cannot be considered unsatisfactory, and future prospects, if the way in which wartime difficulties have been dealt with is any guide, are moderately hopeful. In the case of Imperial Tobacco, earned for ordinary is higher at 21.6 per cent against 19.0 per cent, tax free. This improvement is perhaps not great enough to justify an increase of dividend, but it does enable the carry forward to be raised by £168,000 and it is a hopeful omen for the future.

### Tinsley Park Developments

The offer by United Steel Companies of one ordinary share of £1 for every five shares of equal nominal value in Tinsley Park Colliery Company has raised something of a storm. The offer has been accepted by holders of 57 per cent of the capital, but a section is, very properly, not prepared to act until it sees the accounts for the year to the end of September last, while a further section, representing over 25 per cent of the capital, is said to have applied for the appointment of a committee of inspection. It may be recalled that both the main colliery and the coke works of the parent company were closed down at the instance of the authorities, and that sums, which it was stated to be impossible for the company to raise, would be required for the rearrangement of the collieries of two subsidiaries. One of these, the Wells Colliery, is contiguous to colliery properties of United Steel, and the latter company has been managing Tinsley Park under the Government scheme. A letter issued by Tinsley makes no mention of a demand for a committee of inspection, but states that United Steel is prepared to keep the offer open until seven days after the annual meeting of Tinsley, and that it will also permit those who have accepted the offer to withdraw their acceptance up to that date. While, on the face of it, the United Steel offer seems reasonable, there is no means of telling whether it really is or not until fully informative accounts of Tinsley have been published and the board of that company has given a detailed explanation of the position. This may convince shareholders that the scheme should be accepted, even although they may still consider it desirable to continue the project for an investigation of how the existing position arose. The scheme is conditional upon acceptance by holders of 90 per cent of the capital, subject to the usual

## LLOYDS BANK LIMITED

### ANNUAL GENERAL MEETING

The eighty-sixth ordinary general meeting of Lloyds Bank Limited was held, on the 28th instant, at the head office, 71 Lombard Street, London.

The notice convening the meeting and the auditors' report having been read, the chairman, the Rt. Hon. Lord Wardington, said that he assumed that the report and accounts which had been circulated would be taken as read as usual and that, as his address to members had also been circulated, he did not propose to take up the time of the meeting by reading it.

The report and accounts were adopted and the usual business transacted.

The proceedings ended with votes of thanks to the chairman and directors and to the staff, and a resolution of sympathy with the relatives of those members of the staff who have lost their lives in the war was passed.

proviso that less may be accepted by United Steel. If the position is as stated by United Steel and agreed to by the Tinsley directors, shareholders of the latter will probably be well advised to accept the offer.

## Company Results

### Orient Steam Navigation.

|                                     | Years to June 30. |           |            |
|-------------------------------------|-------------------|-----------|------------|
|                                     | 1941              | 1942      | 1943       |
| Total profits after taxation†       | 599,302           | 546,109   | 354,087    |
| Depreciation on fleet               | 300,000           | 300,000   | 200,000    |
| Preference dividends (gross)        | 82,250            | 82,250    | 41,130†    |
| Ordinary shares:—                   |                   |           |            |
| Earned                              | 217,012           | 163,849   | 112,057    |
| Paid (net)                          | 52,044            | 52,044    | 52,044     |
| Earned %                            | 29.9              | 29.7      | 10.9       |
| Paid % (f)                          | 5                 | 5         | 5          |
| Pensions reserve                    | 50,000            |           | 50,000     |
| General reserve                     | 100,000           | 100,000   |            |
| Carry forward                       | 80,944            | 92,749    | 103,662    |
| Net fixed assets                    | 1,933,315         | 1,622,641 | 1,198,308  |
| Net liquid assets                   | 3,916,391         | 4,369,320 | 4,155,219  |
| Gross liquid assets                 | 4,902,685         | 5,767,085 | 9,234,104† |
| Fleet replacement account*          | 1,258,281         | 1,258,281 | 5,033,982† |
| General reserve                     | 1,900,000         | 2,000,000 | 2,000,000  |
| Government and other securities (b) | 3,946,855         | 4,625,411 | 6,992,537† |

† After providing for deferred repairs. Includes a profit on the sale of investments of £13,157 in 1941, £21,839 in 1942, and £18,956 in 1943.

‡ Net.

\* Includes credit at Government tonnage replacement account of £409,700 for 1941 and 1942, and £895,900 for 1943.

a The reorganisation of the balance sheet in 1943 included reserves against depreciation of investments and other contingencies in the total of fleet replacement account. This partly explains the increase in the item Government and other securities. See note on page 153.

b Includes tax reserve certificates.

f Free of Tax

The ordinary shares of £1, at 45s., yield £2 4s. 5d., tax free, ex dividend.

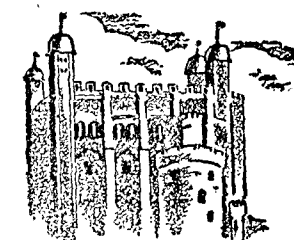
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## THE BRITISH LAW

INSURANCE COMPANY LIMITED  
Head Office: 31 & 32 King St. Cheapside, London, E.C.2



# RECORDS and STATISTICS

## INDUSTRY AND TRADE

**Limitation of Supplies.**—Under the Limitation of Supplies (Miscellaneous) (No. 22) Order (S.R. & O., 1944, No. 60) for the period February 1st to July 31st, quotas for lighting fittings, photographic goods, and toys and indoor games are raised to 12½ per cent.

**"The Economist" Sensitive Index.**—There was no change in the index during the week ending January 26th. The complete index (1935 = 100) was 151.1; crops, 123.0; and raw materials 185.0.

**Transport Statistics.**—Some figures of the war-time transport record have recently been released, including the following facts. Excluding coal, twice as much merchandise as before the war is moved by rail. Coal freights have increased by 25 per cent. Every week about 900,000 loaded wagons are despatched, and special trains for troops and Government traffic average 2,000 a week. The total number of wagons operated by the railways is 1,250,000. The Government road haulage organisation controls 14,000 long-distance vehicles, 5,500 short-distance, and 1,600 meat vehicles. The total weight handled is more than half a million tons a week. Canals move a million tons a month, and 500,000 tons of coal in 8,000 boats and barges, over 2,500 miles of inland waterways. Coastwise vessels are making 40,000 journeys a year, and in the first eleven months of 1943 moved 19 million tons of coal.

**Onion Crop, 1944.**—The Ministry of Food and the Agricultural Departments announce that owing to the increased output of home-grown onions, the crop will be decontrolled this year, except in regard to maximum prices. The Ministry of Food will not acquire home-grown onions, and growers will be free to offer their onions at any time to licensed wholesalers or selling agents. The import of onions was recommenced on a small scale this winter, and further imports may be expected from December, 1944.

**Utility Cloth Ration.**—Instead of a yardage for each type of cloth, the designated clothier is to be given a total yardage for men's, women's, boys' and girls' cloths separately, for the May-August ration period. He cannot exceed his yardage for any one type, but within each section he can buy any number he can obtain. Orders must be placed by February 12th. The mills have been informed what quantities of each cloth specification numbers they can make, on the basis of their output since March, 1943.

## COST OF LIVING INDEX

July, 1914=100

| First Day of Month | Food | Rent | Clothing | Fuel and Light | Other Items | Total |
|--------------------|------|------|----------|----------------|-------------|-------|
| Sept., 1939.....   | 138  | 162  | 205-210  | 180-185        | 180         | 155   |
| " 1940.....        | 166  | 164  | 295      | 212            | 219         | 187   |
| " 1941.....        | 166  | 164  | 380-385  | 228            | 230         | 199   |
| " 1942.....        | 160  | 164  | 395-400  | 240            | 265         | 200   |
| " 1943.....        | 166  | 164  | 345      | 244            | 291         | 198   |
| Nov., 1942.....    | 163  | 164  | 385      | 241            | 267         | 200   |
| Dec., ".....       | 164  | 164  | 375-380  | 241            | 268         | 200   |
| Nov., 1943.....    | 168  | 164  | 340-345  | 244            | 291         | 199   |
| Dec., ".....       | 168  | 164  | 340-345  | 244            | 291         | 199   |
| Jan., 1944.....    | 168  | ...  | ...      | ...            | ...         | 199   |

Source: Ministry of Labour Gazette.

## BRITISH WHOLESALE PRICES

|                                                  | Jan. 18, 1944 | Jan. 25, 1944 |
|--------------------------------------------------|---------------|---------------|
| <b>GRAIN, etc.</b>                               |               |               |
| Wheat                                            | s. d.         | s. d.         |
| Eng. Gaz. av. per cwt. (c)                       | 15 0          | 15 1          |
| Barley Eng. Gaz. av. per cwt. (c)                | 27 9          | 27 8          |
| Oats (c)                                         | 16 0          | 16 5          |
| <b>JUTE, (per ton)</b>                           |               |               |
| Daisies 2/3 c. and f. Dundee                     | 40/0/0        | 39/0/0        |
| <b>VEGETABLE OILS (per ton net)</b>              |               |               |
| Bombay                                           | 32/0/0        | 30/10/0       |
| Calcutta                                         | 32/0/0        | 30/10/0       |
| (e) Average for weeks ended Jan. 15 and Jan. 22. |               | * Nominal.    |

## AMERICAN WHOLESALE PRICES

|                                                         | Jan. 18, 1944 | Jan. 25, 1944 |
|---------------------------------------------------------|---------------|---------------|
| <b>GRAINS (per bushel)</b>                              |               |               |
| Wheat, Chicago, May                                     | 169½          | 171½          |
| Oats, Chicago, May                                      | 77½           | 78½           |
| Rye, Chicago, May                                       | 128½          | 130½          |
| <b>MISCELLANEOUS (per lb.)</b>                          |               |               |
| Cotton, N.Y., Am. mid., spot                            | 20.70         | 20.88         |
| Lard, Chicago, May                                      | 19.82         | 20.01         |
| Moody's Index of staple commodities, Dec. 31, 1931=100. | 247.2         | 247.8         |

## MINING WAGES AWARD

Underground Minima

| Yards :— | Sept., 1943, Award | M.F.G.B. Claim | Jan., 1944, Award |
|----------|--------------------|----------------|-------------------|
| 14.....  | 32/-               | 42/-           | 38/6              |
| 14½..... | 34/-               | 44/-           | 40/6              |
| 15.....  | 36/-               | 46/-           | 42/6              |
| 15½..... | 38/-               | 48/-           | 44/6              |
| 16.....  | 40/-               | 50/-           | 46/6              |
| 16½..... | 42/6               | 52/-           | 48/6              |
| 17.....  | 44/6               | 54/-           | 50/6              |
| 17½..... | 46/6               | 56/-           | 52/6              |
| 18.....  | 48/6               | 58/-           | 54/6              |
| 18½..... | 50/6               | 60/-           | 56/6              |
| 19.....  | 52/6               | 62/-           | 58/6              |
| 19½..... | 54/6               | 64/-           | 60/6              |
| 20.....  | 56/6               | 66/-           | 62/6              |
| 20½..... | 58/6               | 68/-           | 64/6              |
| 21.....  | 60/6               | 70/-           | 66/6              |
| 21½..... | 62/6               | 72/-           | 68/6              |
| 22.....  | 64/6               | 74/-           | 70/6              |

Surface Minima

|                          | June, 1942, Award | 120/- | 100/- |
|--------------------------|-------------------|-------|-------|
| Underground workers..... | 85/-              | 120/- | 100/- |
| Surface workers.....     | 78/-              | 110/- | 90/-  |

## FINANCE AND BANKING

**THE MONEY MARKET.**—The position in the money market is discussed in a note on page 152. The latest Bank return reveals the effect of end of January making up in an increase of £10,784,000 in bankers' deposits which have thus risen to £187,785,000. The counterpart to this movement is an increase of £10,505,000 to £215,130,000 in the holding of Government securities. This movement partly reflects the open market purchases of bills made during the first part of the week by the authorities. The note circulation remains virtually unchanged over the week at £1,067,263,000.

**MONEY RATES, LONDON.**—The following rates remained unchanged between Jan. 21st and Jan. 27th:—

Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days, 1½%; 3 months, 1½%; 4 months, 1½-1¾%; 6 months, 1½-1¾%. Treasury Bills: 2 months, 1½%; 3 months, 1½%; Day-to-day money, 1½%. Short Loans, 1½%. Bank deposit rates 1½%. Discount deposit at call 1½%; at notice 1½%.

**Exchange Rates.**—The following rates fixed by the Bank of England remained unchanged between Jan. 21st and Jan. 27th. (Figures in brackets are par of exchange.)

**United States.** \$ (4.86½) 4.02½-03½; mail transfers 4.02½-03½. **Canada.** \$ (4.86½) 4.43-47; mail transfers 4.43-47. **Switzerland.** Francs (25.24½) 17.30-40. **Sweden.** Krona (18.159) T.T. 16.85-95. **Dutch West Indies.** Florin (12.11) 7.58-62. **Portugal.** Escudos (110) 99.80-100.20; mail transfers 99.80-100.30. **Panama.** \$ 4.02-04; mail transfers 4.02-04. **Brazil.** 83.64½ cr. (buying). **Uruguay.** 7.6597 p. (buying).

**Fixed Rates for Payment at Bank of England for Clearing Offices.** **Spain.** Pesetas 44-00. **Turkey.** Piastres 520. **Italy.** 71.25 lire.

**Market Rates.**—The following rates remained unchanged between Jan. 21st and Jan. 27th.

**Egypt.** Piastres (97½) 97½-98. **India.** Rupee (18d. per rupee) 17½-18½. **Belgian Congo.** Francs 176½-177. **China.** National \$3-3½. **Iran.** Rl. 128-130.

**Special Accounts** are in force for Chile, Peru, Bolivia and Paraguay for which no rate of exchange is quoted in London. Rate for payment into Argentine special account: 16.03 pesos.

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

## NEW YORK EXCHANGE RATES

| New York on      | Jan. 19 | Jan. 20 | Jan. 21 | Jan. 22 | Jan. 24 | Jan. 25 | Jan. 26 |
|------------------|---------|---------|---------|---------|---------|---------|---------|
| <b>Cables :—</b> |         |         |         |         |         |         |         |
| Cents            | 402½    | 402½    | 402½    | 402½    | 402½    | 402½    | 402½    |
| London.....      | 89.500  | 89.500  | 89.500  | 89.500  | 89.500  | 89.500  | 89.500  |
| Montreal.....    | 77.10   | 37.40   | 37.40   | 37.40   | 37.50   | 37.25   | 89.875  |
| Zurich.....      | 25.08*  | 25.08*  | 25.10*  | 25.10*  | 25.05*  | 25.05*  | 25.10*  |
| B. Aires.....    | 5.16    | 5.16    | 5.16    | 5.16    | 5.16    | 5.16    | 5.16    |
| Rio.....         | 4.10    | 4.10    | 4.10    | 4.10    | 4.10    | 4.10    | 4.10    |
| Lisbon.....      | 9.20    | 9.20    | 9.20    | 9.20    | 9.20    | 9.20    | 9.20    |
| Barcelona.....   | 23.85   | 23.85   | 23.85   | 23.85   | 23.85   | 23.85   | 23.85   |
| Stockholm.....   |         |         |         |         |         |         |         |

\* Official buying rate 29.78.

† Free rate.

‡ Bid.

(Continued on page 163)

## GOVERNMENT RETURNS

For the week ended Jan. 22, 1944, total ordinary revenue was £116,204,000, against ordinary expenditure of £111,331,000, and issues to sinking funds of £250,000. Thus, including sinking fund allocations of £11,087,119, the deficit accrued since April 1st is £2,433,112,000 against £2,410,581,000 for the corresponding period a year ago.

## ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

| Revenue                                    | Estimate 1943-44 | April 1 to Jan. 23, 1943 | April 1 to Jan. 22, 1944 | Week ended Jan. 23, 1943 | Week ended Jan. 22, 1944 |
|--------------------------------------------|------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| <b>ORDINARY REVENUE</b>                    |                  |                          |                          |                          |                          |
| Income Tax.....                            | 117,500          | 572,145                  | 707,522                  | 54,903                   | 77,308                   |
| Sur-tax.....                               | 80,000           | 39,379                   | 39,242                   | 4,020                    | 6,050                    |
| Estate, etc.,                              | 100,000          | 75,095                   | 78,411                   | 1,640                    | 2,005                    |
| Duties.....                                | 17,000           | 11,600                   | 15,140                   | 1,030                    | 1,180                    |
| Stamps.....                                | 500,000          | 23,247                   | 24,843                   | 816                      | 520                      |
| N.D.C.....                                 | 1,000            | 278,667                  | 386,326                  | 9,370                    | 6,019                    |
| E.P.T.....                                 | 1,000            | 500                      | 488                      | 80                       | 70                       |
| Other Ind. Rev.                            | 187,300          | 100,633                  | 125,192                  | 71,859                   | 93,152                   |
| <b>Total Ind. Rev.</b>                     | 1,873,000        | 1,000,633                | 1,251,912                | 71,859                   | 93,152                   |
| <b>Customs</b>                             | 525,320          | 369,273                  | 445,348                  | 7,805                    | 8,885                    |
| <b>Excise</b>                              | 450,180          | 331,800                  | 372,300                  | 6,900                    | 5,300                    |
| <b>Total Customs &amp; Excise</b>          | 975,500          | 701,073                  | 817,648                  | 14,705                   | 14,185                   |
| <b>Motor Duties</b>                        | 25,000           | 24,602                   | 23,331                   | 6,984                    | 6,683                    |
| <b>Canadian Govt. Contribution</b>         | ...              | 224,719                  | ...                      | ...                      | ...                      |
| <b>P.O. (Net Receipts)</b>                 | 400              | 11,400                   | ...                      | 1,700                    | ...                      |
| <b>Wireless Licences</b>                   | 4,700            | 3,090                    | 3,190                    | ...                      | ...                      |
| <b>Crown Lands</b>                         | 800              | 720                      | 730                      | ...                      | ...                      |
| <b>Receipts from Sundry Loans</b>          | 4,100            | 2,944                    | 6,303                    | 13                       | 593                      |
| <b>Miscell. Receipts</b>                   | 24,000           | 78,969                   | 63,549                   | 162                      | 1,592                    |
| <b>Total Ord. Rev.</b>                     | 2,907,500        | 2,048,150                | 2,166,722                | 95,423                   | 116,204                  |
| <b>SELF-BALANCING P.O. &amp; Brdcastg.</b> | 110,632          | 83,800                   | 88,300                   | 1,300                    | 2,450                    |
| <b>Total</b>                               | 3,018,132        | 2,131,950                | 2,255,022                | 96,723                   | 118,654                  |

| Expenditure                                | Estimate 1943-44 | April 1 to Jan. 23, 1943 | April 1 to Jan. 22, 1944 | Week ended Jan. 23, 1943 | Week ended Jan. 22, 1944 |
|--------------------------------------------|------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| <b>ORDINARY EXPENDITURE</b>                |                  |                          |                          |                          |                          |
| Int. & Man. of Nat. Debt.....              | 375,000          | 264,268                  | 289,925                  | ...                      | 1,308                    |
| Payments to N. Ireland.....                | 9,500            | 5,844                    | 5,668                    | ...                      | ...                      |
| Other Cons. Fund Services.....             | 7,500            | 7,064                    | 6,873                    | ...                      | 223                      |
| <b>Total</b>                               | 392,000          | 277,176                  | 302,466                  | ...                      | 1,531                    |
| <b>Supply Services</b>                     | 536,675          | 417,183                  | 428,621                  | 122,030                  | 109,800                  |
| <b>Total Ord. Exp.</b>                     | 578,751          | 444,901                  | 458,874                  | 122,030                  | 111,331                  |
| <b>SELF-BALANCING P.O. &amp; Brdcastg.</b> | 110,632          | 83,800                   | 88,300                   | 1,300                    | 2,450                    |
| <b>Total</b>                               | 589,383          | 453,281                  | 467,047                  | 123,330                  | 113,781                  |

A change has been made in the method of showing an excess of Post Office Expenditure over Post Office Revenue. Such excess is now included as ordinary expenditure (under "Total Supply Services") instead of being shown, as up to July 24 inclusive, as a deduction from ordinary revenue.

After increasing Exchequer balances by £391,259 to £3,565,057, the other operations for the week (no longer shown separately) reduced the gross National Debt by £2,622,713 to £10,267 million.

## NET ISSUES (£ thousands)

|                         |       |
|-------------------------|-------|
| War Damage Act.....     | 1,400 |
| P.O. and Telegraph..... | 250   |
| <b>Total</b>            | 1,650 |

## NET RECEIPTS (£ thousands)

|                                |    |
|--------------------------------|----|
| Overseas Trade Guarantees..... | 40 |
|--------------------------------|----|

## BANK OF ENGLAND RETURNS

JANUARY 26, 1944

### ISSUE DEPARTMENT

| Notes Issued :—           | £              | Govt. Debt... 11,015,100                                 |
|---------------------------|----------------|----------------------------------------------------------|
| In Circul. ....           | 1,067,263,404  | Other Govt. Securities... 1,088,276,601                  |
| In Bank, De- partment.... | 32,978,314     | Other Secs.... 699,252                                   |
|                           |                | Silver Coin.... 9,047                                    |
|                           |                | Amt. of Fid. Issue..... 11,000,000,000                   |
|                           |                | Gold Coin & Bullion (at 168s. per oz. fine)..... 241,718 |
|                           | 11,000,241,718 | 11,000,241,718                                           |

### BANKING DEPARTMENT

| Props. Capital            | £           | Govt. Secs. ... 215,129,576                    |
|---------------------------|-------------|------------------------------------------------|
| Rest.....                 | 3,372,682   | Other Secs.: Discounts & Advances... 4,358,656 |
| Public Deps.*             | 8,503,303   | Securities... 13,844,150                       |
| Other Deps.: Bankers..... | 187,784,829 | Notes..... 18,202,806                          |
| Other Accts....           | 52,734,250  | Gold & Silver Coin..... 637,378                |
|                           | 240,519,089 | 266,948,074                                    |
|                           |             | 266,948,074                                    |

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

## COMPARATIVE ANALYSIS

(£ millions)

|                                      | 1943    | 1944                    |
|--------------------------------------|---------|-------------------------|
|                                      | Jan. 26 | Jan. 12 Jan. 19 Jan. 26 |
| <b>Issue Dept.:</b>                  |         |                         |
| Notes in circulation.....            | 908.1   | 1,075.3 1,067.4 1,067.3 |
| Notes in banking department.....     | 42.2    | 24.9 32.9 33.0          |
| Government debt and securities.....  | 948.6   | 1,099.5 1,099.3 1,099.3 |
| Other securities.....                | 0.9     | 0.5 0.7 0.7             |
| Silver Coin.....                     | 0.5     | 0.0 0.0 0.0             |
| Gold, valued at s. per fine oz. .... | 168.00  | 168.00 168.00 168.00    |
| <b>Deposits:</b>                     |         |                         |
| Public.....                          | 4.7     | 11.9 11.0 8.5           |
| Bankers'.....                        | 175.9   | 188.2 177.0 187.8       |
| Others.....                          | 56.6    | 54.0 53.0 52.7          |
| <b>Total</b> .....                   | 237.2   | 254.1 241.0 249.0       |
| <b>Banking Dept. Secs.:</b>          |         |                         |
| Discounts, etc.....                  | 183.3   | 224.5 204.6 215.1       |
| Government.....                      | 4.4     | 6.1 4.8 4.4             |
| Other.....                           | 24.7    | 15.9 16.0 13.8          |
| <b>Total</b> .....                   | 212.4   | 246.5 225.4 233.3       |
| Banking depart. res. ....            | 42.7    | 25.6 33.5 33.6          |
| " Proportion ".....                  | 18.0    | 10.0 13.8 13.4          |

\* Government debt is £11,015,100; capital £14,553,000. Fiduciary issue raised from £1,050 million to £1,100 million on December 8, 1943.

## PROVINCIAL BANK CLEARINGS

£ thousands

|                        | Week Ended    | Aggregate from Jan. 1 to                  |
|------------------------|---------------|-------------------------------------------|
|                        | Jan. 23, 1943 | Jan. 22, 1944 Jan. 25, 1943 Jan. 22, 1944 |
| <b>Working days :—</b> |               |                                           |
| Birmingham.....        | 6             | 6 19 18                                   |
| Bradford.....          | 2,727         | 1,665 11,120 6,512                        |
| Bristol.....           | 1,893         | 1,312 7,447 6,328                         |
| Bull.....              | 715           | 675 2,537 2,291                           |
| Hull.....              | 776           | 712 2,714 2,209                           |
| Leeds.....             | 1,165         | 1,158 4,092 3,740                         |
| Leicester.....         | 954           | 883 3,453 3,072                           |
| Liverpool.....         | 4,573         | 4,817 14,857 14,871                       |
| Manchester.....        | 12,736        | 3,276 45,109 10,669                       |
| Newcastle.....         | 1,518         | 1,845 4,937 6,046                         |
| Nottingham.....        | 621           | 442 2,208 1,337</                         |

COMPANY RESULTS (January 13, 1944, to January 26, 1944)

| BANK OF CANADA                                      |                    |                    |                     |                     |
|-----------------------------------------------------|--------------------|--------------------|---------------------|---------------------|
| Million Can. \$'s                                   |                    |                    |                     |                     |
|                                                     | Dec.<br>23<br>1942 | Dec.<br>8,<br>1943 | Dec.<br>15,<br>1943 | Dec.<br>22,<br>1943 |
| <b>ASSETS</b>                                       |                    |                    |                     |                     |
| † Reserve: Gold .....                               |                    |                    |                     |                     |
| Other .....                                         | 0.5                | 13.96              | 5.06                | 5.06                |
| Securities .....                                    | 1001.5             | 1244.52            | 1240.51             | 1262.44             |
| <b>LIABILITIES</b>                                  |                    |                    |                     |                     |
| Note circulation .....                              | 692.6              | 852.15             | 857.73              | 869.71              |
| Deposits: Dom. Govt. .....                          |                    | 2.03               | 23.47               | 41.98               |
| Chartered banks .....                               | 252.9              | 327.15             | 318.71              | 306.00              |
| †† Gold and foreign exchange transferred to Foreign |                    |                    |                     |                     |

|                          |       |       |                    |       |       |
|--------------------------|-------|-------|--------------------|-------|-------|
| Rupee coin.....          | 122   | 138   | 130                | 120   | 158   |
| Balances abroad.....     | 626   | 1,246 | 1,206              | 1,237 | 1,237 |
| Sterling securities..... | 3,508 | 7,228 | 7,348 <sup>a</sup> | 7,368 | 7,448 |
| Fed. Govt. pur. secs.    | 1,944 | 583   | 583                | 583   | 583   |
| Investments.....         | 66    | 77    | 77                 | 79    | 78    |
| <b>LIABILITIES</b>       |       |       |                    |       |       |
| Notes in circ.: India    | 5,894 | 8,286 | 8,408              | 8,457 | 8,529 |
| Burma.....               |       |       |                    |       |       |
| Deposits : Govt.....     | 162   | 313   | 243                | 271   | 491   |
| Banks.....               | 524   | 908   | 902                | 803   | 734   |
| Reserve ratio.....       | 65·7% | 91·4% | 91·6%              | 91·8% | 91·4% |

## 000's omitted

[illegible]

## EXCHANGE RATES (Monthly Tables)

AUSTRALIA AND NEW ZEALAND

Source : *Mails*

London on Australia and N.Z.\*

|                                       | Buying    |           |      |           | Selling   |           |      |           |
|---------------------------------------|-----------|-----------|------|-----------|-----------|-----------|------|-----------|
|                                       | Australia |           | N.Z. |           | Australia |           | N.Z. |           |
|                                       | Air       | Ord. Mail | Air  | Ord. Mail | Air       | Ord. Mail | Air  | Ord. Mail |
| <b>GRAIN, etc.</b>                    |           |           |      |           |           |           |      |           |
| Wheat                                 |           |           |      |           | 125       | 124½      | 125  | 125½      |
| Eng. Gaz. av. per cwt. (c)            | Air       | Ord.      | Air  | Ord.      |           |           |      |           |
| Barley Eng. Gaz. av. per cwt. (e)     | Mail      | Mail      | (s)  | (t)       |           |           |      |           |
| Oats (e, " "                          | 26½       | 126½      | 126½ | 125½      | 124½      | 124½      | 123¾ | 123¼      |
| <b>JUTE, (per ton) —</b>              | 27½       | 126½      | 126½ | "         | "         | 125½      | 124½ | 123¾      |
| Draize 2 3 c. and f. Dundee           | 27½       | 126½      | 126½ | "         | "         | 125½      | 124½ | 123¾      |
| <b>VEGETABLE OILS (per ton net) —</b> | 28½       | 127½      | 127½ | "         | "         | 125½      | 124½ | 123¾      |
| Oil Seeds, Linseed—                   | 28½       | 127½      | 127½ | "         | "         | 125½      | 124½ | 123¾      |
| Bombay                                |           |           |      |           |           |           | n.q. |           |
| Calcutta*                             |           |           |      |           |           |           |      |           |

\* Bills on Australia will be purchased at sea mail rates only Bill  
mail on payment of appropriate postage.

(e) Average for weeks ended Jan. 1st 1914.

By America/N.Z. Air Mail (Australia) Demand, 126½; 30 days, 126;  
days, 127½. (N.Z.) Demand, 125½; 30 days, 126½; 60 days, 126½;

**Colombia** • Open market sight selling rate 175 pesos per 100 U.S. \$ on Nov. 23rd.  
**Ecuador** • Official sight selling rate 14.10 sucres per U.S. \$ on Nov. 18th.  
**Guatemala** • Sight selling rate maintained at one quetzal per U.S. \$, plus commission of 1 per cent to Central Bank.  
**Nicaragua** • Official sight selling rate for payment of imports fixed Jan. 1, 1941, at 5-03/4 cordobas per U.S. \$ (excluding 10 per cent tax).  
**El Salvador** • Sight selling rate New York was 2.52 colones per U.S. \$ on Dec. 6th.  
**Venezuela** • Sight selling rate New York 3.35 bolivers per U.S. \$ on Nov. 29th.  
**Peru** • Sight selling rate 6-50 soles per U.S. \$ on Dec. 1st.

• Official exchange controls are operative in these countries.

## OVERSEAS BANK RATES

|                     | Changed   | From | To |                      | Changed   | From | To |
|---------------------|-----------|------|----|----------------------|-----------|------|----|
| Amsterdam .....     | June 28,  | '42  | 3  | Madrid .....         | July 15,  | 35   | 5  |
| Atlanta .....       | Mar. 10,  | '42  | 5  | Montreal .....       | Mar. 11,  | 35   | 5  |
| Belgrade .....      | Feb. 1,   | '42  | 6  | Oslo .....           | May 12,   | 41   | 3  |
| Berlin .....        | April 9,  | '40  | 4  | Paris .....          | Mar. 17,  | '41  | 41 |
| Brussels .....      | Jan. 25,  | '40  | 2  | Pretoria .....       | June 2,   | '41  | 3  |
| Bucharest .....     | Sept. 17, | '40  | 3  | Rio de Janeiro ..... | May 31,   | '35  | 3  |
| Budapest .....      | Oct. 22,  | '40  | 4  | Rome .....           | May 18,   | '36  | 5  |
| Calcutta .....      | Nov. 28,  | '35  | 3  | Sofia .....          | Sept. 16, | '40  | 6  |
| Chile .....         | June 13,  | '35  | 4  | Stockholm .....      | May 29,   | '41  | 3  |
| Copenhagen .....    | Oct. 15,  | '40  | 5  | Zurich .....         | Nov. 25,  | '36  | 2  |
| Helsingfors .....   | Dec. 3,   | '34  | 4  | Tokio .....          | ...       | ...  | 3  |
| Lisbon .....        | Jan. 12,  | '44  | 3  | Wellington .....     | July 20,  | '41  | 2  |
| N.Y. Fed. Res. .... | Oct. 30,  | '42  | 1  | Dublin .....         | Oct. 26,  | '39  | 4  |

| Company                               | Year Ended | Total Profit | Depreciation, etc. | Net Profit after Deb. Interest | Available for Distribution | Appropriation |           |       |                  |                         | Preceding Year |            |           |
|---------------------------------------|------------|--------------|--------------------|--------------------------------|----------------------------|---------------|-----------|-------|------------------|-------------------------|----------------|------------|-----------|
|                                       |            |              |                    |                                |                            | Prof. Div.    | Ord. Div. | Rate  | To Free Reserves | + or - in Carry Forward | Total Profit   | Net Profit | Ord. Div. |
| Breweries, &c.                        |            |              |                    |                                |                            |               |           |       |                  |                         |                |            |           |
| Cobbold & Co.                         | Sept. 30   | £ 62,744     | £ ...              | £ 39,551                       | £ 50,118                   | £ 14,000      | £ 15,031  | % 18½ | £ 10,000         | £ + 520                 | £ 62,866       | £ 39,775   | % 18½     |
| Financial, Land, &c.                  |            |              |                    |                                |                            |               |           |       |                  |                         |                |            |           |
| Australian Pastoral Co.               | June 30    | 183,568      | ...                | 33,229                         | 52,605                     | ...           | 28,125    | 4½    | 5,000            | + 104                   | 147,450        | 32,887     | 3         |
| Clarendon Property Co.                | Sept. 30   | 48,102s      | ...                | Dr. 4,761                      | Dr. 12,395                 | ...           | ...       | ...   | ...              | - 4,761                 | 36,153         | Dr. 16,678 | Nil       |
| Davenport (C. B.) & Brewery Hldgs.    | Oct. 31    | 52,092       | ...                | 45,174                         | 137,537                    | 5,000         | 25,000    | 10    | ...              | + 15,174                | 52,085         | 44,897     | 10        |
| Laycock Holdings                      | Dec. 31    | 12,512       | ...                | 12,512                         | 14,527                     | 11,667        | 10        | ...   | ...              | + 845                   | 13,104         | 13,104     | 10        |
| Metropolitan Ground Rents             | Sept. 30   | 40,790       | ...                | 1,354                          | 2,917                      | ...           | ...       | ...   | ...              | + 1,354                 | 39,049         | 1,400      | 1         |
| Mulliners (Holdings)                  | Dec. 21    | 43,600       | ...                | 20,527                         | 27,588                     | 9,375         | 7,500     | 20    | ...              | + 3,452                 | 43,600         | 20,869     | 20        |
| Hotels, Restaurants, &c.              |            |              |                    |                                |                            |               |           |       |                  |                         |                |            |           |
| Jones (R. E.)                         | Oct. 31    | 60,169       | ...                | 11,669                         | 24,431                     | ...           | ...       | ...   | ...              | + 11,669                | 43,444         | 4,984      | Nil       |
| Motor, Aviation, &c.                  |            |              |                    |                                |                            |               |           |       |                  |                         |                |            |           |
| Bluenel Bros. Limited                 | Sept. 30   | 67,542       | 6,069              | 7,927                          | 13,859                     | 2,100         | 4,500     | 10    | ...              | + 1,327                 | 76,568         | 16,933     | 10        |
| Rubber                                |            |              |                    |                                |                            |               |           |       |                  |                         |                |            |           |
| Bandar (Sumatra) Rubber               | July 31    | 87           | ...                | Dr. 694                        | Dr. 9,137                  | ...           | ...       | ...   | ...              | - 694                   | 5,193          | Dr. 16,151 | Nil       |
| Bantardawa Rubber                     | June 30    | 189          | ...                | Dr. 423                        | Dr. 4,031                  | ...           | ...       | ...   | ...              | - 423                   | 905            | Dr. 6,673  | Nil       |
| Braunston (Malay) Rubber              | Sept. 30   | 576          | ...                | Dr. 244                        | 1,729                      | ...           | ...       | ...   | ...              | - 244                   | 3,646          | Dr. 3,414  | Nil       |
| Kali Glasah Rubber                    | Sept. 30   | 528          | ...                | Dr. 998                        | 1,185                      | ...           | ...       | ...   | ...              | - 998                   | 1,700          | Dr. 3,876  | Nil       |
| Kamuning (Perak) Rubber               | June 30    | 1,346        | ...                | 890                            | 34,586                     | ...           | ...       | ...   | ...              | + 890                   | 16,810         | 7,434      | Nil       |
| Langen (Java) Rubber                  | Aug. 31    | 650          | ...                | Dr. 2,537                      | Dr. 8,008                  | ...           | ...       | ...   | ...              | - 2,537                 | Dr. 1,31       | Dr. 16,526 | Nil       |
| Tambira Rubber                        | June 30    | 4            | ...                | Dr. 481                        | 3,322                      | ...           | ...       | ...   | ...              | - 481                   | 15,760         | Dr. 4,108  | Nil       |
| United Temiang (F.M.S.) Rubber        | July 31    | 1,178        | ...                | 553                            | 10,372                     | ...           | ...       | ...   | ...              | + 553                   | 11,125         | Dr. 3,344  | Nil       |
| Shipping                              |            |              |                    |                                |                            |               |           |       |                  |                         |                |            |           |
| Orient Steam Navigation               | June 30    | 354,087      | 200,000            | 104,087                        | 196,836                    | 41,130        | 52,044    | 5½    | ...              | + 10,913                | 546,109        | 224,270    | 5½        |
| Stores and Stores                     |            |              |                    |                                |                            |               |           |       |                  |                         |                |            |           |
| Timpson (William)                     | Dec. 31    | 195,792      | ...                | 79,442                         | 86,588                     | 13,156        | 37,500    | 15    | 30,000           | - 1,214                 | 195,455        | 70,519     | 15        |
| Tea                                   |            |              |                    |                                |                            |               |           |       |                  |                         |                |            |           |
| Kintyre Tea Estates                   | June 30    | 16,204       | 1,000              | 6,962                          | 8,922                      | 1,000         | 5,984     | 12½   | ...              | - 22                    | 18,418         | 7,142      | 12½       |
| Lanka Plantations                     | June 30    | 42,769       | ...                | 11,479                         | 14,896                     | 1,800         | 9,000     | 6     | ...              | + 679                   | 52,732         | 15,106     | 7½        |
| Textiles                              |            |              |                    |                                |                            |               |           |       |                  |                         |                |            |           |
| Marshall (Thomas) Marbeck             | Dec. 31    | 62,866       | 2,033              | 24,006                         | 44,179                     | 3,000         | 12,500    | 25    | 5,000            | + 3,506                 | 85,403         | 26,056     | 25        |
| Stapley & Smith                       | Nov. 19    | 43,854       | 2,206              | 24,648                         | 29,617                     | 25,594        | ...       | ...   | ...              | - 946                   | 66,207         | 26,295     | 5½        |
| Tramway and Omnibus                   |            |              |                    |                                |                            |               |           |       |                  |                         |                |            |           |
| National Omnibus & Transport          | Dec. 31    | 165,043      | ...                | 90,956                         | 120,702                    | 17,500        | 68,750    | 51½   | 5,000            | - 294                   | 164,827        | 90,739     | 51½       |
| Transport Services                    | Mar. 31    | 18,054½      | ...                | 14,160½                        | 24,850                     | 7,396         | 14,705    | 10    | ...              | - 7,941                 | 82,941         | 74,120     | 10        |
| Trusts                                |            |              |                    |                                |                            |               |           |       |                  |                         |                |            |           |
| Debenture Corporation                 | Dec. 31    | 219,677      | ...                | 78,338                         | 152,470                    | 25,573        | 51,125    | 10    | ...              | + 1,640                 | 216,807        | 85,507     | 10        |
| Foreign Railways Investment Trust     | Oct. 31    | 11,784       | ...                | 1,943                          | 48,937                     | ...           | ...       | ...   | ...              | + 1,943                 | 13,107         | 1,377      | 5         |
| Second Scottish Eastern Invest. Trust | Nov. 30    | 79,420       | ...                | 22,758                         | 59,572                     | 12,573        | 8,344     | 5     | ...              | + 1,821                 | 77,299         | 21,182     | 5         |
| Second Scottish United Investors      | Dec. 15    | 62,907       | ...                | 14,202                         | 33,816                     | 11,812        | 2,362     | 1½    | ...              | + 28                    | 60,280         | 12,978     | 1½        |
| Third Scottish Northern Investment    | Dec. 15    | 44,876       | ...                | 20,030                         | 37,611                     | 15,000        | 3,000     | 1½    | ...              | + 2,030                 | 43,994         | 19,362     | 1½        |
| Other Companies                       |            |              |                    |                                |                            |               |           |       |                  |                         |                |            |           |
| Berry Hill Brickworks                 | Dec. 31    | 7,748        | ...                | 1,018                          | 3,575                      | 3,250         | ...       | ...   | ...              | - 2,322                 | 13,961         | 4,685      | 2½        |
| Bignells Limited                      | Nov. 27    | 65,806       | 4,476              | 5,701                          | 12,517                     | 2,250         | 3,000     | 8     | ...              | + 451                   | 46,108         | 6,194      | 8         |
| Bristol Industries                    | Oct. 31    | 86,943       | 3,762              | 32,357                         | 39,008                     | 13,000        | 17,000    | 10    | ...              | + 2,357                 | 56,024         | 35,500     | 10        |
| Brooke Tool Manufacturing             | Sept. 30   | 42,838       | ...                | 32,932                         | 70,162                     | ...           | 20,000    | 20    | 20,000           | - 7,068                 | 40,150         | 31,484     | 20        |
| Dundee Floreloth & Linoleum           | Jan. 31    | 2,712        | ...                | 361                            | 1,049                      | 960           | ...       | ...   | ...              | - 599                   | Dr. 5,716      | Dr. 6,778  | Nil       |
| Ley's Foundries & Engineering         | Sept. 30   | 88,620       | ...                | 43,666                         | 90,389                     | 11,250        | 30,250    | 11    | ...              | + 2,166                 | 80,247         | 39,121     | 11        |
| Liebig's Extract of Meat Co.          | Aug. 31    | 380,215      | ...                | 163,820                        | 363,499                    | 25,000        | 160,000   | 8½    | ...              | - 21,180                | 314,515        | 213,029    | 8½        |
| Madame Tussaud's                      | Oct. 31    | 60,188       | ...                | 19,364                         | 5,998                      | ...           | ...       | ...   | ...              | + 19,364                | 32,455         | 6,068      | Nil       |
| Pratt (J.) Alfred & Co.               | Oct. 31    | 26,840       | ...                | 11,091                         | 33,618                     | 3,750         | 1,800     | 3     | ...              | + 5,541                 | 20,217         | 15,945     | 3         |
| Totals (£000's):                      |            |              |                    |                                |                            |               |           |       |                  |                         |                |            |           |
| January 1, 1944, to January 12, 1944  | 21         | 5,739        | 769                | 1,654                          | 2,541                      | 201           | 1,146     | ...   | 283              | + 24                    | 5,611          | 1,669      | ...       |
| January 12, 1944, to January 26, 1944 | 39         | 2,655        | 219                | 966                            | 1,720                      | 589           | 589       | ...   | 75               | + 37                    | 2,492          | 1,129      | ...       |
| January 1, 1944, to January 26, 1944  | 60         | 8,394        | 988                | 2,620                          | 4,261                      | 466           | 1,735     | ...   | 358              | + 61                    | 8,103          | 2,798      | ...       |

(Continued from page 160)

CLEARING BANK AVERAGES

|                                                  | Dec.<br>1942 | Aug.<br>1943 | Sept.<br>1943 | Oct.<br>1943 | Nov.<br>1943 | Dec.<br>1943 |
|--------------------------------------------------|--------------|--------------|---------------|--------------|--------------|--------------|
| Capital and reserves .....                       | 140-9        | 140-9        | 140-9         | 140-9        | 140-9        | 142-5        |
| Acceptances, etc. ....                           | 93-1         | 101-2        | 105-5         | 102-3        | 102-4        | 100-6        |
| Notes in circulation .....                       | 1-6          | 1-6          | 1-6           | 1-6          | 1-6          | 1-5          |
| Current, deposit and other<br>accounts .....     | 3,628-2      | 3,670-0      | 3,737-0       | 3,812-7      | 3,864-5      | 4,031-7      |
| Total liabilities .....                          | 3,864-2      | 3,913-7      | 3,985-0       | 4,057-4      | 4,109-4      | 4,276-3      |
| Cash .....                                       | 390-4        | 383-1        | 389-4         | 394-0        | 402-9        | 422-2        |
| Cheques, balances, and<br>items in transit. .... | 186-2        | 125-4        | 129-3         | 129-6        | 122-2        | 200-6        |
| Money at call .....                              | 142-2        | 155-8        | 148-1         | 151-4        | 154-6        | 151-0        |
| Discounts .....                                  | 197-5        | 231-6        | 208-7         | 181-0        | 183-9        | 132-6        |
| Treasury deposit receipts.                       | 895-5        | 956-5        | 1,044-5       | 1,135-0      | 1,186-5      | 1,307-0      |
| Investments .....                                | 1,120-2      | 1,162-4      | 1,160-1       | 1,158-1      | 1,166-9      | 1,153-6      |
| Loans and Advances .....                         | 772-8        | 731-6        | 733-3         | 739-9        | 724-0        | 743-0        |
| Investments in affiliated<br>banks .....         | 23-9         | 23-9         | 23-9          | 23-9         | 23-9         | 24-1         |
| Cover for acceptances,<br>premises, etc. ....    | 135-5        | 143-4        | 147-7         | 144-4        | 144-6        | 142-2        |
| Total assets .....                               | 3,864-2      | 3,913-7      | 3,985-0       | 4,057-4      | 4,109-4      | 4,276-3      |

## INVESTMENT

Stock Exchanges : London

| 1944         | Total<br>Bargains<br>in S.E.<br>List | Corres.<br>Day<br>1943 | Security Indices   |                   |
|--------------|--------------------------------------|------------------------|--------------------|-------------------|
|              |                                      |                        | 30 Ord.<br>shares* | 20 Fixed<br>Int.† |
| Jan. 20..... | 5,348                                | 5,615                  | 104.0              | 134.5             |
| " 21.....    | 5,171                                | 5,517                  | 103.9              | 134.5             |
| " 24.....    | 6,289                                | 6,617                  | 103.9              | 134.6             |
| " 25.....    | 4,933                                | 5,019                  | 104.0              | 134.6             |
| " 26.....    | 4,637                                | 4,917                  | 104.0              | 134.6             |

\* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1943: highest, 106.1 (Jan. 1); lowest, 94.1 (Jan. 4). 20 Fixed Int., 1943: highest, 136.8 (Jan. 22).

New York

STANDARD STATISTICS INDICES  
DAILY AVERAGE OF 50 COMMON STOCKS

| 1944       | Average | Transactions | 1944       | Average | Transac |
|------------|---------|--------------|------------|---------|---------|
| Jan. 14... | 117.0   | 935,000      | Jan. 18... | 117.9   | 815,000 |
| " 15....   | 117.4   | 652,000*     | " 19...    | 117.4   | 639,000 |
| " 17....   | 118.1   | 816,000      | " 20...    | 117.5   | 750,000 |

1943: High, 125.4 (July 14); Low, 99.3 (Jan. 2). • Two-hour sess

## (WEEKLY AVERAGES) (1935-36 = 100)

|                      | 1943             |                    | Jan.<br>5,<br>1944 | Jan.<br>12,<br>1944 |
|----------------------|------------------|--------------------|--------------------|---------------------|
|                      | Low<br>Jan.<br>6 | High<br>July<br>13 |                    |                     |
| 37 Industrials ..... | 81-1             | 133-5              | 97-1               | 96-3                |
| 32 Rails .....       | 72-6             | 99-9               | 88-9               | 92-9                |
| 40 Utilities .....   | 67-9             | 89-5 <sup>4</sup>  | 87-1               | 86-6                |
| 419 Stocks .....     | 78-5             | 100-9              | 95-0               | 94-4                |
| Av. yield %*         | 5-36             | 4-35               | 4-67               |                     |

\* Common Stocks. (a) Aug. 25.

## Capital Issues

| Year†     | U.K.       | Brit. Emp.<br>ex. U.K. | Foreign<br>Countries | Nature of Deb. |
|-----------|------------|------------------------|----------------------|----------------|
| 1944..... | 69,927,415 | 118,250                | Nil                  | 69,927,415     |
| 1943..... | 78,566,932 | 787,600                | Nil                  | 78,549,108     |

\* Conversions Excluded. † Includes Government issues appearing on page 11.





that, apart from the specific Canadian objections to British Commonwealth integration, it is wrong in principle for smaller and special groupings to be engineered within the wider framework of a universal system. "Behind the Halifax and Smuts ideas there lurks an inevitable rivalry between the Empire and other countries." It is an idea that is frequently voiced in the United States and it found expression, though without specific reference to the British Empire, in the speech made by Mr Cordell Hull on his return from the Moscow Conference. There are domestic reasons. A great mass of ex-isolationist opinion has now been painfully brought to about the position occupied by Woodrow Wilson twenty-five years ago, and Mr Hull is rightly concerned that it should not be frightened back into its shell by anything that looks like a specific and permanent commitment to named countries. Mr Mackenzie King, too, is moved in part by an anxiety not to get badly out of step with his southern neighbour, but also and more powerfully by even more closely domestic considerations. He is struggling hard to retain the allegiance of the Province of Quebec to the Liberal Party, an allegiance which is more seriously threatened at this moment than at any other time for many years and the withdrawal of which would smash his party. But the *Québécois* are the great isolationists of Canada; their susceptibilities must be soothed rather than flouted.

But though these domestic springs of action should not be forgotten, it would be equally mistaken to overlook the fact that there is a large and sincere body of opinion, especially but not entirely in North America, which, for entirely disinterested motives, stands in opposition to any special groupings. This universalist opinion is passionately attached to the ideal of international co-operation; indeed, it is the very intensity of that devotion which leads them to look with disfavour on any less inclusive arrangements. It is their jealousy for the League of Nations ideal that generates their distrust of anything that smacks of the "balance of power"—a phrase that has come to stand for the antithesis to an international order of justice. Because a system of alliances has often led to war, no special arrangements between one nation and another can be permitted.

It is not difficult to show that this attitude is almost absurd in its exaggeration. Is the existence of the British Commonwealth a danger to world peace? Which would have been the greater menace to world stability in the 1930's—a further weakening of the Commonwealth or an access to its strength? Is the fact that the ties of unity

between the United States and the Latin American Republics have been drawn tighter during the past an advantage or a danger? Is it reasonable to have alliances appropriate for the winning of wars, thereafter those who have shed their blood in the right have no more in common with each other than they have with the neutrals and the enemy? It is only necessary to ask these questions to prove that not all special groupings are bad. On the contrary, if they did not exist, there would be little chance of achieving world order. The ill-intentioned will not be restrained from banding together by respect for any principle of universalism, and it can hardly be a sound principle that only those who wish the world association ill should be allowed to enjoy the benefits of unity. The object of all international reconstruction is to build the Parliament of Man, but, like other Parliaments, it will not work unless those who believe in like principles join together in an effective party within its walls. Let us look to it that it is our part which gains the initiative and exercises the power.

It would be a very great pity if, in this matter, reality were drowned in phrases. Marshal Stalin and Mr Molotov have their eye on reality. Their sixteen republics will hang together because of the party and police structure invisible to the constitutional lawyer. It would be the height of folly to say to ourselves, merely from lawyer's punctilio or because the conduit pipes of our relationships run above ground, what the Russians will certainly enjoy. No sight is more pathetic than to watch the perfect impede the good. Whether special groupings are an assistance or a hindrance to the world-wide solution depends entirely on their purpose and their nature. Where the association is truly free and good-neighbourly, and where the members are the champions of world order, not the aggressors upon it, it can surely do nothing but good.

Within the British Commonwealth or the wider association into which it might grow, there is no suggestion that any country should be coerced to do what it does not want to do. But there is a suggestion that where unity exists it should not be dissipated by lack of common organs. Mr Mackenzie King's blunt negative creates a problem. The Canadian decision will be accepted in a spirit of friendliness. But if there would be one thing worse than the coercion of the one by the many, it would be the obstruction of the many by the one. It has been proved that five out of six of the fully self-governing members of the Commonwealth can wage war together. It is surely possible for four out of six to concert their policies in peace without insult or injury to the others.

tendency to create industrial corporations of Fascist type in which capital and labour enter into a pact with little or no regard for consumer interests"; the large majority of opinion agrees with him—if only because, whatever our differences, we are all consumers. He advocated the bulk purchase by the Government of "standardised but well designed goods," to reduce the cost of necessities and ensure greater stability of employment; this proposal, first put forward by Left wing economists, recently appeared also in a Conservative Party report.

The degree of agreement is obviously very great—and to a considerable extent real. Nevertheless, caution is needed before it is too hastily assumed that Sir Stafford Cripps is, in fact, marching shoulder to shoulder with, say, Sir Patrick Hannon or Lord Beaverbrook. One test will illustrate the sort of reservation that must be made. What does Sir Stafford Cripps mean by control, by what he calls "the over-all planning and supervision [by the State] of the economic life of the nation"? He gave an example—"an Investment Board of independent persons with a knowledge of industry who can work under the general guidance of the Government." "We must (he said) definitely make finance the servant of our industrial development, and not its arbitrary master." What would this Investment Board do? Sir Stafford Cripps' intention can be deduced from the reasons he gave for setting it up. He regards the "control of investment" as absolutely essential. He pointed to "the orgy of company promotion which ruined so many enterprises and individuals after the last war" and to the "old-fashioned financial ideas and methods which led to millions of people being plunged into misery for the sake of financial orthodoxy." It would seem, therefore, that the Board's functions would be to direct investment into desirable channels and divert it from undesirable ones. It would thus be a funnel or channel through which all, or almost all, investment must pass, in order to prevent abuse. Issues of capital would be examined to see if they were likely to prove sound or not. The object, to prevent the waste of investors' capital, would be a very worthy one; but would the results be conducive to the enterprise, initiative, ingenuity and risk-taking, which this country will most of all require in the post-war world? With the best will in the world, would not such a body, armed no doubt with statutory powers, and carrying a heavy load of responsibility, be inclined to play for safety and, in fact, to act as a brake on the wheel?

The truth is that what will be needed after the war is not less bad investment so much as more good investment. New instruments will no doubt be needed, as was argued in an article on page 149 last week, to bring investible funds in touch with industry's post-war requirements for re-equipment and development and an Investment Board will certainly be needed. But whether the functions which Sir Stafford Cripps suggests for such a Board would be helpful is another matter. Almost certainly the functions

of scrutiny and advice could be done as well by non-statutory bodies. Almost equally certainly, a Board with purely permissive functions would act, perforce, as a restrictive mechanism.

Sir Stafford Cripps may very well not have meant his proposal to be interpreted in this way; and it must be admitted that most other parts of his speech showed a proper appreciation of the need for enterprise of whatever kind may prove most suitable for particular tasks. Nevertheless, there must remain a suspicion that Sir Stafford Cripps, like so many other spokesmen of progressive views, including, on occasion, Mr Morrison, has himself been somewhat deceived by the magic word "control." If control means that every economic activity must be subject to public scrutiny, that, in effect, there must be a system of private enterprise by public licence, a system of checks and balances in which every individual action must be watched and weighed by some official, then the doctrine is dangerous, misleading and may be fatal. To interlace private enterprise and public control at every single point is to make the worst of both worlds.

It would be wrong, in this day and age, to entertain any bias against public enterprise, as such, where it can be proved necessary to secure economic efficiency or social justice; each case must be judged on its merits. But it would be even more wrong to assume that control, of the negative variety, which would simply set up public Peter to police private Paul, is ever desirable, or that it should be permitted, save by way of exception. Marriage between private enterprise and public organisation there must indeed be. But marriages can be happy or unhappy. A happy marriage would be one that left each partner as free as possible to develop the potentialities of which it is capable. A marriage which left one partner with all the initiative and responsibility, and all the risk of loss, but made him subject to the permits and prohibitions of the other, would certainly be unhappy.

It is for the community, through Parliament, to establish the rules of economic conduct; and for the Government, with Parliamentary backing, to execute those policies which no private individual or body can execute in the way the community wants. It is for the state to employ or hold in reserve the fiscal or physical instruments of control which may be required, from time to time, to prevent the entire economy from rushing into depression or inflationary disaster. It is for the state to step in and take over wherever the ends of policy cannot otherwise be achieved. But what those ends of policy are should never be forgotten; they are the fullest possible use and distribution of the community's resources in the freest possible way. Restrictive practices can never be justified, whether done by public servants or private monopolists. Government by perpetual surveillance would be impolicy of the worst sort, for the police state is no more acceptable to democrats in the economic sphere than in the political.

## Words and Meanings

WHAT the Government is thinking about reconstruction has still to be White-papered. What individual Ministers, of all parties, are thinking is being told in a score of speeches; and a notable amount of agreement can be discerned. There is, however, a snag—indeed, a positive danger—in this agreement. Being men of much goodwill and not a little shrewdness, Ministers tend to lean over almost backwards to demonstrate that "we are all agreed." This tendency, natural enough in leading members of a Coalition, results in some distortion—in two ways: first, fundamental disagreements tend to be pushed out of sight; secondly, the same words and phrases are used by different speakers to mean different things. It is immensely important that people whose votes will decide these issues should get behind these verbal screens; otherwise, many of the most important problems will be permitted to go by default. It is just as important to bring out real disagreements of view as it is to discover agreement; the danger of cant is never far off.

Perhaps the most important, and perilous, obscurities attach to the words "private enterprise" and "public control." By private enterprise is meant by one speaker the small shopkeeper or craftsman, and by another

Imperial Chemicals or Unilevers. By public control is meant by some simply laws and taxes, and by others something like a civil servant or even a policeman, in every office, factory or bank. Obviously, the general agreement that there should be "a blend of private enterprise and public control" does not, in itself, mean much.

The striking speech made by Sir Stafford Cripps at Bristol last week-end is only one illustration of the importance of definitions in these matters. For the part, it was unexceptionable, to either Left or Right, its phrasing and its scope. He rejected both all-nationalisation and complete *laissez faire*; no one could disagree. He said that there must be "an infinite variety of forms of organisation under public and private ownership"; no sensible man would say otherwise. He said that it would be necessary to build up "a new public service of first-class business and technical men, selected for their practical ability and experience"; this is a major lesson of the war. He asked for "an economic plan for the nation, carefully worked out but flexible and easily adaptable to changing circumstances, and capable of delegation to both public and private enterprises"; this point, too, in various interpretations, has been conceded by both Tories and Socialists. He spoke strongly against "the



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## Representative Government

FOR two days this week the Commons have debated electoral reform. The immediate tasks are to bring the register of voters up to date and to redraw electoral boundaries in order to make the number of voters in each constituency roughly equal. But another, and deeper, issue has been involved in these discussions. There is a demand, among a strong and vocal minority, for a change in the entire electoral system, in order to secure that the number of seats held by each party in Parliament will precisely reflect the proportion of all the electors in the country voting for that party. Briefly, this proposal is best known as Proportional Representation.

There is no dispute about the need for a new register and the redistribution of seats. Since 1928 there has been adult suffrage in this country, including all men and women over 21 years of age, except for a few minute categories, such as peers and lunatics. But for various accidental reasons, a large part of the electorate is not in a position to make good its right to vote. No register has been made since 1939, which means that, in fact, nobody under 26 is at present entitled to vote. Moreover, there has been a vast wartime movement of population; a great number of voters of all ages are registered in places where they no longer live. Already, a new electoral register is in preparation, on the basis of the National Register; but clearly there is need for some continuous arrangement to keep registers up to date and voters "in benefit."

Similarly, the facts about the present size of constituencies speak for themselves. A White Paper was published on Monday giving the situation revealed by the 1939 register. If the number of voters—or, rather, the number of votes, since some electors still have two, because of the business and university franchises—is divided by the number of seats in the House of Commons, the result is about 50,000 which, on the principle of equal electoral districts, should be the voting strength of each single member constituency. In fact, according to the 1939 register, there are 20 constituencies with more than 100,000 electors, and 17 (excluding the universities) with fewer than 30,000. Hendon, with nearly 210,000 voters, has one member; Camberwell, with about 160,000 voters, has four. Plainly, the present distribution of seats, based as it is on the census of 1911, should be revised. One difficulty is that, if the revision is done on the basis of either the 1931 census or the wartime distribution of population as shown by the Ministry of Food's figures, it may be soon put out of date by the shifting of workers and families that will follow the end of the war. Nevertheless, 1931 or 1939 would obviously be a much better basis than 1911; and it is important that, at the same time, some permanent body should be set up to keep the boundaries of constituencies continuously in line with the facts.

This should be plain sailing. The only obstacle is likely to be the disinclination of this party or that to surrender safe seats in the process of revision—say, Labour seats in London or Conservative seats in country districts. Such motives, however natural, are wholly unworthy, and should carry no weight. Many people, possibly a majority, would go further and say that this is all that needs to be done; that, in fact, the well-known disparity between the votes cast for each of the parties and the seats obtained will be sufficiently reduced by the equalisation of the size of constituencies. But this is clearly not true. In theory it would be possible, with precisely equal electoral districts, for one party to poll 51 per cent of the votes in each—or, with three parties contesting each seat, only 34 per cent of the votes—and obtain 100 per cent of the seats. This is the point upon which the advocates of a more fundamental reform in the method of election base their case.

The facts shown by an analysis of votes and seats in the elections between the two great wars are, indeed, disturbing to anyone who believes that the House of Commons should be precisely representative of nation-wide

popular opinion. A table, which analyses the results of all these elections, is reproduced on page 195 from an interesting and important book ("Coupon or Free?" Published by Secker and Warburg) which has just been written by Mr R. W. G. Mackay in support of Proportional Representation; and a few items from his statistical conclusions make remarkable reading. It is commonly believed that in the General Election of 1918 the Coalition swept the country; its majority of contested seats in Great Britain (excluding universities) was 347. Yet more than two-fifths of the total votes cast in these constituencies were in opposition; if seats had been won in proportion to votes cast, the Coalition majority would have been only 75, barely a fifth of the majority actually obtained. A comparison of the 1922 and 1923 elections is equally instructive. In each of these years, the total of votes cast for the Conservatives was about 5,400,000, and for the other parties about 8,800,000. Yet, in 1922, the Conservatives had a majority in contested seats of 45, and in 1923 a minority of 121. In 1924 and 1929, it was the third party, the Liberal party, which suffered most from these vagaries. In the former year, the Liberals' 34 seats should have been, in proportion to votes, 105; in the latter, their 59 seats should have been, correspondingly, 143. Perhaps most startling of all were the elections of 1931 and 1935, crucial polls for the future of Britain, which broadly created the Commons we still have. In 1931 the Government parties won 493 out of the 548 seats contested; yet over 7,000,000 votes were cast against them, a third of the total votes polled. In 1935 a Government majority of 235 in contested seats should have been, in proportion to votes cast, no more than 41; of the total votes polled, the Government parties obtained just 53 per cent, yet they won 70 per cent of these seats.

These over-all anomalies are, of course, the sum of local anomalies. In 1929, in the counties of Surrey and Sussex, the Conservatives polled just over half the votes and got all the 21 seats, while in Durham in the same election, Labour polled half the votes and got all but one of the 18 seats. Similarly in 1935, in the eleven southern counties from Kent to Cornwall, the Government parties polled less than two-thirds of the votes and got all except two of the 79 seats.

This, then, is the basis of the case for Proportional Representation; and it is, on the face of it, impressive. Some caution is necessary, however, before swallowing it whole. Its assumption is that representative government means the precisely arithmetical reflection in the membership of Parliament of the way in which the total of local votes is distributed nationally. Historically, this is not what representative government has meant. When Edmund Burke wrote and spoke on these subjects 150 years ago, representative government meant the election to Parliament of men each representing a majority in a particular place or community; it was the sum of local opinions; and this territorial principle remains. It is true that there have been fundamental reforms since Burke's day. New principles have been introduced, of which the three most important are: first, the abolition of property qualifications (with the exception of the business vote) for electors, which ended the old idea of each member representing only those with a stake in a particular locality; secondly, the acceptance, in principle, of equal electoral districts, first demanded by the Chartists a hundred years ago; and thirdly, the introduction, by stages, of universal suffrage, making the franchise a right of age and citizenship and not one of property or sex. In other words, the principle of numerical representation has been added, by five Reform Bills, to the territorial basis.

The result is a mixture of intentions. The present electoral system attempts to do, simultaneously, two things which are not entirely compatible. The first is to represent places: the second is to represent roughly equal blocks of voters. The advocates of Proportional Representation recognise this dual aim, and themselves suggest

a compromise. Logically, the right way to get what they want would be simply to count up the total votes cast for the various parties throughout the country, without any distraction of local representation, and to apportion the seats in the House of Commons accordingly, giving one for every 50,000 or so votes cast. Instead, to preserve the territorial principle, they propose a regional scheme which would divide the country into constituencies, returning five or seven members, and then elect members in each such constituency by allotting one seat for every quota of votes obtained, with a complicated process of transferring "surpluses" or "deficiencies" from one candidate to another according to the preferences stated by voters.

The kernel of this scheme, and the point at which it most directly assails the present system, is the abolition of single-member constituencies. And, side by side with this proposed departure in practice, there is also an important departure in principle. The aim of the present method of election, however unsatisfactorily it may be achieved, is to find majorities. The object of Proportional Representation is to find minorities. Both these points require careful scrutiny. It is true that the principle of equal electoral districts, accepted already though poorly applied, reduces the case for regarding all single-member constituencies as sacrosanct, since they tend often to be mere arithmetical divisions and not communities at all. It may even be that, say, Bristol, with 5 seats, or Bradford, with 4 seats, is, as a city, a more real community than the constituencies into which it has been divided; and, if so, the territorial principle might be best served by electing the 5 or 4 members at a single poll.

But to say that in some towns it might be reasonable to regroup separate constituencies into one—or, as in the case of a city such as Birmingham, which has 12 members, into two or three—is far from suggesting that single-member constituencies should vanish for the sake of Proportional Representation. To do so would be a radical break with tradition and mean the end of the compromise by which an essentially local system of representation has been modified to take account of the total balance of national opinion. Once the basic principle of local representation, local responsibility and local competition is too much weakened, the process of election becomes artificial and unreal, as was seen, say, in Republican Germany, where the parties tended both to multiply and to become academic abstractions.

### *Principles of Trade—VI*

## The Regional Solution

THE re-establishment of a universal system, with an expansionary bias, should be the objective of British long-term policy, and we should do everything in our power to persuade the commercial world to accept the means by which it can be established. But until this agreement is attained, and until the present enormous gaps in the nations' balances of payments can be closed, we have no option but to examine the less-than-universal, the less-than-fully-multilateral, the less-than-completely-orthodox alternatives.

These were the concluding sentences of the preceding article in this series. The point needs to be made with all due emphasis that "less-than-fully-multilateral" does not mean a reversion to narrow two-sided bargaining, and that "less-than-completely-orthodox" does not mean the acceptance of all the tricks of trade distortion that were invented by Dr Schacht and his disciples in the decade before the outbreak of war. It might have been thought that, in a discussion among reasonable persons, this very obvious distinction need not be drawn. But a theological aura clings to the principles of international trade, and there is a tendency—not only, or even mainly, in this country—to speak of the whole subject in terms of black and white, of sin and virtue. Let it be said with all necessary clarity that British policy should eschew Schachtian bilateralism as it would the plague. To this generalisation

Even this, however, does not get to the heart of the matter. The main purpose of a General Election is not to produce an exactly representative House of Commons but to produce a Government. The reality behind the formalities is that a General Election, nine times out of ten, is a plebiscite to choose a Prime Minister, and it is right that the Prime Minister chosen should have a majority behind him. The present system is not, it is true, ideal for this purpose. With three parties in competition it is possible for a Prime Minister to get into office, with a Parliamentary majority, when more than half of the electors would have preferred to have the Leader of the Opposition in office. But the way to cure this defect is not by Proportional Representation—which would frequently give no candidate for the Premiership a majority—but by the Alternative Vote in single-member constituencies, which gives every voter the right to change his mind if his first choice is not elected, and would ensure that no MP was elected against the wishes of a majority of his constituents. It is true that the Alternative Vote would tend to work against the smallest of the three parties—that is, the Liberal Party. But it would compel both the larger parties to compete for the second choices of the central block of voters, which would certainly be good for moderation and liberalism.

Electoral reform of this kind at the present stage cannot go too far without endangering the British system of Government, based as it is on solid majorities, the two-party system and local representation. Almost certainly the right solution would be a fresh compromise: a register kept continuously up to date; constituencies kept continuously in line with population changes; with some measure of regional representation, with, perhaps, some PR devices, in large homogeneous areas; and, almost certainly, the introduction into single-member constituencies, which would remain the great majority, of the simple device of the Alternative Vote to prevent the election of members by local minorities. (It is noteworthy that PR in the large boroughs and AV elsewhere was the recommendation of the Speaker's Conference of 1918.) The British system has stood the test of modern government conspicuously well, despite many personal and party defects; and, for the still greater tests of the future, it is far better that common sense, rather than ruthless logic, should be the guide.

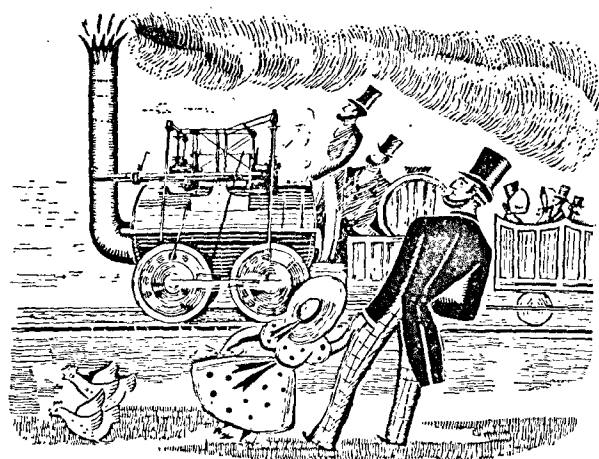
there is only one common-sense qualification. If other countries, despite American and British urgings to the contrary, find themselves compelled to adopt a system of strict bilateral clearings, Great Britain should be prepared to drive as favourable a bargain as can reasonably be obtained, even if that means operating the technique of exchange clearing at the London end. There should be no purely sanctimonious refusal to touch the unclean thing. But this is said by way of exception; in general, the British path must be to secure as much freedom and as much multilateralism as can be attained. If the perfect solution of the problem of international trade is unattainable, there is no need to rush to the other extreme. We must rather retreat upon the solution which, while not perfect, has in it the maximum of good.

There are, in fact, middle courses between what is generally known as "multilateral" and what is usually referred to as "bilateral." The terminology is defective. For example, the wartime pattern of British trade and exchange agreements is usually referred to, and frequently condemned, as being "bilateral." But the standard pattern of these agreements permits many-cornered trade throughout the sterling area, or at least the British Colonial Empire. Sterling earned by foreign countries by their sales to the United Kingdom does not, in general, have to be spent in this country only but can be used any-

where within a wide area comprising a large part of the whole world. This is, in the most literal sense, multi-lateral trade, even if the system within which it takes place falls short of being completely universal. What has been discussed in previous articles, and found impossible of attainment in the near future, is the universal or omnilateral solution. The multilateral solution, in the narrower definition of the word, remains a possibility. If a tolerably free system, with an expansionary bias, cannot be constructed in the world as a whole, the next best policy is to apply these same principles over as wide an area as is, in fact, possible.

How wide would that area be? The question can best be answered by detailing the conditions that would have to apply within it. They are, in the main, three. The first is that the accounts of each member with the other members of the grouping taken together would have to be substantially balanced, or capable of being brought into balance without undue difficulty. The second is that members of the grouping would have to give an assurance that they would co-operate in removing any disequilibria that might appear by increasing their trade by some such methods as those described in the fifth article of this series. The third is that members would have to give satisfactory assurances that they would, within their borders, avoid large-scale depressions. Apart from these positive conditions, there would also need to be certain negative prohibitions, such as that no country should, by exchange control, restrict its purchases of current goods from any of the others, and that quantitative restrictions of trade, if imposed, should not be smaller than the average of some previous period. If these conditions could be observed, a grouping of this nature would provide a working model of the principles of trade expansion which it would be hoped to extend, when conditions permitted, to the whole world.

It stands to reason that such a region of expanding trade



## The scene changes

LITTLE more than a hundred years ago Britain was an agricultural island. Its resources were undeveloped, its roads often incredibly bad; power-operated machinery was almost unknown. Then James Watt invented the steam engine . . . and by the middle of the nineteenth century the tide of industrial development was in full flood. In almost the span of a lifetime, Britain became the centre of the world's trade and in this vast change the Westminster Bank (founded in 1836) played its part, providing—as it does today—a complete banking service for industry and the individual.

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should be open to membership by any country which would comply with the conditions. But the non-exclusive character of the relationship would need much more specific emphasis than this. The very greatest pains would have to be taken, not merely to prevent it from being injurious to American interests in fact, but also to prevent it from seeming obnoxious in American eyes. This would be a task of very great difficulty. Until the intractable problem of the dollar is solved, the United States could hardly enter into such a grouping—the first condition could not be attained. But if the formation of such a grouping were taken in America as a declaration of economic war, the results would be wholly disastrous. Indeed, in such circumstances there are very few countries that would wish to join.

The hurdle is a stiff one, but it is not quite insurmountable. It is a matter of common agreement that the existing exchange controls will have to remain in being for some years after the war. The sterling area is already operated in many respects as a single area for exchange control purposes, and there should not be any overwhelming difficulty in assimilating the currency systems of certain other countries to the sterling area, notably the contemplated Belgo-Dutch area. For some few years, then, a grouping of the general nature here discussed will come into existence quite naturally. Before the transitional period is over, there will be time both to give proof of the fact that it can operate to the advantage of its members without injuring the interests of the United States and also to see more clearly what the commercial policies of the United States itself are likely to be. The basic principle should be to subject trade between the grouping and America to no differential restrictions except such as can be manifestly shown to arise out of the shortage of dollars, of which a strict accounting should be made every three months. The logic and the necessity of this would be so apparent that they could hardly fail to be convincing. There should be a constant willingness to discuss and defend what was done, a constant and sincere emphasis upon the desire to extend the arrangements from the multilateral to the omnilateral plane at the earliest possible moment, a steady invitation to the Americans to judge by results, not by dogmatic views on the methods adopted. In this way it might be hoped that a bargain could be struck between the short period and the long. In the long period, British agreement with American views should be neither stinted nor hypocritical. And, in return, American assent should be invited at every stage to the measures that necessity compels in the short period. There is no reason to suppose that this bargain could not be struck, or that it would ever be necessary, failing agreement, to rely upon the armoury of weapons that Great Britain, the world's largest international market, would have at her disposal in a more narrowly horse-trading world.

In these conditions it might be supposed that the grouping—the sterling area converted to a deliberately expansionary basis—would have a wide membership. The United Kingdom and the Colonial Empire would be founder members. The importance of the United Kingdom market would attract Australia, New Zealand and South Africa, and also India, which would furthermore be drawn in by the desire to draw upon its huge wartime credit accumulations in London without the complication of a controlled exchange intervening. It should not be impossible, granted American benevolence, to arrange the closest interworking with Holland, Belgium, Denmark, Norway and possibly France and Portugal, with their overseas dependencies. Canada, Newfoundland and possibly some other areas would necessarily remain outside, but even so it should be clear that the field for an experiment in planned expansion of trade would not be a small one.

In response to many enquiries, it is hoped to reprint the series on "Principles of Trade"—which will be completed in two more articles—in pamphlet form

## NOTES OF THE WEEK

### All the Russias

On Tuesday the Supreme Soviet in Moscow took a decision which will have important consequences in Russian foreign policy. Each of the sixteen republics of which the Union of Soviet Socialist Republics is composed is now to have its own Commissariat of Defence and its own Commissariat of Foreign Affairs. They will have

full powers to enter into relations with foreign states, and to make treaties with them.

Soviet foreign policy is at present entirely concentrated in the hands of the *Narkomindel* in Moscow. Under the new reform, the central Foreign Office in Moscow will remain in existence, and continue to act for the whole of the USSR. The reform does not make clear the relationship between the All-Union Commissar and the sixteen Republican Commissars. Will treaties with foreign states, for instance, concluded by, say, the Ukrainian Commissariat of Foreign Affairs, have to be countersigned by Moscow or not? To what extent will responsibility for the foreign policies of each of the sixteen republics still lie with Moscow? But these questions are, at this stage, almost entirely formal. Outwardly, the change does indeed look like a radical attempt to decentralise the multi-national Soviet state; it was in this light that M. Molotov presented it to the Supreme Soviet. In fact, however, there is no evidence of any immediate and real decentralisation. To break up the Red Army in mid-combat into sixteen separately-controlled armies is unthinkable, no matter how many Commissariats of Defence may be set up. The war has, if anything, strengthened the centralised political structure of Soviet Russia. Independence means very little, according to British ideas, unless it involves the same freedom for the republics to fashion their own politics and decide their own policies as the Dominions enjoy. Under the constitution of 1936 each republic already possesses the right to secede, now stressed again; but, so long as agitation for secession is forbidden and treated as an act of treason, the right is Pickwickian, to say the least. In the early thirties, all agitation, not for secession, but even for a greater measure of autonomy, was suppressed in both the Ukraine and in Byelorussia, as well as in the Caucasus. In the late thirties similar aspirations in the Asiatic republics were similarly treated. Nothing suggests that the position has been fundamentally changed.

For the moment, then, these dramatic reforms can only be explained in terms of Russian foreign policy. The Soviet armies have reached the Estonian border, and the future of the Baltic republics must now be decided. Estonia, Latvia and Lithuania may more willingly accept incorporation into the Soviet Union if they are given formal, constitutional guarantees of wide autonomy. Similarly, there are settlements to be made in both Poland and Finland. Claims against Poland can now be laid from Kiev, the seat of Ukrainian Government, and from Minsk, the capital of Byelorussia; in fact, on the morrow of the announcement of the reform a Ukrainian protest was lodged against any undue cessions of territory to Poland. Claims against Finland can be raised by the Foreign Commissar of the Karelo-Finnish Republic, claims against Roumania by the spokesman of Soviet Moldavia. Russian diplomacy will have more room for manoeuvre. The claim may be made that all the Russias should be represented in inter-Allied councils. Almost certainly the Ukraine and Byelorussia, two republics which have suffered most from German occupation, will ask for seats on the Commission for the Investigation of War Crimes. Of course, the principle of multiple representation, if carried too far, might easily become grotesque. It would be just as impossible for Russia to speak with sixteen voices at a Peace Conference as it would be for the United States to speak with forty-eight. The watering of stock as a means of increasing the vote of a group of shareholders at a general meeting is familiar enough, but often it has brought more harm than benefit to the companies concerned.

### Two Precedents

Two precedents in history can be found for the changes now proposed by the Supreme Soviet. The first dates back to the years immediately after the Napoleonic wars, when Tsar Alexander the First was contemplating certain reforms of a semi-liberal character. The Novosiltzov scheme of 1818, named after a famous Russian Governor, provided for the administrative division of Russia into ten provinces, each possessing autonomous government and ruled by a Viceroy. Alexander the First also intended to extend—mainly to the west—the territory of the Kingdom of Poland, which, under the Treaty of Vienna, though linked to Russia dynastically, still enjoyed semi-independence. However, these changes never took place. The last remnants of Polish autonomy were removed after the suppression of the Polish insurrection of 1830-1831; and the same fate befell Finland, which had been annexed by Russia during the Napoleonic wars. The second precedent was set by Lenin himself in 1918. Under its first constitution the Soviet state was a federation of independent republics; and, most important, each of the republics did possess a fully-fledged Government of its own. In the negotiations which led to the conclusion of the Treaty of Brest-Litovsk, a representative of the Ukraine, first an anti-Bolshevik and then a Bolshevik, sat beside the Russian delegate. Up to 1923, separate Ukrainian and Byelorussian legations functioned in the capitals of neighbouring states. This was a genuine experiment in federal union; the October Revolution had taken place in an atmosphere of awakened national aspirations among the Russian peoples. But the constitution of 1922 abolished the federal structure and replaced it by the Union. In subsequent years centralisation grew in strength until, in the thirties, Moscow looked much more like the old Imperial capital than the capital of that loose federation of the early twenties. Which precedent is most in Moscow's mind to-day?

### More Pay-as-You-Earn

The Income Tax (Offices and Employments) Bill—which is to extend the principle of pay-as-you-earn to all Schedule E incomes over £600—is a simpler affair than might have been expected. The main clause extends the provisions of last November's Act to "all emoluments assessable to income tax under Schedule E, other than pay, pensions or other emoluments payable in respect of service in or with the armed forces of the Crown." The provisions of the earlier Act concerning both the "discharge" of tax in the course of collection on April 5th next, when the new arrangement is to start, and also the deduction of tax on a cumulative basis thenceforward, are not amended except in minor particulars. There are, of course, points that the Chancellor of the Exchequer will be asked to explain—such as the degree of complication in the tax tables resulting from such a large increase in the range of incomes covered, and the effect of the new procedure on surtax liabilities—but the Bill itself is a simple measure. The clauses on which attention will be focused are those dealing with the prevention of tax evasion and with the special case of temporary civil servants. The former is framed so as to meet most of the objections raised by the Chancellor's somewhat vague forecast of its nature. A special assessment, not ranking for discharge, is to be levied on any increases in Schedule E income for 1943-44 arising from additional remuneration, or changes in conditions of service, granted after September 20, 1943 (that is, the date of the first announcement of "pay-as-you-earn"). Ordinary promotions, increments, overtime and "any other similar increase of an ordinary character" are specifically exempted. This is an attempt to stop the deliberate evader without penalising the taxpayer who is innocently lucky, and it should prove acceptable.



The provision for the temporary civil servant, on the other hand, is wholly unsatisfactory. It should be recalled that his grievance arises from the fact that, on entering the civil service (frequently at sacrifice of income), he suffered a period, averaging seven months, during which he paid double tax. This he bore in the expectation that, on leaving the employment of the Crown, he would enjoy a corresponding period free of tax. The only concession the Bill offers is that if, on April 5th next, there is any part of the assessment for 1942-43, or earlier years, in respect of pre-civil service private employment that has not been paid, it shall be discharged. What this means in plain language is that if the temporary civil servant, unable to bear the double burden, has arranged with his Inspector to spread the payment of his 1942-43 tax (i.e., the tax assessed on the earnings of 1941-42) over a longer period, and if any of this longer period will still remain on April 5th next, the balance shall be discharged. If he drew on his reserves to pay up in full on the due date, he is forgiven nothing. This is a double injustice. It penalises the prompt payer as against the laggard. And it does nothing to meet the basic case. The temporary civil servant was heavily mulcted when he came into public employment, usually from patriotic motives. This penalisation was quite unnecessary and would not have happened but for the stiff-necked and unimaginative attitude of the Inland Revenue. It is intolerable that the same obstinate inflexibility should prevent him from getting the counterpart of the sacrifice he made. The temporary civil servant, who has saved the state in the last four years, has been treated with unpardonable meanness. The Inland Revenue have harried him, and the Treasury, while giving him neither security nor pension rights, have paid him, grade for grade, 20 per cent less than his permanent colleagues. The just way to treat him would be to offer him a discharge of seven-twelfths of any income tax he is called upon to pay in the twelve months after leaving Crown employment. If the Government find that the temporary civil servant draws from this episode the conclusion that the only way to get his deserts is by collective pressure, they will have only themselves to blame.

### Ex Machina

Brighton is doubly honoured. It has been customary in by-elections for the Prime Minister to send a formal note of support to the Government candidate, drawing the electors' attention to the need for recording national unity. Brighton has had two letters from Mr Churchill, neither of them in routine terms. The first suggested that it was "a swindle" for a candidate to pretend to back the Prime Minister and at the same time to stand against the Government's nominee; the second underlined this argument, with some asperity. It is not surprising, perhaps, that some observers have thought that this correspondence may be the prototype of the coupon which may be given at some future date in a more general election. Certainly, the occasion was badly chosen. It was not a question in Brighton, at this by-election, of some political group with its own peculiar views seeking to use support for Mr Churchill as a cloak for faction. Indeed, it is doubtful whether this would be in any way a true description of any recent by-election; at both Darwen and Skipton, for instance, the opposition candidates did faithfully reflect the views of a large section of the electorate which does in fact, whatever the logic of it may seem to be, wholeheartedly back Mr Churchill, but at the same time doubts the drive and direction of many of his Government's policies. But, in Brighton, this is not the issue at all. The fact that the Government was entitled to regard the seat as more than usually safe is beside the point. The question is simply whether a constituency still has the right, even in wartime, of free election. Brighton's by-election, even more than the pending by-election in South Derbyshire, was deliberately hurried to minimise the chance of

local opinion or national groups arranging to fight it. The candidature of Mr Briant, a local barrister, is a local protest against both over-haste and central nomination; and it seemed to many people, including Conservatives both in Brighton and elsewhere, to be quite justified, despite the Prime Minister's invective. Brighton, like every other British town, will follow the Prime Minister into battle, and admires his strong words—in the right place. But some citizens of Brighton refuse to be silenced—even by the voice of Jove. That is all. The result of the election, which has not been announced at the time of writing, even if it shows a comfortable majority for the Government candidate, will register a rightful protest, however limited it may be. It is a thousand pities that Mr Churchill, partly by reason of being the leader of the Conservative Party, should have to compromise his renown by coming down to the arena so flat-footedly.

### Fair and Free Elections

The two days' debate in the Commons on electoral reform, discussed in an article on page 168, was occasioned by the Government's proposal to set up a Conference of Commons and Lords, under the Speaker, to recommend changes. Of greatest political importance, apart from the arguments for and against Proportional Representation, are the next, and final, steps in the more-than-a-century-old march of franchise reform. There is a wide desire for uniform adult suffrage, Parliamentary and local, which would involve the identification of the two for all citizens over 21 years of age, and the abolition, in the Parliamentary franchise, of the extra right to vote given by occupation of business premises or membership of a university. Hardly less important, in its way, is the question of election expenses. Certainly, as Mr Eden suggested on Wednesday in the debate, they should be further restricted to prevent money from having a pull. Possibly, in order to enable candidates of ability and no wealth to seek election, without sordid party bargaining or unjust impediment, they should be paid, in whole or part, by the state.

### Pressure on Spain

A new phase of Allied relations with Spain opened last week with the United States embargo on oil and petroleum products to that country. The action of the State Department was taken after consultation with the British Government, pending a general reconsideration of trade and other relations in view of recent trends in Spanish policy. The hardening of the Allied attitude was foreshadowed by Señor Jordana's speech, reported the day before, which hotly defended the sincerity of Spanish neutrality and gave a strong warning to saboteurs and foreign agents that their activities would in future be strictly dealt with. The reasons for the embargo included such incidents as the unsatisfactory state of the Blue Division question; the export of vital war materials, like wolfram, to Germany; the freeing of peseta credits for the payment of German agents; and the continued internment of Italian warships and merchant ships in Spanish ports—not all of which, it should be observed, are strictly prohibited under customary international law. Spanish policy during the war has not been distinguished either by its valour or its dignity; if its nuisance value has been of little major assistance to the Axis, so much irritation has been caused to Britain and the Allies by such childish subterfuges that it has become hard to regard Spain as an entirely adult state—and harder still to regard her as a neutral. It is most unfortunate for Spain that the Allies have been obliged by the Spanish Government's own folly to turn the economic screw; it must inevitably result in a less sympathetic consideration of Spain's grave economic problems both now and in the reconstruction of the world after the war. But the resources of shipping and supplies which the Allies can afford to release for non-war purposes, at this critical period of the war, are in any case very limited. The oil embargo will demonstrate the reserves of power, if not of oil and ships, at the disposal of the United Nations—and, in fact, the wisdom of neutrals being neutral.

### Starving Italy

Southern Italy is starving. Reports from the spot leave no doubt about it; and German propaganda makes the most of it. Conditions of life in northern Italy, under German

occupation, are better than they are in southern Italy, under Allied occupation. The mere statement of these facts is not in itself a condemnation of Allied policy; everybody knew that conditions would be difficult, and the problems with which the Allied authorities have had to wrestle have been severe. Shipping is limited; the internal transport services, which depend largely on the railways and thus on electricity, broke down for a period; local administration was never efficient and is now largely disrupted. But what is disturbing is the evidence now accumulating that the Allied authorities have done very much less well than they ought to have done. In the case of food, for example, southern Italy is normally an exporter, and though the harvest was deficient, barely six months have elapsed since it was reaped. Hoarding is given as an explanation; but southern Italy is a land of large estates, where control should be far easier than among peasant holdings. Moreover, monetary policy enters into the matter. Whether or not the exchange rate of 400 lire = \$4 = £1 was properly fixed in relation to the official price-level is difficult to say. But many goods are available only on the black market at higher prices; a "wages stop" is enforced (in northern Italy wages have been doubled); and the Allied armies exercise a purchasing power which, in relation to that of the civilian population, is enormous. This last factor is perhaps the most important. No doubt there is less intention among the Allied troops of stripping the country than among the Germans; but the very high standards of provisioning that are set, especially by the Americans, and the failure to impose any effective ban on spending by messes or by individual soldiers combine to give the impression of an army of locusts. With the best intentions to the contrary, the land is being stripped. The effect on the living standards of the civil population of the presence of large numbers of highly-paid American soldiers is perceptible in England; it is very much greater in the much more difficult circumstances of Italy. To complete the tale of woe, it must be said that very little good seems to be coming from the political arrangements that were made at the time of the Italian armistice. The only basis on which the alliance with the King and Marshal Badoglio could be justified was one of the purest expediency, and the results by which it is to be judged seem to be very poor.

It would thus appear, in general, that the non-military part of the invasion of Italy has been pretty badly bungled. Public opinion has hitherto accepted, and *The Economist*, among others, has echoed, the official apologia. But this is daily becoming more difficult. It would be unjust to blame the men on the spot. Their numbers were small and they were inadequately briefed and instructed. It is at home, and in the sphere of policy-making, that penitence and reform are needed, and in Washington more than in London. The whole business is the greatest gift to Goebbels that he has ever received; no doubt this paragraph will be seized upon with the customary eagerness, and if the question were entirely one of the past and the present, it would be better to keep silent. But the purpose, or the necessity, of criticism is to secure a change of policy. New and larger invasions are impending; and they will not be assisted if the oppressed populations discover that all they get from their liberators is spoliation and dearth.

### The Bari Conference

The conference of the five Italian democratic parties at Bari has repeated the demand for the abdication of King Victor Emmanuel. It is not merely a change of King, but a change of system that is being asked for. Benedetto Croce, who spoke for the Liberals, portrayed a grim picture of a collapsed administration, which cannot cope either with economic chaos or with the dangers of political anarchy. Amgot proceeds along the lines of administrative and military expediency which dictate a minimum of experiment in reshuffling Italian personnel. The result is that Fascist personnel is, on the whole, being left in charge of the administration. As there is little doubt that that personnel is utterly corrupt and discredited, the collapse of administration has been hardly surprising. Are non-Fascists available to do the work, after two decades of Fascism? The defenders of Amgot say no. The reply of the Bari Conference was yes. Only experience can show which is correct. But the present vicious circle must somehow be broken. One must hope with Benedetto Croce that:

This time will not happen what once happened in the history of Italy, when, after having exalted the people of Italy to shake off the Napoleonic rule and vindicate their independence and freedom, the victorious Powers returned them to the old and abhorred regimes. Then, one of our poets, the most moderate and thoughtful of our poets, Alessandro Manzoni, bitterly reproached them: "Foreigners, your flags are besmirched by a broken oath."

### Russia and the Balkans

Last Sunday it was semi-officially announced by the Yugoslav Government in Cairo that Russia had refused to conclude with Yugoslavia an agreement similar to that signed with Czechoslovakia towards the end of last year. This is hardly surprising. What was perhaps surprising was the Yugoslav Government's hope that Russia would accept its offer. There can be no analogy between Czechoslovakia and Yugoslavia. After the war, Czechoslovakia will have a common frontier with Russia to the south of the Carpathians. The Russian-Czech Treaty was meant as an alliance between Russia and a neighbour. The clause in the Treaty which gave other states the chance of joining was also addressed to Russia's neighbours. The Yugoslav Government may have hoped to assist its position in Yugoslavia itself by being able to claim Soviet friendship. It does not seem, however, that this episode has had any close connection with the conflict between Tito and Mihailovitch. True, Russia supports the Partisans; but so do the other Allies; and in line with those Allies, Russia still officially recognises the Government in Cairo, of which General Mihailovitch has been a member. The fact that Russia refused the offer of a separate alliance with Yugoslavia seems rather to indicate that Russian diplomacy does not regard the Balkans as an exclusive sphere of influence; and that, in this region at least, there are signs of co-ordination of Allied policy. A similar indication can be seen in Moscow's recent appeals to Bulgaria, which is not at war with Russia. The appeals have called on Bulgars to oppose the pro-German policy of their Government; to refuse to fight against the Yugoslavs and Greeks; to pray in Orthodox Churches for the victory of Soviet arms; and so on. The appeals did not contain direct attacks on the Bulgarian Government or on the Regency. The appeal to Slav solidarity is traditional, and Russia does not seem so far to take any closer interest in Bulgaria's internal affairs.

### The Copper Cut

The announcement, made last week, that the British Government is to reduce its purchases of Northern Rhodesian copper by an amount equal to between 20 and 25 per cent of last year's production raises two important questions. The first is: why has it been decided to make the first cut, if a cut had to be made, in purchases from one of the most efficient, and lowest cost, centres of production. Was transport the determining factor? Or is a cut also to be made in the production of other suppliers of copper to the United Nations? The second question is whether any plans have been made by the Northern Rhodesian Government to deal with the unemployment problem which the cut will create. The official notice merely stated that some reduction in

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employment will be involved, and that the British Government had therefore agreed to make the cut by stages in April, May and June. But no indication was given of the numbers of workers likely to be involved or of what was likely to happen to them. Before the war the number of African workers in the copper mines was about 20,000, and the number of Europeans about 2,000. At present the figures are roughly 30,000 and 3,000 respectively. Figures of production have not been published since the war, and it does not follow that the labour force will be reduced to the pre-war level; nevertheless, the cut in output which has now been decreed is a big one, and the reduction in employment will apparently be considerable. The Mineworkers' Union is already taking the matter up, and protest meetings have been held throughout the copper belt. But the Mineworkers' Union speaks for the European workers only. Most of these are skilled workers, and most of them—certainly of those taken on since the war—come from South Africa, where they should without difficulty be able to find work again. But who speaks for the African? For many years, before the war and since, the copper belt has been a source of native labour troubles—for a variety of reasons, including discontent over wages and over the ban placed by the European workers on the promotion of Africans to skilled jobs, but mainly because of the general unrest caused by the absence of any official policy towards the industrialised native. Has any policy now been formed, or are the natives displaced by the copper cut merely to be sent back willy-nilly to their villages? Northern Rhodesia is also a test case. In other parts of the colonial empire the production of raw materials has been stimulated by war demands. There has, for instance, been a big increase in Nigeria's output of minerals, palm products and ground nuts, and rubber production has been started. The war has, in fact, completely distorted the raw material position, and the effect on colonial peoples must have been considerable. Are there any plans for rehabilitation and resettlement?

#### Good Enough for the Duke

It was a damning indictment that Lord Faringdon made of official policy in Kenya in a House of Lords debate this week. Citing as authorities Lord Hailey, Lord Lugard and Sir Alan Pim, he showed that in Kenya, where there is white settlement, the African has not made the same progress as in other parts of British colonial Africa where there is no such settlement. It does not follow, nor did he claim, that white settlement everywhere and necessarily works against native progress. But that it has had that result in Kenya can hardly be doubted for a moment. What are the facts which Lord Faringdon produced in support of his case? In the Highlands less than 3,000 European farmers occupy five million acres of the six million which have been alienated to them from the natives, but they actually cultivate only about 11 per cent of the land in their occupation. In 1936, Sir Alan Pim estimated that the European farmers had received in subsidies of one form or another £474,000. Since the war, according to a Parliamentary answer from the Colonial Secretary, there have been subsidies amounting to £117,000. Thus, white settlement has not justified itself economically, quite apart from its effect on the African. For the latter, the result of the alienation of his land has been that in, for instance, the Kikuyu reserve—according to Lord Lugard, who himself quoted from other authorities—there are areas where the density is as high as 1,800 per square mile. Overgrazing and soil erosion have been the natural consequences, and, as is well known, last year there was a serious food shortage amounting in some areas almost to famine. But the land problem is not the only result of European settlement. As Sir Alan Pim pointed out, difficulties arise from the very existence of two communities with such different needs and desires. The Europeans demand services and communications beyond what is customary for rural Africa and beyond what the colony can bear—which means that the amount available to be spent on African development is curtailed. In 1936, according to Lord Hailey, the Government spent £26 7s. 5d. per head for European children and only 16s. for each African child at school. In reply, the Duke of Devonshire attempted to minimise the picture and excused such facts as the conscription of native labour to work for European farmers, the subsidies given to them since the war, and the proposed further settlement, on the classic ground that they were very little ones. He also gave a welcome account of the Kenya Government's post-war plans for African development and of the sums to be spent thereon from the Colonial Development and Welfare Fund. But these plans exist only

on paper, and what was most disturbing about the Under-Secretary's speech was its complacency with regard to official policy hitherto. In the light of the known facts and at a time when British colonial policy is under constant fire at home and abroad, it is very unfortunate that the official spokesman should say that

Kenya has gone ahead, and, far from being ashamed of our record there, this country and the Colonial Office have every right to be proud of it.

What is "good enough for the Duke" is certainly not good enough for other people.

#### India's Future

Sir George Schuster's broadcast on Tuesday put the future of India in a true light, too rarely admitted. His point was simply that, to be free, India must also be safe; and that, to be safe, India cannot act in isolation, but only in co-operation with the Powers which control the strategic keys to the Indian Ocean area. Politically, it is ironical that India should have come to the point of independence at the very stage in history when national independence means little or nothing without deliberate dependence for defence upon outside aid. There is a sense in which India will never be free from Britain—certainly not so long as the British Commonwealth holds both the Suez Canal and the bases for defending Australia and Malaya, still to be recovered and remade. Sir George Schuster's intention was not to use this argument, disingenuously, against the grant of political independence to the Indians, which they can have when they will. It was rather to suggest that, for their own sake as well as ours, their independent policy must be set in an interdependent framework which will restore and extend the *pax Britannica* in these regions, with the aid of other Powers with concerns in the same zone. India, for reasons of geography, cannot rely upon the mere accident which has permitted it to have its cake and eat it—to be independent and refuse interdependence, simultaneously, and still to stay safe. This is another special and critical corner of the problem of regional security within the British Commonwealth, which the Australian and New Zealand Governments have recently been discussing; and India, in its pivotal strategic position, cannot be forgotten when the question comes to be discussed, more widely, by the Prime Ministers of the Empire in London.

#### The Encouragement of Productivity

The word of the moment is research. Almost every speech, statement or report about post-war industry says the right things on this subject: industry and commerce must be kept up to date; and the state, by its taxation policy and other means, must encourage the use of funds for this purpose. But do these arguments for state-encouraged or state-aided research sufficiently recognise that, whatever forms of organisation may be devised, the future of industry and the standard of living of the people depend entirely upon an increase in total productivity—upon what Mr J. E. Currie, in an address to the London and South Eastern Regional Board on Wednesday, called, succinctly, "an increase in output per man per hour." That is to say, the imperative task of research is not simply to maintain particular industries in a particular state of employment or profits but to increase the national income, even at the cost of very radical adjustments in the structure of industry and employment, and in the use which is made of the nation's total resources. Plainly, of course, this will best be done by individual enterprises seeking to better their individual position, provided they are not protected by monopolies, exclusive patents or state guarantees—and provided the fruits of research are opened to enterprise at large. The profit motive, much abused, can do the job, if it is accompanied by a readiness to risk losses and by sanctions against improper gains, due to restriction. In other words, the state's duty in the encouragement of research and development is, primarily, to foster self-help, under fair conditions and not, in the main, to do the job itself; it is to favour enterprise of the right kind, and to lend public aid where private effort is insufficient. The latest recommendations have come from the London Chamber of Commerce. It suggests that a Central Board should be set up to plan and direct industrial research. This Board would be the link between the Government and "the research

activities of the country at large." Private research would continue, but the Board would make grants towards the cost of discoveries handed on. Pure research would be done by the universities, on a much larger scale than hitherto, and be paid for by the Government. The money available for research, private and public, and for the payment of researchers, would be much increased. Judgment of these proposals depends entirely upon, first, the degree of enterprise that would be demanded from individual firms and researchers—a central plan might well be stifling—and, secondly, upon the guarantees of public use and general availability that the Government would require in return for public money. The economics of this problem have been examined by Dr Balogh in the latest Bulletin of the Oxford Institute of Statistics (volume 6, No. 1 January 1943). His conclusion is that, directly or indirectly, the Government must bear the cost of most of the extra research required to bring British industry, as a whole, up to the level of pre-war productivity in the United States; and that, correspondingly, the results of this extra research must be used in the common interest. Both the London Chamber of Commerce and Dr Balogh agree that the research of firms should be a charge on revenue for taxation purposes; and a good start might be made in translating precept into practice by incorporating this provision into next April's Budget.

#### The Next French Government

The second session of the Consultative Assembly at Algiers finished a fortnight ago; and the third session will not be held before March. Compared with a normal democratic assembly with legislative powers it reached few practical decisions, but as a deliberate assembly it did outstandingly well. In the beginning it was not designed to be a real Parliament, and its rapid development is an impressive evidence of the democratic mood of its members; of their deep distrust of any form of personal rule in republican disguise; and of their determination to make a break with the mechanisms of the Third Republic that were inefficient, as well as with the personalities of the Vichy administration. The number and content of questions put to the members of the Committee is, in itself, proof of the "parliamentary" character of an Assembly which, though not elected, yet feels itself representative of, and responsible for, metropolitan France. The question of the provisional government of France, after liberation, is to be referred back to the Committee of National Liberation, which will, at the next session, bring forward revised proposals based on the views expressed in the debates. The Assembly has shown itself capable of sound political theory in the rejection, on the one hand, of the conception of a Provisional Government irresponsible to the electorate, and on the other, of a temporary Government too weak to exercise economic or social control. But it has not been able to work out for itself a practical alternative to the devil or the deep blue sea. The eventual solution will probably be based on three principles: first, that no general election will take place before a Constituent Assembly can be called, through universal suffrage, which will include votes for women, and under entirely regular conditions; secondly, that, until the convocation of a regular Constituent Assembly, the present Consultative Assembly, progressively enlarged, shall function in its place; and thirdly, that some compromise shall be found to reconcile the need for re-establishing municipal authorities which can proceed to the nomination of delegates, with the secure foundation of such authority on the approval of the electorate.

#### The TUC and Industrial Training

The TUC's reported acceptance of the principle of obligatory industrial training as an essential part of the plans for demobilisation and resettlement marks an important advance. A veil of secrecy has too long shrouded the unions' views on this vital point; one of the crucial proposals of the Beveridge Report was that, after a period of idleness, unemployment benefit should be replaced by "training benefit," which would be conditional on the workers' willingness to retrain. In the past, the trade union contention has been, with little or no qualification, that a man is entitled to his customary kind of work and, accordingly, to be maintained in unemployment if such work cannot be made available. This is still the unions' general

attitude. But there have been some significant qualifications already. The General Council in its 1943 report stated that, if controls are to be maintained over industry, some measure of control over labour would be necessary, and Mr Bevin has often reminded the unions that, if they hope to retain some of their wartime advantages, they will have to accept continued responsibilities. The Mineworkers' Federation, who have bitter experience of the necessity for industrial transfer, have suggested that industrial training and re-employment facilities should be made available for displaced miners. Now it is reported that the General Council of the TUC is proposing that any worker who "unreasonably refuses" to be directed to work shall lose his unemployment benefit, subject to the right of appeal to an independent tribunal. Its other recommendations include the compulsory registration of persons seeking employment; the compulsory use of employment exchanges and approved trade union machinery; and direction to employment after consultation with the industries concerned. The proposal about unemployment benefit may well lead to sharp controversy when the Labour Party next meets at Whitsun, though no final decision can be taken until the TUC's own meeting in September. If the General Council's recommendation is endorsed, it will mean the removal of a formidable obstacle to industrial mobility. Rigidity of labour, and excessive insistence on trade demarcation—ship-building provides an outstanding example—must hamper the adaptability of the industrial structure to meet post-war needs.

#### Shorter Note

The Committee stage of the Disabled Persons (Employment) Bill was concluded on January 27th. The wording of Mr Bevin's amendment, providing priority for ex-Servicemen and women (discussed in *The Economist* last week, page 139), satisfied the Conservatives. But their attempt to curtail the Minister's power to administer the Bill by regulations which need not have the prior approval of the House was defeated by 72 votes to 18.

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# AMERICAN SURVEY

## How Ready is the Right?

(From Our Washington Correspondent)

"MANY of us in the 1930's feared that a left-wing reaction would draw labour so far away from the main body of American sentiment that the gap could not be closed without a disastrous struggle. I do not want to be an alarmist—perhaps I exaggerate, since I spend so much time in Washington, where politics is always exaggerated—but I tell you frankly that I am deeply alarmed to-day over the possibility that a right-wing reaction may draw some sections of capital so far away from our traditions as to imperil the entire structure of American life as we know it." These sentences are from the closing paragraphs of the speech made on December 8th before the convention of the National Association of Manufacturers by Mr Charles E. Wilson, Executive Vice-Chairman of the War Production Board and in private life President of General Electric. Mr Wilson further said:

In my view, although American industry will have the task of carrying out the production programme, the fulfilment of that task by no means ends our responsibility to the nation in 1944. There is another responsibility that I consider equally important. Without mincing words about it, we who are assembled in this room have a substantial influence on the morale of America as well as its material strength. That spiritual or psychological responsibility is easy to evade—for who is there to check up on us? For that very reason, because we answer to no one but ourselves for our influence upon the spirit of the nation our responsibility is the greater.

I know of no other period in American history, except perhaps the Civil War, when there has been so much need for unity in our country, and so few signs of it, as at the present time. From where I sit in Washington it is an appalling thing to see the separate groups and cliques and special interests separating out of the main body of the American war effort in order to work for their own special purposes and private ambitions . . .

Now we are coming into an election year, when passions and prejudices are likely to be accentuated through the normal interplay of party politics. I submit that if we give way to those passions and prejudices, if we allow them to influence our actions, if we lend ourselves to the breaking up of the society into partisan groups and cliques, we are playing into the hands of the enemy. More than that, we are jeopardising our entire national future.

The NAM and the Chamber of Commerce are the two overall organisations representing American business. It is probably true that they over-represent it, sharpening and intensifying what individual business men think is to their interest. Perhaps that is why Mr Wilson chose the particular occasion he did for his speech.

For the direction which the Right takes at this time has the importance of being the dominant direction.

In interpreting the election returns of this past November, and likewise the elections of the previous year, many reporters have thought they discerned something that looks very much like a trend—something that has reversed the standing of the parties. This change has already been reflected in Congressional attitudes—but it has not yet come up against the electoral power of Mr Roosevelt. The comments have usually ended with the warning that state results should by no means be taken as conclusive with regard to national results in 1944.

But (to take an opposite tack for a moment) has not a good deal been conclusively proved already with regard to 1944? In the course of the past year, Mr Irving Dilliard, of the *St. Louis Post Dispatch*, has written a series of articles for the *New Republic* tracing the story of Republican regains of local and state control. After the elections of November, 1942, he pointed out that, for the first time in fourteen years, the Republican candidates for the House actually polled more votes in the country, including the Southern states, than the Democrats did: the percentages were 50.6 Republican, 47.4 Democratic, 2 other. Then in April came the Chicago election, when Mayor Kelly of the Kelly-Nash machine won a fourth term by a majority of 116,159 in a

vote of 1,259,133—about one-sixth of his margin of 1935, and the smallest margin since the Democrats accomplished Big Bill Thompson's defeat. Mr Dilliard made two comments:

For his margin of victory Ed Kelly can thank his city payroll. There are about 30,000 municipal employees, and every one of them is good for three or four votes. In a sentence, the Mayor won by the advantage which was already in the ballot-boxes for him when the polls opened;

the second,

it was perhaps best put by a cultured Republican lawyer, with many corporate connections, who said that the machine had over the years organised the assessments and levies on business, so the operators of Chicago businesses knew how much they would have to pay and could count on the machine's scale of charges. He said it was a relief to businessmen to have this sort of thing on a stable basis—and so Mayor Kelly enjoyed the support of thousands of Chicago's businessmen who are eagerly sharpening their anti-New Deal axes as they wait for the 1944 Presidential Election.

Meanwhile the gains of 1942 were pressed in the states. Most state legislatures meet in the odd years; in 1943, in a compact block of five Middle Western states of prime importance in the electoral college—Indiana, Illinois, Michigan, Wisconsin and Iowa (where the Congressmen elected in 1942 were 88 Republicans to 8 Democrats)—the new Republican legislatures passed memorials to Congress asking it to initiate a constitutional amendment which would limit tenure of the Presidency to two four-year terms. (In 1940, comparable memorials had been passed by the legislatures of New Jersey, Rhode Island, New York—it is perhaps pertinent to remember that the first of all suggestions for limiting presidential tenure was presented to Congress by New York on July 4, 1788.)

Following a line similar to that of the above memorials, Senator Bailey, of North Carolina, introduced Senate Joint Resolution 65 on June 3, 1943. Oneness of purpose between Republicans and Southern Conservative Democrats has been a familiar story in this past year's Congressional record; their differences have been confined to party mechanisms, not to ideas about desirable agenda. Yet even in the matter of party auspices, Republican pressure upon the solid South is like a narrowing ring. The Baltimore mayoralty contest was one indication. The loss of Kentucky from the list of states with Democratic governors—the Republicans, with newly won New Jersey, now hold a majority of the state Governorships—and the Congressional special elections in the 6th Missouri District in January and the 4th Kentucky District in November have all been handwriting on this wall. Then there is Oklahoma, one of the normally Democratic border states that went for Mr Hoover in the last big reversal, in 1928. The Republican national landslide of that year carried Republicans in to a number of state offices, including three on the Supreme Court. Prudently, Oklahoma Democrats then put through a law providing separate ballots for presidential electors and for nominees for state office. But in 1942 Democrat-turned-Republican Edward H. Moore defeated Democrat Josh Lee for the Federal Senate by over 40,000 (and the Republican candidate came within 11,000 votes of the governorship); also, ex-Democratic Governor Leon S. Phillips has announced that he will register and work as a Republican in 1944. With these figures in sight, the Oklahoma legislature decided to take no chances: 1944 voters will be handed four separate ballots, one for presidential electors, one for the Federal House and Senate, one for the State legislature and one for county offices.

So much for formal Republican control. On the state level it is in the majority. In the Federal Congress, the Republicans are within 10 seats of the Democrats in the House now, with five vacancies and five seats held by other

parties. In the Senate, it would take a shift of 11 seats to cause a change-over—21 Democrats' terms expire next year. Where Republicans control the machinery, the policy of the right is certain of support. But that is a decided understatement. On most issues, conservative policies can demonstrably count on backing in both parties, in which both Southern Democrats and Republicans join. Beyond that is the political magnetism which a trend exerts on the President. Events in Congress showing collaboration between Republicans and Conservative Democrats in recent months can be matched by events in the Administration showing Conservative triumphs within the Democratic Party. These too are facts which must be included in any estimate of the current importance of the right-wing attitude toward the future over which Mr Wilson has expressed concern.

During the early 1930's the NAM's currently outgoing president differed very little from hundreds of the other business men represented by his organisation. On his office wall, hung upside down by a long string, was a picture of Mr Roosevelt. When given a poke, the picture described a wide arc—there he is, going round in circles, as usual. Another item on exhibit—those were the days of the Works Progress Administration—was a shovel with a little gadget attached that rendered it entirely stable when sat on. Those were also the days when the professors and slide-rule boys were vituperatively denounced as ruining the country from Washington. Yet today something curious is happening, while too sporadically to call it a trend. Many of those same professors and slide-rule boys are appearing as technicians under the most impeccable corporate auspices—names that were among the Abu Ben Adams of anathema are now on such payrolls as the Committee for Economic Development and Standard Oil. Does this indicate an averaging out of irresponsibility? Mr Leon Henderson, long denounced as the prize heel of the bureaucratic collection, is sponsored on the radio by one of the largest producers in the rubber heel industry. At what point does a Democratic boondoggle become a Republican boon?

## American Notes

### Plight of the White-Collar Worker

The "Little Steel" formula for wage stabilisation has now been decently and publicly buried by one of its best friends. Mr William Davis, head of the War Labour Board, in his testimony before the Senate sub-committee on wartime health and education, stated that the formula "has passed out of the picture" and that its usefulness was now confined to determining the validity of demands for wage increases from white-collar workers. The overall wage, he said, has increased beyond the 15 per cent maximum laid down in the formula, making it obsolete, except as a "wedge in the door, holding it open so that some poor devil who has not been raised can get in." The committee is holding hearings to determine the plight of the white-collar worker in the face of the rising cost of living, which was put by Mr Philip Murray, head of the CIO, one of the witnesses, at 50 per cent rather than the 25 per cent claimed by the Bureau of Labour Statistics. It was Mr Murray's contention that the BLS index of living costs took no account of the scarcity of inexpensive goods, the consequent necessity for purchasing higher-priced substitutes, black market prices, and poorer quality. Mr Davis submitted some figures to the committee, showing that while over 101,000 voluntary applications from Regional War Labour Boards for wage increases were submitted by all industry, covering 5,655,000 workers, between October 3, 1942, and November 30, 1943, only 40,433 applications were made on behalf of 1,219,000 white-collar workers in wholesale, retail, financial and service branches of industry. According to the 1940 census, white collar workers make up about 32 per cent of the whole working population; and in addition, more substantial wage increases were almost certainly won by the highly organised workers in the mass production industries. Any substantiation of the difficulties of the unorganised white-collar worker, and of the large number of fixed-income receivers, would bolster the arguments for more effective control of the cost of living, and consequently of price stabilisation through subsidies, on which Congress has not yet taken final action. But no matter how strongly the sub-committee may be convinced, it will remain one small voice crying against the loud-speakers of the inflation bloc.

### The Bottom of the Barrel

Every available "pre-Pearl Harbour father" between the ages of 18 and 38 may have to be inducted during the first six months of 1944, according to a speech of General Hershey, Director of Selective Service, to the National Automobile Dealers' Association. His emphasis on the tightness of manpower for the Forces was in close harmony with recent warnings against optimism from other high administration officials. He was particularly anxious lest false conclusions be drawn from the fact that 100,000 men are discharged monthly from the forces. This is attrition, not demobilisation. By June 30, 1944, when the forces are expected to total 11,300,000, approximately 1,300,000 more men will have to be inducted, 600,000 to take the places of those discharged during the period. In the present manpower pool there are, he said, about 9,000,000 men. In addition, about 300,000 of those reaching the age of 18 will become available for service. The pool is reduced by the deferment of 1,500,000 agricultural workers. Of the 7,500,000 remaining, about 1,000,000 are in a class now available for service, and probably half of these will prove fit. The balance in the pool consists of 3,000,000 deferred on account of their importance to war production, and about 3,500,000 "pre-Pearl Harbour fathers." Owing to their family responsibilities, higher age, and possible occupational deferments only about 500,000 can be expected to be inducted from this latter group. This would just satisfy the demands of the Forces, but would mean taking every releasable and able-bodied pre-Pearl Harbour father between 18 and 38. In the occupationally deferred group there are probably a substantial number of young single men, and in view of the expressed wish of Congress that no father of a family should be taken until every fit single man has gone, there no doubt will be some reclassification to permit their induction. The "bottom of the barrel" is, of course, a relative conception, fixed by the physical standards and the desire to minimise domestic hardship, as well as the demands of war production and essential civilian supplies. The United States is fortunate to be able to raise Forces of eleven millions without interpreting these exceptions too severely.

## NEWS of WHITE HORSE

*This famous blend of Whisky was  
never better than to-day*

It would be easier to buy White Horse Whisky as and when you like to-day if there were not so many people trying to do the same thing. Like so many of the comforts of peace-time, White Horse is scarcer because of the war.

It takes long years to bring this famous whisky to ripeness and maturity. It took forethought and a provident care to provide the present regulated supply. And the same care and forethought are your assurance that to-day and in the years to come the quality of White Horse will be guarded as jealously as ever.

More White Horse could not be released without broaching stocks still growing old and ripe for your future pleasure. And for no consideration will the good name of this great and famous blend be put in jeopardy.

## Stand Up and Be Counted

The showdown on the soldiers' vote Bill is close at hand. In his Message to Congress last week the President unkindly challenged members to "stand up and be counted," instead of taking refuge in an unrecorded vote, so that members of the Forces and the nation at large could see how their individual representatives had acted. The House has already refused to allow a roll-call on the Bill, perhaps through pique, but it will be interpreted less generously. Mr Roosevelt's language was blunt. He characterised the Senate alternative to the Green-Lucas Bill as a "fraud upon the soldiers, sailors and marines now fighting for our sacred rights . . . and a fraud upon the American people." This was the recommendation, supported by Southern Democrats and the Republicans, that would have left it to the individual states to improvise or adapt election machinery to permit absentee soldier voting. Mr Roosevelt insisted that this was tantamount to disfranchisement. State voting requirements are unlikely to be amended in time. Two states would require Constitutional Amendments—a lengthy matter—and so far only 17 state legislatures are going to hold sessions this year. The difficulty with state ballots lies not only in the fact that four states permit no absentee voting at all, and 11 others require registration in person, but in the time factor involved when ballots cannot be printed until after the primaries, which in fourteen states do not take place until September. Mr Roosevelt pointed out that the intolerability of these conditions was recognised by Congress when it passed Public Law 712 in September 1942, which waived registration and poll tax requirements for Servicemen voting in a Federal election, and required the Army and Navy to distribute postal cards for soldiers to request ballots from state officials. Yet even with these improvements, out of 5,700,000 members of the Forces, only 28,000 valid ballots were received in the 1942 Congressional elections. Nor do the Services consider it practicable to administer a voting scheme characterised by 48 different procedures. On the question of registration and poll tax waiver, which is the heart of Southern resistance, Mr Roosevelt pointed out that the present Bill goes no further than the earlier one passed by overwhelming Congressional majority. He admitted that it would be impossible, for reasons of time and air-mail transmission, to include the names of state and local candidates on the Federal ballot, but pointed out that soldiers would still have the right to request state ballots for these elections. The logical arguments for the Bill seem irresistible, but they do not meet the Republicans' main objection, which is their fear that it may guarantee a Fourth Term for Mr Roosevelt. But they have bungled badly, and cries of "demagoguery" will not avail them much. Through sheer political ineptitude, they have cooked their own goose, and handed it to Mr Roosevelt on a silver platter. The President is in the rare and happy position, for a politician, of doing battle for a popular democratic principle which by general admission is unquestionably to his own advantage. It is a measure of political progress from the Civil War election when Stanton, Secretary of War, felt impelled to furlough large numbers of Republican soldiers to ensure President Lincoln's re-election.

## Alas, Poor OWI

The luckless Office of War Information is being rent by yet another internal, though by no means private, dispute. A recent investigation of the Overseas Branch, of which Mr Robert Sherwood, the dramatist and close friend of the President, is head, prompted Mr Elmer Davis, Director of the Office, to ask for the resignation of three high officials of the Branch, Messrs Barnes, Warburg, and Johnson. This Mr Sherwood has refused to accept, and the decision is now in Mr Roosevelt's hands, with the suggestion that if he is not upheld Mr Davis may resign. Both Mr Barnes and Mr Johnson have been extensively investigated by the Federal Bureau of Investigation and the Civil Service Commission for alleged left-wing sympathies. Mr Barnes was Mr Willkie's mentor on his trip to Russia and other One World stops, but the main difficulty seems to be that the Overseas Branch and the New York Office were felt to be insufficiently amenable to central direction from Washington. Whatever the defects of OWI's internal organisation, the dispute has provided a wide opening for the agency's genuine critics and its numerous political enemies. The Republicans have never attempted to conceal their suspicions that OWI was nothing

more than an election agent for the Fourth Term; and allegations of extravagance, high-handedness and muddle are heard on both sides of the political fence. Congress may be expected to go over next spring's appropriation with a fine tooth comb. Within the Administration family there is more than one aspirant to the Davis inheritance despite its grim resemblance to the Hope Diamond. Rumours of long standing credit General Donovan, of the Office of Strategic Services, with a wandering eye for OWI preserves. Another report has it that the State Department would not be averse to controlling the foreign branch, with Mr Byron Price, now Censorship Chief, setting a safe and inoffensive course for what would remain of the domestic side. OWI's present predicament is a sad commentary upon the high hopes which greeted the news last year that a distinguished newspaperman was to be given a free hand with information policy. No fair critic would deny that in many respects the agency has tackled an immensely difficult job with substantial success. But it is plain now for all to see that first-class individualists and technicians are not enough, without influential, day-by-day political championing. The limitations involved in placing OWI under the mantle of an established political figure like Mr Hull would no doubt have been very real, but relations with the Services, other agencies, and Congress would have been put on a much more solid footing. As things are now, Mr Davis's very inadequate armoury consists of the possibility of catching the President's necessarily intermittent attention—a privilege which is not his alone—and the threat of resignation.

## Pacific Atrocities

The American reaction to revelations of Japanese atrocities was bound to be even more violent than that of the British, despite the decline of the Pacific First group. That school of thought is not entirely dead; and it is probably fortunate that plans for the invasion of Europe are too far advanced for looking back. But, on the whole, the emotional response has taken the sounder form of appeals to greater sacrifice and unity on the home front, and the soaring of war bond purchases. Two growths which withered overnight incidentally are the organisation known as "Peace Now" and the more tentative idea, first advanced by ex-Ambassador Grew, that Hirohito might prove to be a useful United Nations puppet in the stimulus of a liberal Japan. War criminals, rather than peace puppets, are uppermost in the American mind. One dangerous possibility, which the Administration is certain to have taken steps to deal with, is the likelihood of reprisals against the American-Japanese who have been released from internment. The wisdom of removing them from the Pacific Coast, where feeling is running the highest, is now proved beyond any question. Whether the ghastly details of Japanese brutality will have any repercussions upon the political future of General MacArthur, who in the public mind is identified as Japan's Nemesis, is more debatable. The Scripps-Howard papers have taken the exemplary line that hatred of the Japanese should not be used to spread insinuation, that the Administration was starving the Pacific of supplies because of political animus against the General. This *canard* no doubt has some life still, and it must be said the General MacArthur's reported utterances have not completely dispelled it. There is, indeed, a certain vagueness about all the General's statements for publication. As there is no certainty that he looks with disfavour on the "MacArthur for President" movement. There is some speculation this week on a letter from a visitor to his headquarters who is said to have written—

It would not be surprising if MacArthur felt—as do a good many here—that the shortest way to victory would be to place an experienced military man in the White House.

The fact that this Message was passed by General MacArthur's stringent censorship is being discussed in conjunction with the approving letter written by one of his press officers, Mr Philip La Follette, to Colonel McCormick, who is backing the MacArthur boom. The military candidate is a familiar figure in American politics; indeed, the period after the Civil War was distinguished by regular "waving of the bloody shirt." But even in American politics it is unusual for a serving officer with General MacArthur's heavy responsibilities to take part in an electoral campaign.

## THE WORLD OVERSEAS

## Soviet War Economy

ON January 28th, the Commissar of Finance, M. Zverev, made a Budget report to the joint session of the two chambers of the Supreme Soviet. Its significance lies in the fact that this is the first official statement on war finance made in Russia since 1941. For nearly three years no figures of national revenue and expenditure had been published. Military secrecy was not the only reason for this silence; in 1941 and 1942 Russia's entire economy was thrown out of gear by invasion and war; and neither the losses of economically important territories nor the industrial evacuation lent themselves to statistical computation. The Commissar of Finance was in the position of a quartermaster who might try to compute in monetary terms the cost of a gigantic battle while it was still being waged. Even now, when Russia has triumphantly passed the test, the time for stocktaking and steady planning has not yet come; and Commissar Zverev's Report shows all the marks of provisional reckoning and estimation. There are important gaps. The reports on the budgets of 1941 and 1942 are, inevitably, largely nominal, containing only a few fragmentary, though important, items, but no comprehensive figures. The preliminary report on the Budget of 1943 and the estimates for 1944 are more complete, though here, too, there are gaps which make any neat analysis of revenue and expenditure impossible. But the totals and some of the separate items give a much clearer picture of the present state of Russian economy than any information so far published. Their meaning can best be understood by comparison with Russia's last pre-war Budget, that of 1940.

| (In billions of roubles)                  |       |       |       |       |       |
|-------------------------------------------|-------|-------|-------|-------|-------|
|                                           | 1940  | 1941  | 1942  | 1943  | 1944  |
| Revenue . . . . .                         | 180.2 | 216.8 | ...   | 210.0 | 245.6 |
| Turnover tax . . . . .                    | 105.8 | 124.5 | 105.9 | 71.1  | 80.2  |
| Expenditure . . . . .                     | 174.3 | 216.0 | ...   | 210.0 | 245.6 |
| Defence . . . . .                         | 56.0  | 70.9  | 108.4 | 124.7 | 128.4 |
| National Economy . . . . .                | 57.1  | 73.2  | ...   | 31.1  | 44.7  |
| Social and cultural development . . . . . | 43.0  | 47.9  | ...   | 37.2  | 51.4  |

The table requires some explanation. The figures for 1941 are the figures of the plan for that year; practically nothing has been said about the actual results of the year, except that, in the second half of 1941, defence expenditure rose by 20 billion roubles above the plan. The figures for 1943 are based on a preliminary calculation of the year's results. Moreover, pre-war budgets were computed in "stable roubles" (that is, at the value of 1926-27); in what sort of rouble the war Budgets have been worked out is not stated.

The first feature is the comparatively small increase in the budgetary totals compared with before the war. In 1943, both revenue and expenditure were slightly smaller than those planned for 1941 and only 30-36 billion roubles more than the figures for 1940. In this, the Russian budget is probably unique among the budgets of the belligerent nations—which merely reflects Russia's intensive pre-war preparations for defence. Even the rise in purely military expenditure seems to be surprisingly small. The expenditure of the Commissariat of War in 1942 and 1943—the years of the most gigantic and costly battles—was only about double the expenditure in 1940, when Russia fought only the small and short war against Finland; it was only 70-80 per cent higher than the expenditure planned for 1941 in peace-time.

## Cuts in Consumption

One important wartime change in revenue is reflected in the figures of the turnover tax. The turnover tax used to be the main source of revenue. In the thirties it accounted for more than two-thirds of the budget, and in 1940 still yielded about three-fifths. In 1944 it is to yield no more than one-third.

As most of the turnover tax is derived from the sale of consumers' goods, this clearly indicates a drastic curtailment in consumption. At first sight, this seems to be contradicted by the yield from the turnover tax in 1942, when it was equal to the yield in 1940. But the explanation was a drastic increase in the rate of tax, an increase of at least 100 per cent. This makes the fall to 71 billion in 1943 even more significant.

If the revenue from the turnover tax is taken as a rough index of consumption in Russia—and it is a pretty accurate index for consumption in towns—then the conclusion seems to be that in 1943 about two-thirds of Russia's normal population consumed only one-third of the total quantity of goods consumed in Russia immediately before the war. Consumption during the war appears to have been halved—and the comparison is with 1940, a year of relative under-consumption.

If the revenue from the turnover tax covered only one-third of the expenditure in 1943, from what sources did the Government cover the remaining two-thirds? To this Commissar Zverev has given no detailed reply. But he did make it clear that

the income and reserve funds of the state enterprises and organisations have now become the basic sources of financing expenditure.

Not less than 320 billion roubles have been "mobilised" from those sources in the course of the war. (This does not seem to include the tax on profits which yielded 20 billion roubles in 1943.) To this, special war taxes which brought in 33 billion should be added, as well as 38.6 billion raised in loans during the last two and a half years.

But all these sources together do not account for more than about a quarter of the funds "mobilised" from state enterprises. In other words, the main burden of war finance has been borne by the industries themselves, which is inevitable in a country where the state is the sole master of industry. Economically, state and industry were identical even in peace-time; but an elaborate system of accountancy still made each enterprise a financially self-contained and "independent" unit. Not much of this system can have survived the shocks of 1941-1943. One of the main purposes of the budget of 1944 seems to be to reconstruct the pre-war system and to restore the technical "control by the rouble" of Soviet economy.

## Expansion in Output

The most interesting item in expenditure is "grants for national economy." What is meant by this is the financing of capital construction from state funds. In 1943, 31 billion roubles were spent in this way compared with 57 billion in 1940 and 73 billion planned for 1941. If the turnover tax can be taken as an index of consumption, then the "grants for national economy" show primarily the rate of industrial expansion. (Usually, two-thirds of the total expenditure arising from the construction of new plant or from the expansion of old plant was covered by the state and one-third by the enterprises concerned.) In 1943 the budgetary allocation for "national economy" was roughly half the corresponding sums in 1940 and 1941 (31 billion against 57 and 73). If it is assumed that the industrial capacity of the Russian "rump" economy is about half of the pre-war capacity, then the pre-war rate of expansion seems to have been roughly maintained, but not increased, during the war. If it is, however, assumed that, through evacuation, Russia has managed to maintain and to save more than half of its pre-war industrial capacity, then the figure seems to suggest a decrease in the rate of expansion. Whatever the truth, the sober figures given by the Commissar of Finance do not seem to support a belief in the uninterrupted growth of the "Russian colossus."

In the estimates for 1944 the budgetary grant for "national economy" has been put at 44.7 billion roubles. Out of this, 16 billion have been allocated for reconstruction in the liberated and devastated areas. Only 29 billion remain for new



construction in other areas. The sum of 16 billion roubles for reconstruction shows that the Government is resolved to tackle the problem seriously; but that the scope of the work of reconstruction is severely limited by the needs of war. Only about seven per cent of Russia's Budget this

year can be devoted to recreating normal life in the towns and villages which have been devastated by fighting and "scorched earth" tactics. What M. Zverev portrayed in his Report was the vastness of Russia's war effort as well as the deep wounds which his country has suffered.

## Germany at War

### Totalitarian Propaganda

HITLER's yearly speeches commemorating the day when the Nazis came into power are a special item in Nazi propaganda. The one broadcast on January 30th, the eleventh anniversary, echoed the new line of "realistic" internal propaganda which is in striking contrast to the mystical and erratic performances of the greater part of last year—and to the lies which are being told, in straight news, about the recent small air raids on London. Last autumn the Nazis were uncertain about the effects of bombing and defeats in the East. Their New Year messages, however, expressed some relief; and on Sunday Hitler summed up the position in his own peculiar way.

As usual he covered the main points of his speech with rambling and cloudy phrases about Jews, Bolshevism and Great Britain's war guilt—the usual trimmings. The real substance of what he said was that the Second World War of 1939 is the repetition, internationally, of the Nazi party's own internal struggle before 1933. Nazi Germany's existence depends, he argued, on success in the struggle for a totalitarian Europe. Germany is able to continue the war, he said, because the Nazis have succeeded in abolishing the class struggle, in centralising the State, in creating a Wehrmacht, and in gathering all parts of Europe where Germans live into one new Reich.

All this sounds trite enough. It gave Hitler another opportunity of saying that totalitarian Germany is immune from Bolshevism or any other foreign propaganda. To this purely negative statement, he added, with strong emphasis,

the statement that German socialism and "the people's community," hardened, as he thinks, by bombing, will be powerful enough to carry on the war.

Hitler himself, like the entire internal propaganda of Nazi Germany, follows events. Administrative measures taken in critical moments produce at the same time the appropriate line of propaganda, filtered down from the leading figures like Dr Goebbels to the least party member responsible for a block of flats, a section of a factory or an agricultural locality. Totalitarian propaganda is essentially a routine affair worked out according to a central plan for a vast bureaucratic organisation. It is correspondingly inflexible; not infrequently the plan is faithfully carried out regardless of profound changes in the political or military situation.

Leader writers in newspapers and journals and the heads of sectional departments are given some little latitude in presenting the details of the propaganda. The Wehrmacht has its own propaganda departments. Generally speaking, the tendency is for each section of society to have its special propaganda, written, spoken or broadcast. Sometimes the most astonishing contradictions are produced, reminiscent of Nazi propaganda before 1933, when within twenty-four hours employers were promised the suppression of strikes and the abolition of trade unions, while, at the same time, special meetings for workers promised higher wages and, if necessary, the support of strikes.

Propaganda in a totalitarian country is a tactical instrument of administration. It is not necessarily any indication of the morale of either the people or the Wehrmacht, and it would be dangerous to conclude from articles, speeches and

broadcasts that morale is good or bad, growing stronger or nearing its breaking point. The tolerably informed average German is a myth. Only informed party members, who are under constant observation, or informed military and economic experts or business men may, during a crisis, be able to form their own opinion and act accordingly.

### Psychological Methods

Public opinion is made by the party, not by the people. From a psychological point of view the method is flawless, but politically it has produced a generally apathetic attitude unbroken either by victories or defeats. At times the Nazis have seemed to be aware of this by-product of totalitarian centralisation. After Stalingrad, Goebbels tried his revivalist stunt, without success, in order to break down the apathy. The heavy bombing of some of the big towns seems so far to have left the other parts of Germany unmoved. The inspired cry for retaliation seems to have been hardly echoed. Nevertheless, after months of bombing, the hard crust of apathy has been at least pierced for the first time, and Nazi propaganda has made use of this. All the available evidence (newspapers, broadcasts, speeches, neutral reports and letters written by Germans) shows that bombing has either revived a flagging will to resistance or actually strengthened this will. Nazi propaganda seizes on this, and goes farther. It speaks of the "social melting pot" of bombing. Poor and rich, middle class and workers, are alike hit and reduced to the clothing they stand up in. Large-scale evacuation is another levelling factor. Propaganda consequently revives the old slogan of socialist Germany fighting against the rich countries. Under bombing it is not necessary to conduct a propaganda of fear. Fear is there as a hard and inescapable fact, projected into the future by propaganda about the intention of the Allies and Russia to annihilate Germany. No doubt this propaganda has had some effect. This is Nazi propaganda shorn of the vaguer idiocies of *Wehianschauung*. Their commentaries on the political and military situation are sometimes very interesting and suggestive, in this light. Social and political conditions in Britain and the United States are analysed to show the inevitable tensions in a democracy, as distinct from a totalitarian dictatorship, at war.

### New Realism

Against this background a remarkable change in internal propaganda has happened, which has incidentally widened the existing gap, and contradictions, between home and foreign propaganda. The military crisis at the beginning of 1943, the political crisis after the fall of Mussolini, the heavy bombing and, since the Teheran conference, the threat of invasion from the West, are the immediate causes. In defence, propagandistic activities must be realistic. If the danger is not clearly shown, the defence is half lost. If the defence, in the widest sense of word, becomes passive, the war is lost. These points are axioms in the German lexicon—and, for that matter, in the totalitarian philosophy of war. The first principle of defence is the husbanding of resources and fighting strength; the second is offensive action, where possible, with the smallest number of men and material; the third is preparation for the major offensive of the enemy, on whom is thrown the burden of ending the war as quickly as possible.

Nazi propaganda has acted on these principles. The original talk of retaliation against bombing, coupled with an appeal for endurance, has been dropped. Slowly there emerged propaganda about the need for breaking the offensive power of the bombers before any retaliation could be attempted. When some successes against bombers could be shown propaganda explained that, from a military point of view, mere retaliation would produce no real results. Instead of retaliation, there appeared talk of offensive action within the scheme of defence, particularly during the course of the coming invasion from the West. Rommel's propaganda tour of the fortifications was published. The continuous Atlantic Wall was now pictured as a string of fortified positions and strong points, and the utmost emphasis was placed on the reserves ready to intervene, instead of upon the mere strength of the fortifications.

At the same time the Germans were discouraged from believing that any single weapon, known or secret, could decide the war. The idea that single weapons could be decisive was openly ridiculed, and emphasis was laid in military commentaries and political articles on the co-ordinated use of weapons.

This is propaganda. It is not necessarily, as already

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| Statement of Accounts                                                               |             |
| 31st December, 1943                                                                 |             |
| LIABILITIES                                                                         |             |
|                                                                                     | £           |
| Paid-up Capital ... ..                                                              | 15,810,252  |
| Reserve Fund ... ..                                                                 | 10,000,000  |
| Current, Deposit, and other Accounts ... ..                                         | 728,956,971 |
| Acceptances ... ..                                                                  | 105,284     |
| Endorsements, Guarantees, and other Obligations ... ..                              | 20,867,208  |
| ASSETS                                                                              |             |
| Cash in hand, and with the Bank of England ... ..                                   | 76,816,596  |
| Balances with and Cheques on other Banks in the British Isles ... ..                | 32,125,163  |
| Money at Call and Short Notice ... ..                                               | 24,244,129  |
| Balances with Banks abroad ... ..                                                   | 6,012,258   |
| Bills Discounted ... ..                                                             | 29,919,650  |
| Treasury Deposit Receipts ... ..                                                    | 225,000,000 |
| Investments at or under Market Value ... ..                                         | 215,805,908 |
| Investments in Subsidiary and Auxiliary Companies:—                                 |             |
| The National Bank of Scotland Ltd. ... ..                                           | 3,122,059   |
| Lloyds & National Provincial Foreign Bank Ltd. ... ..                               | 600,000     |
| Indian Premises Company Ltd. ... ..                                                 | 54,502      |
| Loans and Advances ... ..                                                           | 112,830,932 |
| Other Assets and Accounts ... ..                                                    | 21,554,886  |
| Bank Premises ... ..                                                                | 6,681,140   |
| Liabilities of Customers for Acceptances, &c. ... ..                                | 20,972,492  |

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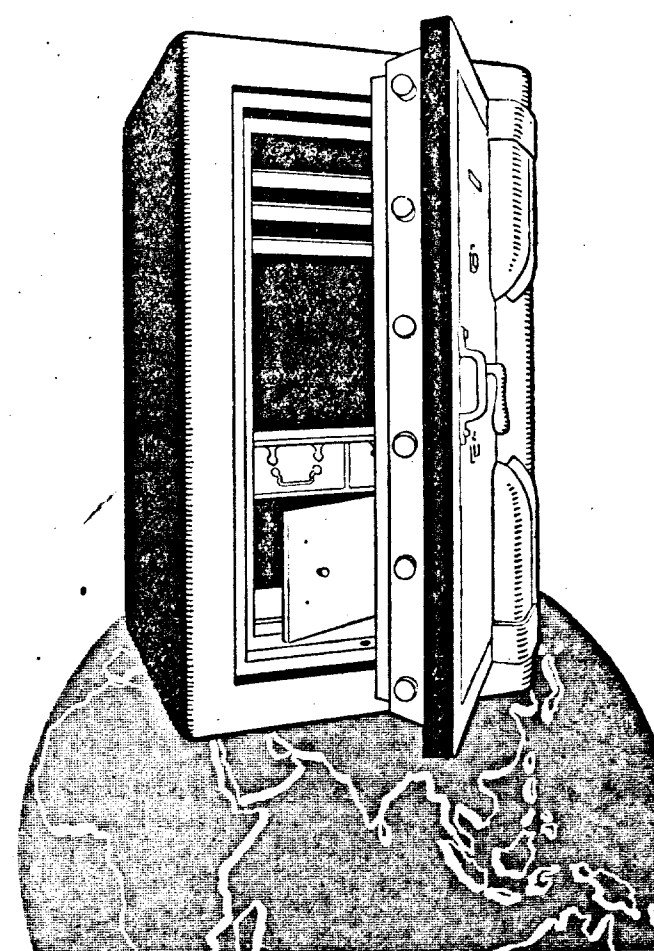
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indicated, a true picture of the actual situation. Yet it is realistic enough to show the actual line of Nazi policy. In contrast to this home propaganda stands the fantastic propaganda about secret weapons put out for foreign consumption, the endless repetition of the Bolshevik bogey, again for foreign, not home, consumption, and the innumerable stories planted abroad for the purpose of testing opinion in Allied countries. Here Nazi propaganda is

as diversified, and as contradictory, as it was before 1933 in Germany. It is not only an attempt to drive wedges between the Allies; it is also necessary to sustain satellite countries and to confuse political and military opposition in occupied countries. This kind of propaganda is political warfare. Feints, ruses, deception, camouflage are used as in military campaigns. Truth is of minor importance, and only success is rewarded.

## Letters to the Editor

### The Dead Weight Debt

TO THE EDITOR OF THE ECONOMIST

SIR,—I have been reading with a mixture of agreement and disagreement, but with constant admiration for the ingenuity of the writer as he threads his way through the complexities of a hypothetical future, the series of articles on post-war conditions and post-war economic policy.

To comment on them from the standpoint of our classical economists would require far more space than you could afford, however anxious you might be to promote the true judgments that emerge from a collision of opinions.

But there is one passing observation on a remark of Lord Woolton's about our internal debt which perhaps you will allow me to dispute in favour of his view. You said, in effect, that, so long as the debt is internal—i.e., raised at home—its size does not much matter: the theory that it does "is of course almost entirely fallacious" (see *The Economist*, December 18th, p. 802). Your reason is that "the whole of the sum thus raised goes back into another of the community's pockets—its debt-holding pocket"—and therefore cannot be "a real impoverishment of the community."

Since reading Robert Hamilton's most able (and as I have always thought conclusive) "Inquiry concerning the National Debt," I have never been able to see much substance in this distinction between an internal and an external debt. The true distinction is between "the dead weight debt" spent on unproductive or destructive purposes, and that small fraction of our national debt, such as the purchase of the Suez Canal shares, which represents capital employed for useful and productive purposes. It is the same with private enterprises; some investments are lost, others pay interest and repay the capitalists.

The question whether a nation borrows for war at home or abroad is a question of convenience. We know to our cost that foreign countries have generally confounded or confiscated the huge loans they borrowed from our Government, or from private investors in Great Britain.

I need not remind your readers that an honest government which has raised money abroad, and finds that the rate of interest at home is lower than that which it is paying on the foreign loan, can usually convert its external debt into an internal debt.—Yours, etc.,

FRANCIS W. HIRST.

The Athenæum.

### Jews in Hungary

TO THE EDITOR OF THE ECONOMIST

SIR,—An article on Hungary in your December 4th issue contains the following sentence:

In the persecution of Jews, Socialists and Communists the Government Party is as experienced as the Nazi Party.

What are the facts? 1. There is discrimination against the 900,000 Jews of Hungary; but their situation is such that the Zionists, who ought to know what they are talking about, place them at the bottom of their priority list for emigration to a Jewish National Home.

2. The Socialists, though the number of their representatives in Parliament is limited to sixteen, are an influential political party; and their daily paper, the *Népszava*, prints their views pretty freely.

3. The Communist Party as such is illegal; but individual Communists have trouble only if they go in for active propaganda.

All three counts illustrate the limitations of Hungarian democracy, but I fail to see how they add up to persecution, let alone to persecution on Nazi lines.

Hungary is an enemy country. But it would be a pity if, for that reason, in relation to Hungarian affairs, *The Economist* relinquished its splendid standard of accuracy.—Yours, etc.,  
JUDITH LISTOWEL.  
16 Chester Row, S.W.

### Industrial Assurance

TO THE EDITOR OF THE ECONOMIST

SIR,—In your paper of January 15th, under Notes of the Week on page 68, in reviewing the booklet recently issued by the Industrial Life Offices, you referred to the statement that the average duration of the Whole Life policies in force of the Prudential at the end of 1942 was 19½ years. You then intimated that it would be interesting to be given the method by which this "surprising figure" is calculated, and I have much pleasure in giving you the following information.

The details for purposes of the annual actuarial valuation of the policies in force in our Industrial Branch are ascertained according to the year of issue of the policies and, consequentially, it is a simple matter to ascertain the average duration of these policies by multiplying the total number of such policies for each year of issue by the corresponding period of years for which they have been in force at a given date. By adding together all these products and dividing by the number of policies in force at the same date, the average duration of all these policies is at once obtained. As stated, in the case of Whole Life policies the average duration at the end of 1942 worked out at 19½ years.—Yours faithfully,  
W. J. FULFORD, Joint Actuary.

The Prudential Assurance Company, Ltd.

### The World Trade Alliance

TO THE EDITOR OF THE ECONOMIST

SIR,—In your issue of January 8, 1944, there were observations as to the proposals of the World Trade Alliance Association.

Constructive criticisms as to the possible implications or results of proposals are useful and welcome; but only if those proposals are correctly stated. The proposals you have attributed to the World Trade Alliance are not only incorrect but are the antithesis of our policy.

We must protest against your statement of the "intentions" of our supporters as a misrepresentation of the purpose and methods of the World Trade Alliance policy.—Yours faithfully,  
W. P. BRIDGE,  
Secretary-General.

### Books Received

*The International Who's Who, 1943-44.* (London) Europa Publications, Ltd., 39, Bedford Square, W.C.1. 941 pages. No price stated. The usual comprehensive record of public personalities, at home and abroad, has again been brought up to date.

*Survey of Russian History.* By B. H. Sumner. (London) Duckworth. 464 pages. 16s. net.

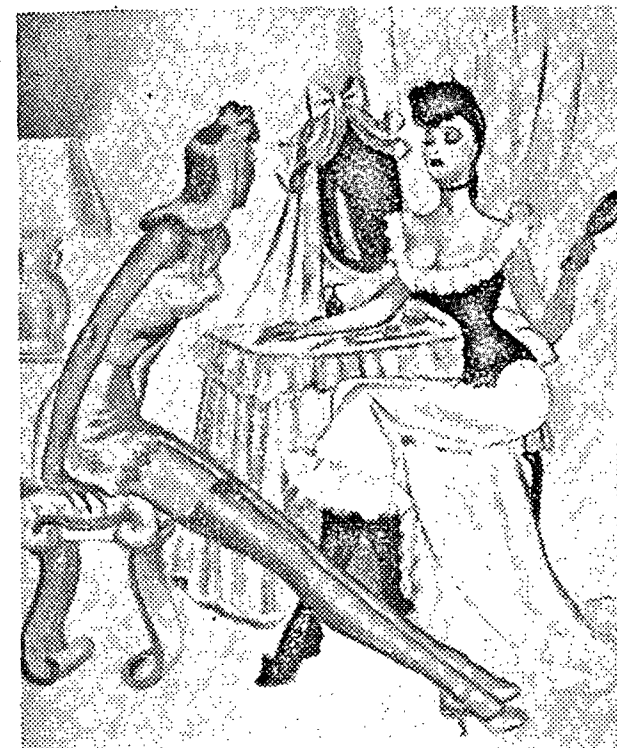
*Government by Assassination.* By H. Byas. (London) Allen and Unwin. 367 pages. 10s. 6d. net.

*Staples Reconstruction Digests. What People Think. No. 5. Education (Part 3).* (London) P. S. King and Staples, Ltd. 121 pages. 2s. net.

*India and International Currency Plans.* By V. K. R. V. Rao. (Delhi) S. Chahid and Co. 55 pages. Rs. 1/8/-.

*Post-War World Trade. How Will Australia Choose?* By S. F. Ferguson. (Melbourne) Gordon and Gotch. 63 pages. 1s. 6d. net.

## CONVERSATION PIECE



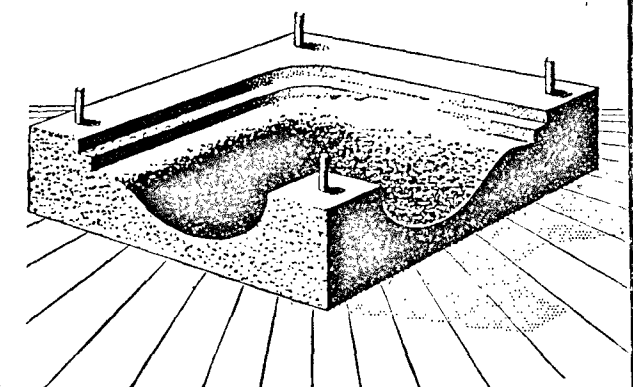
PAM, 1942, obviously finds a bedroom conversation with Miss Clara, 1892, no easy matter. The difference in their outlooks is reflected in their underclothes. Look at them. No longer ago than our mothers' day these were made from vegetable fibres (cotton and linen) or animal, that is protein, fibres (wool and silk). About 1850 chemical research began to examine how it might improve on these natural fibres. Cotton was cheap but harsh. A British chemist, John Mercer, devised the process of mercerising which greatly improved its softness and appearance, though without approaching the softness and beauty of silk. Yet silk was far too costly for the average woman. Accordingly the chemist set out to build new silk-like fabrics. He began with vegetable fibres, treating cellulose from wood pulp to give the "artificial silks" now generally known as rayon. But as Nature had made the cellulose, the chemist in building up these fabrics only entered at the half-way stage. During the last ten years he has shown his ability to start at rock bottom. In the discovery of nylon, the chemical industry has proved its ability to create its own raw material and to produce a fibre that is an improvement on natural silk. At the moment nylon is playing its part in the national effort, and will not be available to the public until the war is over. Whereas Miss Clara's underclothes were grown on a cotton plantation or the back of a sheep, Pam's "scanties" are discovered in the laboratory and produced in the chemical factory. The modern girl has good reason to be grateful to the chemist who has brought soft and beautiful fabrics within the reach of all.



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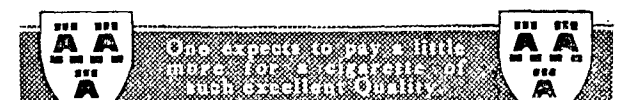
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- ★ Strengthen your Fuel Watching System. Encourage suggestions, keenness and ingenuity.
- ★ Read carefully the Ministry's Fuel Efficiency Bulletins. Adopt immediately every economy suggestion which you have not already put into practice.
- ★ If any recommendations, following a Ministry survey of your plant, have not yet been put in hand, find out why. Further delay may be costly.

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# THE BUSINESS WORLD

## What Price the Franc?

SOON after the moment when Allied troops step ashore on French soil, a rate of exchange will have to operate between francs, dollars and pounds. The problem is, no doubt, being given the immediate attention it demands from the American, British and French Governments. The rates fixed, however provisional they may seem to the authorities directly concerned, will immediately acquire all the strength and rigidity of an accomplished fact. It will be extremely difficult to dissociate the more permanent monetary settlements made with a fully liberated France from the exchange decisions that will have to be made in the near future. It will, therefore, behove the authorities to tread very circumspectly in this matter and with full appreciation of what is at stake.

The way to a decision may seem to have been eased and almost predetermined by the establishment of a precedent, that of the North African franc, of which 200 go to the pound and 50 to the dollar. There is a long and strong tradition of interdependence between the metropolitan franc and the currencies of overseas French territories. It should, however, be realised that the metropolitan link has in fact been broken now for more than three years. Although French Government securities have continued to provide the backing of the various non-metropolitan francs, the economic experience of these external territories began to differ widely from that of France itself from the moment of the French armistice. The full measure of monetary inflation deriving from the German expenditure of "occupation costs" did not reach non-metropolitan France. The break became complete in November, 1942, with the Allied invasion of North Africa and the German occupation of the whole of France. For more than a year the structures of costs and prices in France and in other franc territories have been moving independently of one another and under the stimulus of widely contrasting influences. It does not follow, therefore, that a rate of 200 francs to the pound, which may meet the requirements of equilibrium in North Africa to-day (and even on this score there is considerable room for doubt) will necessarily be the rate best suited to the conditions prevailing in France itself.

Occupied Europe has for so long been divorced from the impact of a free economic system that any estimate of the correct parities of the franc and other European currencies must be hedged with considerable reservations. No reservations, however, can altogether obliterate such direct evidence of inflation as is provided by increases in the note circulation and bank credit, by the growth of the national debt—especially that part of it held by the central bank—and by the rise in the price of equities. On all these points reliable, though not particularly up-to-date, information is available for France. The Bank of France note circulation had risen from 151 milliard francs at the end of 1939 to 500 milliard francs at the end of 1943. This increase of 230 per cent compares with one of 90 per cent over the same period in the United Kingdom. French commercial bank deposits, which totalled 42 milliard francs at the end of 1939, had risen to 98 milliards by May, 1943, an increase of 133 per cent. Over the same period the deposits of the clearing banks in this country had risen by 49 per cent. The French public debt, which stood at 445 milliard francs at the end of 1939, had by May, 1943, risen to 1,163 milliards, an increase of 162 per cent, whereas over the corresponding period the British national debt rose by slightly under 100 per cent. The main factor in the expansion of the monetary circulation and of the public debt is the amount levied by the Germans for so-called "occupation costs," financed largely by Bank of France advances to the State and withdrawn by the Germans in the form of cash. Another item is the clearing debt owing by Germany in respect of the excess of goods "bought" from France over exports to that country. French exporters are paid from credits made available in the first place by the Bank of France. In both these cases the inflationary effect of this monetary expansion is two-

fold: the purchasing power circulating in the country is increased, and when issued in the first instance it is used by the Germans to drain the country of both consumption and capital goods.

Evidence of rising prices is more difficult to obtain. France no longer publishes indices of prices and of the cost of living. If they were published they would be entirely meaningless, because the administrative machine of rationing and price control has broken down completely and virtually the whole country lives by and on the black market. This administrative collapse may be regarded as part of the resistance movement; but it holds rather frightening prospects for the moment when some semblance of order has to be restored. Indices of ordinary share values, however, continue to be published. The index, comprising 300 ordinary shares, which averaged 134 in 1940, stood at 517 last June, having touched 644 in January, 1943. The *Investors' Chronicle* index of British ordinary shares for last June was 27 per cent higher than the 1940 average, compared with the increase of 285 per cent in the French index. The contrast between the two is all the greater if allowance be made for the fact that there is scarcely any large French institution which has not increased its capital by cash issues of additional shares over the past three years.

What pointers these comparisons give to the proper rate for the franc is anybody's guess. If it be assumed that the rate of 178 francs to the pound of the immediate pre-war and early war period was somewhere near equilibrium, the divergence in the indices quoted above suggests that the present economic parity would be well above that figure. But whether at 200 or 250 or even at 300 francs to the pound it is, without more definite knowledge of the situation, difficult to decide. The French authorities, if they err at all, will probably err in the direction of overvaluing the franc. One important aspect of the situation to which they are fully alive is the need to restore domestic confidence in the currency once it is freed from the contagion of German occupation. That confidence, they argue, would be immediately undermined if the franc were severely devalued in terms of other currencies. It will be necessary to make a good first impression. The French authorities will be driven in the same direction by a less rational but even more understandable motive, that of national prestige. The resurgence of France as a great power will be symbolised by many things, among them the active military participation which the French will take in the liberation of their own country; but not least by the standing of their currency.

If, however, the French feel compelled to take a prestige decision in this matter, they might be well advised to look back at the results of another such decision: that which made sterling "look the dollar in the face again" after the last war. To give the French franc an exchange value greatly in excess of its purchasing power will be to call upon France to go through a deflation crisis. The additional currency which has gone into circulation cannot be cancelled simply because it was issued as the counterpart of German occupation costs. That currency will not be conveniently found in German accounts or pockets. The Germans for a time held considerable unspent balances of their occupation receipts with the Bank of France. But that policy has changed. The occupying authorities have for some time past spent their francs as soon as they were received. The additional currency will be found largely in the pockets, stockings and mattresses of the French peasantry. Nor must it be forgotten that a host of deals in property and other capital goods have taken place at the inflated prices ruling during the occupation; that a sizeable volume of private debt will have been built up in respect of transactions based on current prices; that the equity capital of a great part of the French banking, industrial and commercial system has been increased to correspond to the plethora and depreciation of the currency. The expansion in the national debt cannot be repudiated

because it occurred under German occupation. That debt is held by French banks, insurance companies and private investors. Nor can these awkward financial problems be spirited away by the phrase "*le boche paiera*," whose deceiving reassurance caused such damage after the last war. The necessary deflation can be accomplished, and if the French authorities think its attendant hardships a reasonable price to pay for giving the franc a prestige value, there is no one to gainsay them. But it is to be hoped that if they

embark on this course the French authorities will do so with their eyes wide open and after having carefully and objectively weighed up all the factors in the situation. On the other hand, the perils and pains of undervaluation can be as great as those of overvaluation, as the unhappy experience of Southern Italy (discussed in a Note on page 173) amply shows. Not the least important task in the process of liberating Europe will be to steer between this Scylla and this Charybdis.

## How Many Houses?

**T**WENTY-FIVE years ago, the Government's housing policy consisted of a slogan; this time a plan has been formulated for the construction of between 3,000,000 and 4,000,000 houses in ten to twelve years. Those who remember, perhaps with some bitterness, that "homes for heroes" took shape in Great Britain at the rate of a mere 75,000 a year during the first five post-war years and at the rate of only 138,000 a year during the first ten years, leaving a serious shortage in 1929, may derive comfort from a programme envisaging the construction of nearly three times as many houses during the ten years after the present war. But an undefined statistical target no more amounts to a practical housing policy than a slogan. The first task in an approach to a realistic housing policy is to define the need for new homes in the context of resources for which there are competing claims; the second is to examine the financial and other devices that are needed to translate policy into practice.

A sharp distinction needs to be drawn between the short-period housing problem and the long-period housing problem. In the short period there are two needs. The first and most urgent is to put right the damage done by the war—both the visible destruction by bombs and the invisible damage done by the cessation of normal building work. This may be called the emergency standard, and when it has been attained, the country will be back, in housing matters, about where it was in 1939. The second short-period need is to remove the shortage of houses that existed in 1939—or more exactly, the shortage that will exist when the emergency standard has been met. This need will have been met when every family or person wishing for individual accommodation has a separate dwelling; this may be called the dwelling-per-family standard, and in it, for convenience sake, may be included the clearance of

slums in the sense of definitely insanitary dwellings. Behind these short-term needs there is the long-term demand for housing, and now that the increase in the population has almost ended, it consists entirely of the demand for new houses to replace old houses because they are no longer fit or do not conform to modern standards of comfort or amenity or are not in the right places.

If a housing plan is to rest on a sound basis it is essential that the short-term problem and the long-term problem should be considered separately. Ten years is too long for the short run and ridiculously too short for the long run. And a rate of building of 300,000 to 400,000 houses a year is too little for the short run and too many for the long run. What is needed is not one building plan but two.

The restoration of the pre-war standard of housing—the emergency standard—must clearly have first claim on available resources after the war, and should be started and completed as quickly as possible. This is largely a matter of making good the backlog of deferred repairs, of replacing the houses demolished by bombing, and of providing emergency homes in areas that have become seriously congested as a result of the geographical redistribution of the population. The volume of deferred repairs that will have to be carried out after the war is likely to be substantial. These consist, on the one hand, of ordinary maintenance neglected during the war, and on the other hand, of the arrears of work necessary to restore the houses damaged in air raids. Before the war, in 1937, no less than 28 per cent of the total outlay on building was spent on repairs. This does not mean that arrears have been accumulating at that rate, for urgent repairs have been made good during the war; but it may mean that something like a third, or even half, the work has been deferred. Again, of the 2,750,000 units damaged by bombing up to November, 1942, the majority has been restored, at least in part; but much remains to be done. The number of houses "destroyed or irretrievably damaged" was stated to be 135,000 in November, 1942, but, by the present time, the number may well have reached 200,000; a proportion of them may not qualify for immediate replacement under the emergency standard. Finally, there will be need for emergency houses in districts that have become seriously congested as a result of wartime population movements which are likely to be permanent; at present the need under this heading cannot be estimated.

It is possible to put an approximate figure on the houses needed to meet the dwelling-per-family standard—that is, to do away with overcrowding. The total number of dwellings in Great Britain was 10,597,000 in 1931 and 12,600,000 at the outbreak of the war, and since about 200,000 houses have been built during the war, the attainment of the emergency standard would bring the total to 12,800,000. The number of families and individuals requiring a separate dwelling is a complicated calculation. On the basis of a number of assumptions, Mr M. A. Abrams, in the November issue of *Agenda*, reaches a figure of 12,785,000 at the end of the war—that is, almost exactly equal to the number of dwellings. But a supply of dwellings equal to the global demand does not suffice to meet actual demand. A reserve is needed to permit geographical mobility as well as mobility between districts and types of houses—unlike furniture, houses cannot be moved. A surplus in a district which is losing population gives no relief to the shortage in a district whose population is increasing. In recent census years, this reserve of unoccupied houses was: 1901, 6.6 per cent; 1911, 5.8 per cent; 1921, 3 per cent; 1931, 3.1 per cent. The wartime shifts in population may well require a rather larger reserve, and if the figure is put at 5 per cent, about 670,000 houses would be needed to attain the dwelling-per-family standard.

The Minister of Health has put the total short-term demand for houses at 1,500,000. These will all be needed

February 5, 1944

THE ECONOMIST

187

quickly—more than half of them very quickly indeed. To supply them at the rate of 300,000 or even 400,000 a year might be regarded as disappointingly slow. Moreover, they will be needed at a time when those rates may be difficult of attainment. The labour force of the building industry has been severely depleted, and there will be an equally urgent need for repairs in the years immediately after the war. It is clear that the only way by which this short-term problem can be solved is by novel methods both of designing houses and of using the available labour force, with the object of getting the numbers built up to 500,000 a year or even higher. The houses thus provided will necessarily be temporary, but they need not, and should not, be unsightly. It is believed that the Minister of Works is shortly to make an announcement on this subject.

The long-term demand for housing is an entirely different matter. With the attainment of the two short-term objectives, there will be rather less than 13,500,000 dwellings in the country, and it may be hoped that this point will be reached well within the ten-year period. The permanent size and shape of the building industry from that time onwards depend upon the continuing demand which, in its turn, depends upon the rate of replacement. An annual demand of 300,000 houses a year implies the replacement of every dwelling in the country, on the average, every 45 years; an annual demand of 400,000 implies replacement every 34 years. Is either one of these a reasonable assumption?

Either one would be very greatly in excess of anything previously known. In the decade between the censuses of 1921 and 1931 the volume of replacement (excess of new houses built over increase in total number of houses) was only 27,000 a year, and in the 8½ years from 1931 to the outbreak of war, replacement, other than slum clearance, amounted to only some 28,000 units a year. If this was the rate of voluntary replacement during a period of most active building and rapid progress in the design and equipment of houses, it is difficult to see why it should spontaneously increase after the war. The fact overlooked by the "rebuilders" is that replacement, though possibly desirable on social grounds, is an extremely expensive proposition. Voluntary replacement in built-up areas—that is, the substitution of a new dwelling-house for an old one—seldom pays, because the selling price or rent of the new house must include, besides a return on the capital spent in construction, the purchase price of the old house and the cost of its clearance. If so little replacement on the site has taken place it is simply that builders could not find customers willing to pay a price high enough to include the cost of the old house and its demolition. In fact, the price of old houses would have to fall very substantially before replacement on the site would show any appreciable expansion. Such replacement as has taken place in the past has mainly taken the form of a substitution of blocks of flats for houses; this has been made possible because the cost of old houses and of clearance could be spread over a number of flats greatly exceeding the number of houses pulled down; in other words, the ratio between the cost of old houses and their demolition, on the one hand, and new capital expenditure, on the other hand, can be much greater by the substitution of flats for houses than of new for old houses. In replacement on a different site, such as suburban development, the new house is not saddled with the cost of the old one. Nevertheless, it must be remembered that the rapid development of suburban construction during the thirties took place in a period of shortage of housing, when there was consequently little fall in the value of old houses, or rents charged for them. After the standard of one dwelling per family, plus a reserve, has been reached, any further suburban building for replacement purposes would be followed by a fall in the rents of old houses, which would not have to go very far before the new houses became relatively too expensive to attract occupiers.

In the absence of a complete change in conditions after the war, the rate of voluntary replacement is most unlikely to amount to more than a fraction of the 300,000 to 400,000 total officially envisaged. If the total demand is to be sustained, there must be "induced" or "forced" replacement. How large should it be? There is a large number of conflicting factors to be taken into account. First, there is no doubt that many of the houses in the country are unsightly and inconvenient; there are some 4,000,000 houses over 80 years old, many of them doubtless verging on the slum category or well inside it; these will be emergency houses which will need replacement. There would seem, from this point of view, to be a case for inducing rapid replacement in the earlier years even if it cannot be sustained. But,

secondly, a long-term housing plan needs to be calculated over a much longer period than ten years. It would be an act of cruelty to the building trade to induce it to expand to a size that could be maintained for only such a short period. The majority of the 80-year-old houses are not in such poor condition that they cannot be lived in for a few more years if by so doing the demand for houses can be stabilised. Thirdly, the early post-war years are likely to be precisely those in which there will be greatest competition for capital resources. The total net volume of private domestic investment in all forms of capital in 1938 was only £287 million. A building programme of 300,000 houses a year would cost (at average 1938 prices) some £140 million. With all the other competing demands for capital, does the community really wish to devote quite so much to the replacement of its existing houses at such a rapid rate? Fourthly, the number of families will soon be falling. Mr Abrams estimates that it will fall slightly in the 1950's and at the rate of 50,000 a year in the 1960's. If we wait, the obsolete houses can be removed without being replaced. Would it not, in many cases, be a waste of resources to replace, at high cost, a house that will not be needed in 20 or 30 years' time? And if the volume of necessary replacement is, so to speak, used up in the immediate future, will there be any demand at all for houses by 1970? Would it not be far better to think in much more conservative terms of the volume of replacement to be done in the near future, with the object of stabilising the demand for houses, not over ten years, but over 20 or 30?

There is thus a conflict between the requirements of the immediate post-war years and of the longer run. This conflict cannot be entirely resolved by any means. But the best method of reducing the clash to a minimum is to stop thinking about a ten-year plan, which will be unsatisfactory for both purposes, and to treat each, so far as possible, as a separate problem. Let the building industry be planned over a period of 25 or 30 years. And let there be superimposed upon this long-term plan an emergency scheme for using special methods to build 1,500,000 dwellings, of the cheaper design consistent with the necessary standards, in the shortest possible period of time.

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# Business Notes

## Washington Currency Talks

The arrival in Washington of a Soviet currency mission, headed by M. Nicolai Chechulin, of the State Bank of the USSR, has caused a new spate of rumours concerning the early assembly of a full-scale monetary conference in that city. The reports have been spiced with hints that M. Chechulin, having already discussed the position with Dr Harry White, of the US Treasury, had given indications that the full weight of the Soviet delegation would be thrown behind the American proposals for a \$5 billion Stabilisation Fund and against the British Clearing Union scheme. The reports have been received with a certain amount of surprise in London. Official quarters here still appear to be unaware of the reported American invitations to a full-scale monetary conference in the near future. The Chancellor of the Exchequer's recent statement that any such report must be "premature" is still the last official British comment on the reports and is probably to be taken as a characteristic under-statement. The other cause for surprise is the suggestion that there is still a substantial clash between the American and British proposals allowing for the intervention of Soviet influence on one side or the other. The impression which prevails in London is that most of the differences between the two plans are in course of resolution and that the plan which now holds the field is a White-Keynes compromise, admittedly bearing closer resemblance to the Stabilisation Fund than to the Clearing Union scheme, but standing in the name of the American and British experts. On the most glaring, though not necessarily the most important, difference between the two original plans, namely the capitalisation of the new international organisation, the British plan has probably been made to accord with the American. The Fund, in other words, would start operations with an initial capital fund to which the participating countries had contributed their quotas partly in gold, mostly in their own currencies or securities. But though general agreement has been obtained between the American and British experts, the stage does not appear to have been reached for fuller discussions at ministerial levels, though bilateral expert discussions of post-war monetary problems may be expected to continue in Washington for some months to come.

## Equity Adjustments

For some weeks past a number of brokers have been commenting upon the improved quality of the buying in the market, while continuing to complain of the meagre quantity. It is to be noted, however, that the brokers who are still reasonably busy are just those who have always discouraged speculation on the part of their clients. If the quality of buying has been good, the volume of selling has been sufficient to prevent any spectacular rise in prices, but the figure of *The Actuaries' Investment Index* shows a further rise similar to that of December and is now slightly above the October level, having recovered well over three-quarters of the fall from the end-September peak. The chart of the index compiled by *The Financial News*, set out on page 196, tells a similar story. At the moment of writing equities are still suffering a trifle and the Funds are on the up-grade, but the market believes that this may be a purely temporary phase. The interesting point in the recent movements is the adjustment which has occurred as between different classes of industrial equity. Thus, the Actuaries' figures show rises against end-October of 5.4 points in air-

craft manufacturing, about 2.5 points in electrical distribution and home railways and 1.5 in brewery shares, while there are falls of rather over one point in building material, iron and steel and store and catering shares, and one of no less than 3.5 points in coal shares. Over the same period the yield figures suggest that the investor takes a much more favourable view of aircraft shares than he did three months ago—but the yield is still by far the highest in the list—while a marked improvement in motor share dividends has had virtually no effect on the price index.

## Electricity Distribution

Two reports on the future of electricity have been published this week. The one consists of a memorandum submitted to the Minister of Fuel and Power by various sections of the industry, including the Incorporated Municipal Electrical Association, the Provincial Electric Supply Association, the London Electricity Supply Association, and a group of power companies; another group of power companies has already published a separate report, discussed on page 753 in *The Economist* on December 4th. The other is a memorandum proposed by a post-war planning committee of the Institution of Electrical Engineers. The report of the various sections of the electricity supply industry is concerned mainly with the distribution side of electricity. Their recommendations are based on the assumption that the consumer should be able to choose freely the fuel service he wishes to use and that no drastic alterations should be made in the ownership and organisation of existing undertakings unless these can be proved to bring substantial and permanent benefits to the consumer. In the light of these considerations the report advocates a "policy of organised co-operation" in these words:

Briefly, it is the linking up of undertakings in specified areas with a view to the removal of anomalies and difficulties, and to the adoption of a common policy of service to the consuming public. This work of co-ordination would be done through area committees, who would also ensure the carrying out of items of national policy. Such a scheme would retain the present structure of the industry so far as this may be efficiently utilised, and introduce means whereby any inefficient undertaking would be brought up to the required standard for the area.

In order to carry out this policy the Report suggests the appointment, by the Electricity Commissioners—under the powers conferred upon them by section (4) of the Electricity (Supply) Act, 1919—of an advisory committee to make recommendations for the division of the country into a number of electricity distributing areas. Next, in each area determined by the Electricity Commissioners a permanent committee should be established, to be appointed by the authorised undertakings in the area on a basis which would give them "equitable representation"; the chairmen of these area committees, however, would be appointed by the Electricity Commissioners. These committees would have the task of advising the Electricity Commissioners on the steps necessary to co-ordinate the development of electricity supply in their areas, and they would "expedite" the adoption of items of national policy. Pending the formation of the area committees and the completion of their investigations, the rights of local authorities to purchase company undertakings whose licences have expired should be suspended. In sum, the report advocates that such reorganisation as may be necessary in the distribution of electricity should be carried out "within" the industry.

## Technical Reorganisation

The report of the post-war planning committee of the Institution of Electrical Engineers is concerned mainly with "technical matters of immediate urgency." First on the list of recommendations is that for the standardisation of voltage and of system on all low-voltage distribution systems; this should be carried out as a national scheme, and could be completed during a period not exceeding five years. On the basis of 1939 prices, the cost of standardisation is estimated at £17.5 million. Further, the report contains

a number of recommendations for speeding up electrification, especially in rural areas, for the reform of tariffs—"the time is ripe for securing uniformity of forms of tariff"—and on the subject of standards of equipment in consumers' installations. The layman cannot assess the merits of these technical recommendations, but there can be no doubt about the advantages of expediting the standardisation of voltages, which is also advocated in the report of the electricity supply industry.

## Five Per Cent Conversion

The decision of the Government to pay off the £318 million of 5 per cent Conversion Loan without making any special offer of stock in exchange should have caused no surprise, but it has been sufficient to stimulate the gilt-edged market to a small display of activity, accompanied by a modest rise in prices, particularly in those of long dated or irredeemable stocks. This rise is based on the belief that something like one-third of the total issue is still outstanding. Reduction to this figure has been effected by official purchases over a period of many months and, as the terms have been very favourable, it is another instance of the investor's apathy that so high a proportion should remain. It is supposed that the whole is in the hands of the private investor. In the case of the 4½ per cent Conversion the money market bought heavily, but was offered in exchange an unacceptable long dated stock, with the intimation that a demand for repayment would not be well received. They are understood to have sold the whole of their holdings of 5 per cent stock. In view of the fact that prices shortly before each of the recent ex dividend dates have ranged from over 5 points to some 4½ points premium, it is hard to believe that any other institutional investor has missed the chance to sell. The argument for a sale by the private investor is at least equally strong; since he will receive, on May 1st, only par plus 1½ points of net interest, it would be to his advantage to sell while the price remains at anything like 102½. The fact is that, for over a year, the authorities have been offering prices for this stock which amounted to forgiving the holder a considerable proportion of the income tax due by him. Presumably the terms offered will continue to be generous, since it would be inconvenient to have to deal with an additional £100 million of borrowing in one block, but such investors as still hold the stock might well sell and reinvest at once. How far the money will go into gilt-edged is doubtful. It is already apparent that the demand in this market is largely for the high yielding irredeemables, and some people will almost certainly wish to receive, in exchange for their present 5 per cent, something rather higher than can be obtained in Government securities.

## Licensed Stock Dealing

A further step in the plans for protecting the investor is to be taken in the near future by the putting into force of the Prevention of Fraud (Investments) Act, 1939. According to a statement of Mr Hugh Dalton, April 15th is to be the appointed day, and by that time all those who wish to deal in securities must have applied to his department for a licence. The business of investigation and granting of licences will take some time, but the Act is expected to be in full operation by mid-July, in so far as it affects this particular issue. Sections relating to industrial, provident and building societies came into force in 1939. Both principals and agents will require licences, and it is certain that very substantial progress has been made towards determining what classes of person will be entitled to receive them. A number of margin cases may cause some dispute. Members of the stock exchanges of the country, including the Provincial Brokers Stock Exchange, and possibly some other bodies, will not come within the scope of the Act, and it is believed that membership of the Association of Stock and Share Dealers, an association of outside brokers set up under the auspices of the Board of Trade, will confer the right to a licence without any further investigation. Beyond this field, and that of a number of concerns with established reputations in other fields of finance, there is a large and rather tattered fringe where the decision to license can only be taken, if at all, on the merits of the individual case. The Stock Exchange Committee, which has been anxious for a long time to have the Act made operative, has been working out its own plan for recognition, and it may be presumed

that there will be close consultation, although not necessarily identity of views, between it and the Board of Trade. In the circumstances, no great harm will have been done by four years' delay in implementing the 1939 decisions, if a well-thought-out scheme can be brought into operation before the lessening of the war tension permits the average man to pay rather more attention to investment than he has done in recent years.

## Crude or Refined Oil

In an address before the Institute of Fuel last Tuesday, Mr Harold Moore, petroleum consultant, stated the case for a large-scale oil-refining industry in this country. For some time to come, at any rate, the supply of petroleum will be large enough and its price low enough to render it uneconomic for Great Britain to meet more than a comparatively small proportion of its liquid fuel requirements from coal. Oil is at present obtained from coal as a by-product in the carbonisation of coal; the limit is set largely by the demand for coke. It is also obtained by the process of hydrogenation at a plant operated by Imperial Chemical Industries but only at the cost of a heavy subsidy. It could, further, be obtained by the Fischer Tropsch process—again only at the cost of a subsidy. For purposes of experiment and research Mr Moore suggested that hydrogenation should be continued and that a commercial scale Fischer Tropsch plant should also be set up. But in his view, Great Britain would probably have to import as much petroleum in the years after the war as before. The real question is whether this petroleum should be imported mainly in the form of finished products as before the war or whether a much bigger proportion of it should be imported in the raw material stage. Mr Moore strongly argued the case for the adoption of the second course. Since the average import price of finished products was nearly double that of crude petroleum before the war and may be relatively higher still after the war, it would save foreign exchange. Moreover, if Britain is to enter the new and growing oil-based chemical industry, large-scale oil refineries will be indispensable. In view of technological improvements, the disadvantages of carrying out the refining process far from the sources of the crude oil have been largely overcome; in the United States, for example, much refining is now carried out near the market, far from the oil wells. This is not the occasion for a judgment on the merits of Mr Moore's line of argument. But it cannot be ignored and requires an answer, especially as Britain's economy has been based largely on the conversion of imported raw materials into finished products.

## National Transport Board

In an article in *The Economist* on January 25th three possible lines of transport policy were briefly described. The first would be a return to open competition, with some equalisation between road and rail of the burden placed upon them by the State. The second would be the continued maintenance of road and rail as separate entities, but with agreement between them on the rates to be charged. The third would be some community of interest between the two which, by making it a matter of indifference to them whether traffic moved by one means or the other, would make it possible to regard and operate them as so much carrying capacity. In an address before the Engineering Industries Association on January 25th Major-General Gilbert Szlumper, a former manager of the Southern Railway Company and now Director-General of Supply Services at the Ministry of Supply, argued in favour of the adoption of the third line of policy; but the community of interest is to be achieved on the public board principle rather than by outright nationalisation. His National Transport Board would issue mainly fixed interest-bearing stocks, "leaving only a very minor proportion (of ordinary stock) to act as a tonic to those responsible for running the undertaking." Major-General Szlumper's solution is not a new one; its interest lies in that it comes from a former executive of one of the main-line railways. Some railway opinion still appears to be in favour of the first line of policy, while others, such as Sir William Wood, president of the LMS, have recently tended to favour the second. An interesting footnote to Major-General Szlumper's speech was added in the House of Commons on Wednesday when Mr Ellis Smith asked the Minister of Supply whether he had sanctioned it.

## NORANDA MINES LIMITED

### DIVIDEND NOTICE

Notice is hereby given that an interim dividend of One Dollar (\$1.00) per share, payable in Canadian funds, has been declared by the Directors of Noranda Mines Limited, payable March 15, 1944, to shareholders of record at the close of business, February 15, 1944.

By Order of the Board,  
Toronto, J. R. BRADFIELD, Secretary.  
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## Gold Ousts Jewels

The most convincing evidence so far received of the extent of recent gold imports into Persia is the announcement from Teheran that the Persian crown jewels are to be replaced by gold as backing of the note circulation. These jewels have appeared in the accounts of the Persian National Bank at a face value of 344 million rials, equivalent to £2,650,000; their market value is well in excess of this figure. The announcement by the Governor of the National Bank that they would be replaced by gold was doubly interesting because it disclosed the sources from which the gold entering Persia had come. Recent imports of 130 million rials, or £1 million, had come from South Africa and the United States, while a similar amount awaits shipment from the United States. The total influx of gold into Persia since the Allied occupation is probably greater than this. The metal has been sent in by Britain and the United States to mop up the purchasing power created by the abnormal Allied expenditure in that country. Most of this metal goes into hoards and thus fulfils

the purpose for which it was sent. But some of it has dribbled through to the National Bank. The operations totalling £2 million to which the Governor of the National Bank referred were probably made direct for the National Bank and represent the conversion into gold of part of the sterling and dollar balances which the National Bank has acquired as yet another result of the phenomenon of abnormal Allied expenditure in Persia.

## Debt Repaid

The national debt returns covering the first 29 days of January are the first, since January, 1941, when the publication of these monthly returns began, to show a net repayment of debt. This achievement was probably the first of its kind since the outbreak of the war. The repayment was a very small one, namely, £2,836,000 in a total debt turnover of over £4,000,000,000 during the month, but it is none the less significant as evidence of the levelling in the curve of national expenditure. The ability to achieve a net repayment of debt is wholly due to the seasonal compression of certain tax payments in the first few weeks of January, and is unlikely to recur again in the near future. It should be reasonable, however, to assume that the revenue deficit will henceforth run at a somewhat lower level than in the corresponding period of last year. Certain heavy items of war expenditure of a capital nature are likely to drop sharply in the near future; the recent decision to curtail purchases of copper from Rhodesia suggests that, even as regards the current output of certain types of munitions, the curve is now downward. Last month's debt reduction was wholly contributed by the floating debt. In large part this was explained by the fact that a £120,000,000 3 per cent terminable annuity was issued last month to the National Debt Commissioners as an investment of Savings Bank funds. This is accompanied by a reduction of £76,350,000 in ways and means advances from public departments—a movement which indicates how these funds were previously invested. Tax Reserve Certificates have now fully come into their own as a means of tax payment, and last month the total so tendered was £100,088,000, compared with only £23,731,000 in January, 1943.

## Stopping a Gap

The Committee of the Stock Exchange, London, has this week taken a step towards ensuring that a further slice of what it regards as its legitimate business should remain within its own domestic circle and not go to other members of the financial community. There is no change as regards dealings on provincial exchanges, except that the bargain must be marked, and no change as regards dealing on foreign exchanges, except that the deal must be direct and not through any agency. In the event of a member desiring to deal through any agent, the business must first be offered on the same terms to the London market, and only if the actual dealing terms there are less favourable may he place it outside. The matter largely arises from the fact that certain houses, who are able to give a broker orders, offer an alternative channel of communication to the market. The ground taken by the Committee is that the larger the volume of business in one place, the better the service to the investing public, other things being equal. Therefore, unless the use of the alternative outside channel would result in a direct benefit to the client, the broker's first duty is to his own institution. The criterion is in every case the immediate benefit of the client, but provided that point is met the market must have the first refusal of the business.

## Licence of Right

A further contribution to the literature of the relative merits of the exclusive patent and the licence of right comes from the Boots Pure Drug group. Written by Mr A. Sugden, with a preface by Lord Trent, chairman and managing director of the Boots companies, it gives an almost direct negative to the contentions of the ICI pamphlet, discussed on page 81 of *The Economist* of January 15th. The final conclusion is

that by reference to hard facts it has been shown that the present system is quite inadequate to meet the serious actual abuses; that the procedure is impracticable and unsuitable; and that the adoption of a compulsory licensing system would appear to be a great step in advance.

Of the 30 cases in which ICI claimed that the procedure of Section 27 had been operated, the records of the Patent

Office show some six or seven successful applications. One unsuccessful case occupied the Comptroller three and the Court nine days and took 21 months to settle. In the "successful" case of McKechie Bros., who had been refused licence to work German IG patents here, the figures were 10 days of the Comptroller's time and nine of the Court's, and it took over 18 months to establish the claim. It is a pity that more instances are not given, but these at least show that only the largest undertakings can face the expense, and that the delay may be sufficient to make the eventual grant of licence—if obtained—of much reduced value. Mr Sugden goes on to deal with the general position of IG patents, which, he claims, cover almost every industry, and to state that the intolerable position which such a system permits cannot be eased by restricting compulsory licensing merely to foreign patentees. On the general question of the public interest the sound view is taken that the broadening of manufacturing opportunity must be the real concern, and that the system of restrictive patents means that the manufacturing interest dictates the amount of production and largely determines the price.

## In Defence of Private Enterprise

On Tuesday Lord McGowan, chairman of Imperial Chemical Industries, gave the Glasgow Chamber of Commerce an account of his company's war-time achievements. The record, as revealed by him, is an impressive one, both in the range of activities of ICI and in detailed achievement. It also shows the all important rôle in modern warfare of the chemical industry, which, in this country, is dominated by ICI. The personnel of the company has been increased from a peace-time establishment of 70,000 to a war-time strength of 120,000. Since the outbreak of war ICI has been responsible for building factories, on Government account, involving the expenditure of £61 million for the production of materials of which the company either had manufacturing experience or on which it had carried out research. It has also been responsible for providing or training the staff necessary to operate these plants. Lord McGowan was able to give detailed examples of achievements in the field of explosives, ammunition, aviation spirit, drugs, agri-

culture, synthetic textiles and others. It would be interesting to set these achievements alongside those of the American chemical industry. His decision to lift the veil from some of his company's activities might with advantage be followed by other industries. The immediate purpose of Lord McGowan's address was to defend the British system of private enterprise and to refute, by way of example,

the argument that the substitution of operation and control of industry by the state would presently usher in a new Utopia.

In stating the merits of private enterprise in general terms, Lord McGowan was on solid ground. But, except in statements of political dogma, the argument is not formulated in general terms. The question at issue is not whether private enterprise should be abandoned in favour of state enterprise, but how it can be kept free from the shackles of restriction and made as efficient as possible in the fields of activity in which it is most appropriate.

## The New Coal Prices

When the Minister of Fuel and Power announced in the House of Commons on January 20th that the price of coal and coke would be increased, from February 1st, he estimated the average addition at 3s. per ton. Before the formation of the Ministry of Fuel and Power it was the practice of the Mines Department of the Board of Trade to authorise price increases which were differential in their application as regards the amount per ton, the grade of coal, and the coalfield. Normally, higher prices were authorised for anthracite than for bituminous coals, and higher prices for exporting than for inland districts. For example, while the increases authorised between the outbreak of the war and July 2, 1942, and applicable uniformly to all districts, amounted in the aggregate to 7s. 11d. per ton, additional increases of 2s. 2d. per ton were granted on bituminous coals and of 4s. per ton on anthracite coals in the South Wales coalfield. On the present occasion the Ministry of Fuel and Power delegated the distribution of the average 3s. per ton increase to the District Executive Boards, subject to its approval, and the schedule of the increases was communicated by the



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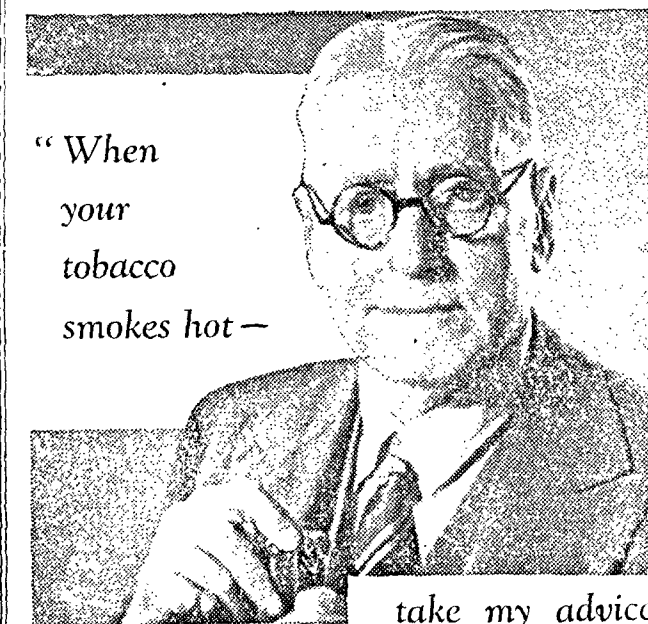
Three tablets, three times daily, will usually clear up a cold in 48 to 72 hours. Two tablets daily, for 30 consecutive days, provide immunity in some 8 out of 10 cases for a period of 3 to 4 months.

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A treatment pack of 20 "Serocalcin" tablets costs 3/4 (inc. tax). The full immunizing course of 60 tablets costs 8/5 (inc. tax). All who suffer from the common cold are invited to send 1d. stamp (to comply with regulations) for booklet "Immunity from Colds."

## SEROCALCIN PREVENTS COLDS

Harwoods Laboratories Ltd., Rickmansworth Rd., Watford, Herts



"When  
your  
tobacco  
smokes hot—

take my advice  
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# Grand Cut

2 oz. for 5/-

Obviously a pipe of GRAND CUT alone  
smokes even cooler and more slowly

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Ministry to the trade on Monday. There has been no change in the quotations of some of the inferior lines but on other grades the increases range from 6d. to 3s. 10d. per ton at the pithead, Leicester and S. Derby, Shropshire, and Kent being the only coalfields in which a 3s. increase applies to all the coals marketed by them. As part of the arrangement under which the railway rebate on export coals was suspended last year, South Wales, Northumberland and Durham have been granted special allowances on their export coals, and under the advances now authorised South Wales is given an additional increase of 10d. per ton on all shipments—coastwise as well as foreign—and Northumberland and Durham 3½d. per ton. The rise in the price of blastfurnace coke has not yet been determined, but for coke breeze it is 1s. 6d. per ton, for hard and gas coke 3s., and for foundry coke 4s. 6d. for shipment as well as for inland consumption. On current commercial disposals of coal and coke the average rise in price is estimated to yield approximately £30 million per annum.

### Engineering Wages

At the meeting between the engineering employers and trade unions in London this week, two important, and quite separate, issues came up for discussion. The unions comprising the joint trades movement of the engineering industry presented their claim for an advance of 10s. on the district base rate. The present district base rate is 66s. a week; this was arrived at under the award of the National Arbitration Tribunal (No. 326) in March, 1943, which transferred 20s. of the national bonus to the base rate of 46s., in force since 1922, leaving 13s. 6d. as a national bonus for pieceworkers. The award also laid down that a pieceworker of average ability should be able to earn a premium of not less than 27½ per cent on the district rate; plain time workers were given an increase of 6s., bringing their national bonus to 21s. 6d. In effect, the union's new claim would bring the total minimum wages of a skilled fitter (the standard on which the wage is based) up to 89s. 6d. for a 47-hour week. Actual earnings are considerably higher in many categories. The average in the metal engineering and shipbuilding group in January, 1943, according to the latest Ministry of Labour survey, was 131s. 6d. a week for adult male workers. This is largely due to the amount of overtime worked in engineering factories. The other subject under discussion is the Amalgamated Engineering Union's proposal for grading engineering wages according to the processes, irrespective of whether these are performed by men or women. For the last six months the union has been working on a scheme with the object of simplifying and rationalising the wages structure. The employers do not have any objections to grading in principle, but they point out that there are many practical difficulties in applying a national scheme. The trend towards simplification of wages is developing in many industries at the present time. Last month the Industrial Court made recommendations for simplifying the wages in the wool-combing section of the wool textile industry, and the Porter Tribunal has urged the need for a complete overhaul of the complex structure of mining wages.

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### Small Farm Mechanisation

In any discussion of the extent to which British farming should be mechanised, the small farm is of great importance, since about 80 per cent of the farms in this country are of less than 100 acres. That this fact must dominate the discussion and influence the conclusions reached was well borne out in a paper by Professor D. B. Johnstone-Wallace, deputy director of the National Institute of Agricultural Engineering, presented to the Institution of British Agricultural Engineers on January 25th. Two main problems arise when the purchase of machinery for the family or small farm is contemplated. Firstly, one labour-saving machine calls for another; otherwise bottlenecks are created. Secondly, a full set of mechanised equipment can deal as easily with 200 or 300 acres as with 100 acres. Thus, in addition to the initial difficulty of finding capital, more is needed in proportion on a small farm than on a larger one. These problems can be solved by collective ownership of machinery or by the provision of a service by a contractor on the lines of the motor-hire business. During the war, increased production has depended on a greater degree of mechanisation than formerly, and the war-time solution of the problem can be continued in peacetime. Through the county war agricultural executive committees, machinery is lent to farms and work is done on contract. The difficulties of this solution lie not so much in the timing of operations, as in the trouble involved in moving existing machinery from farm to farm. This can be avoided by designing machinery in the future capable of easy transport. Economy in machinery for small farmers can be achieved by the introduction of multiple-purpose machines, and it is obvious that there is a great demand for them from farmers. The National Institute of Agricultural Engineers, which was established in 1942, was a welcome sign of the importance attached to research. Mechanisation is not itself a complete panacea for the post-war future of British farming, and attention must be paid to an increasing extent to raising efficiency by better management, by introducing a well-balanced "assembly line" on the farm, careful co-ordination of work, and time studies. The results of research must be allied to the provision of better farm buildings, availability of electricity, cheap machinery, petrol, and fertilisers, if British agriculture is to be placed on an efficient level after the war.

### Labour in the Building Industry

One of the most interesting sections in the annual report of the National Federation of Building Trades Employers is that dealing with labour relations in the industry. The satisfactory degree of co-operation maintained since the war is reflected in the small number of strikes. Some 131,000 days were lost in building and public works contracting through stoppages in 1939, and whereas the time lost through strikes in industry generally increased progressively during four years of war, the figure for the building industry shows a steady decline. About 73,000 days were lost in 1940, 36,000 in 1941, 29,000 in 1942 and, in the first eleven months of 1943, only 23,000 days, compared with a total in industry of 1,676,000. The industry's National Joint Council has operated smoothly and has been an important factor in keeping industrial peace. An increase in wages was granted by the Council in April, 1943, increasing the standard rates for craftsmen by 1d. per hour and those of labourers by ¾d. per hour. The operatives had applied for an increase of 3d. per hour in standard wage rates and the adoption of the principle that labourers should receive 80 per cent of the craftsmen's rate. Another benefit gained by building operatives has been the agreement for holidays with pay, which came into operation on February 1, 1943. There has been co-operation between building employers and trade unions at a higher level. Both are associated with the Apprenticeship and Training Council of the Ministry of Works and on the Building Programme Joint Committee, dealing specifically with labour supply. The Federation's report emphasises the difficulties which employers have had to face, as a result of a lower level of efficiency through the call-up of younger workers and the growth of indiscipline since the introduction of the Essential Work Order.

### Marine Insurance

The speech made by Mr H. Lloyd Owen, chairman of the Institute of London Underwriters, at the annual meeting on January 18th, provides an interesting review of the marine insurance market in 1943. As regards the insurance

of hulls, the main problem for underwriters arises from deferred repairs, due to pressure on dockyard facilities and the need to maintain the maximum volume of shipping in service. Owing to rising prices the actual cost of repairs, when made, is frequently found to bear no relation to the original estimate. In these conditions the decision to maintain in force, for the time being, the Hull Understandings which regulate rate increases according to the experience of the individual shipowner is, Mr Owen believes, a sound one. The Understandings have, however, been amended so that in cases where the premium charged has been increased on at least two occasions by reason of one casualty, the owner shall not be penalised a third time—a change which should tend to stabilise rates after the continuous upwards trend of the last four years. In cargo insurance the principal event was the introduction last April of the Combined Marine Surcharge, which brings together the surcharge formerly paid for wartime navigational hazards—apart, of course, from the actual war risk—and charges for certain risks such as deviations, delays and trans-shipments, arising out of war conditions. The new surcharge makes provision for cover from the time goods leave for shipment until delivery at the final warehouse, irrespective of how long it takes, where or how often the goods are trans-shipped or re-shipped, or whichever route has been taken, and has been accepted by the mercantile community as a genuine effort to simplify work. Some merchants, however, have been suspicious of a proviso that the assured must act with reasonable despatch; on this question Mr Owen, while making it clear that in the last analysis an interpretation could only come from the Courts, gave it as his personal view that the proviso merely means that no merchant shall make a deliberate or calculated use of the extra cover provided. Another point touched upon is the excessive economy practised by some merchants in packing; apart from the risk of the merchant being unprotected by his insurance, Mr Owen feels that "goods which arrive overseas in a crushed condition due to insufficient packing are no advertisement for British merchandise." Some of these considerations are further stressed in the annual report of the Liverpool Underwriters' Association, since published, which also expresses concern at the continuance of heavy losses from theft and pilferage.

### Insurance Education

A letter addressed to employers in the insurance industry by the presidents of the Institute of Actuaries, the Faculty of Actuaries in Scotland, and the Chartered Insurance Institute, contains proposals for the post-war education of men whose studies have been interrupted by the claims of national service. The signatories of the letter have reached the conclusion that if these men are expected to pursue their studies only outside office hours, the burden will be too heavy, and many will be unable to make the effort required; they feel that every inducement and opportunity must be given to make good the time lost by an absence which in many cases will be as much as five years, and that the only effective way in which this can be done is by employers granting leave of absence to permit of organised and supervised daytime study. It is proposed that these daytime studies—supplemented, of course, by the usual evening classes—should absorb two or three half-days a week, and the signatories are convinced that the inconvenience to employers—which will include the loss of services of senior men needed to conduct the studies—will, in the long run, be fully offset by the resultant advantages, since in the absence of some such arrangement the industry will in a few years be faced with a real shortage of trained men. The proposals are already known to command a wide measure of

approval and it is hoped that they will be given universal support. Although the immediate object is merely to bridge the gap created by the war, there seems every prospect that a scheme of this kind, once initiated and smoothly functioning, might become permanent—an outcome which would be fully in keeping with the spirit of Mr Butler's Education Bill. Insurance education, on a technical plane, has been well organised for many years, both as regards tuition and examinations; in its higher aspects it suffers from a lack of liaison with the universities—but that is another question.

### Manganese Developments

There are indications that the increase in the supply of shipping and the decrease in the loss of cargoes have substantially alleviated the manganese shortage of the United Nations. In 1943 the production of steel ingots in the United States rose by another 3,000,000 short tons (of 2,000 lbs.) to 89,000,000 short tons, a record equivalent to an increase of about 75 per cent over the output of 1939. About 12½ lbs. of manganese ore are needed to desulphurise and deoxidise every short ton of steel. Before the war the United States imported some 97 per cent of its manganese supplies. Yet, as the recently published annual report of the United States War Production Board revealed, "several domestic manganese plants are no longer being pushed because they would compete with copper and zinc mines for labour." Recent official statements indicated that copper and zinc themselves are no longer in seriously short supply; the decision reported by the War Production Board therefore suggests that the manganese problem, which in March, 1942, induced the authorities in the United States to call for ten plants for the concentration of domestic low-grade manganese ore as a matter of urgency, has now in the main been solved. Despite the loss of the Nikopol deposit in the Ukraine to Germany, the United Nations have always controlled sufficient manganese resources in Transcaucasia, India, Egypt, West Africa, South Africa and Latin America to cover all needs; the problem was one of shipping. The reverses of the Japanese in the Indian Ocean brought the first improvement late in 1942. Last year the increased construction of ore carriers, together with the reduction in losses at sea and the reopening of the Mediterranean, greatly improved the position; at present the chief supply difficulties seem to arise from the internal transport conditions in certain producing areas, especially India and South Africa, where a shortage of rail-cars to move the large output has recently been reported. These shortages, however, are likely to be overcome with greater ease than the earlier difficulties of securing adequate loading space for the long sea hauls from the producing areas to the United States and this country, so that manganese supplies for Allied steel works will probably show a further improvement this year.

### New Zealand Conversion

Although there has been a marked improvement in the sterling assets of the Reserve Bank of New Zealand since the outbreak of the war, their total—which stood at about £24 million last November—is still insufficient to allow of heavy London debt repayments by the New Zealand Government. It has therefore been decided to convert and not to repay the £7,339,656 of 4½ per cent stock which is redeemable at par on March 1st next. Holders are offered conversion at par into 3½ per cent stock 1960-64. The issue is being underwritten by the British Treasury, which will make available the sterling required by holders who do not accept the conversion offer.

### DOMINION OF CANADA

TWO AND A HALF PER CENT. INSCRIBED STOCK, 1947

For the purpose of preparing the Interest Warrants due 1st April, 1944, on the above-mentioned Loan the BALANCES will be STRUCK on the evening of the 1st March, 1944, after which date the Stock will be transferred ex-dividend.

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

EDWARD POPE, Manager.

47 Threadneedle Street, E.C.3. 1st February, 1944.

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## COMPANY MEETINGS

LIEBIG'S EXTRACT OF MEAT  
COMPANY, LIMITEDRECORD VOLUME OF SALES  
MR KENNETH M. CARLISLE'S  
STATEMENT

The seventy-ninth ordinary general meeting of Liebig's Extract of Meat Company, Limited, was held, on the 1st instant, at Thames House, Queen Street Place, E.C.

Mr Kenneth M. Carlisle (chairman and managing director) presided.

The following is the statement by the chairman circulated with the report and accounts and taken as read:—

In order to come into line with recent recommendations of the Institute of Chartered Accountants we have decided this year to provide in a separate account for all taxation that may be expected to accrue from operations up to date of the balance-sheet.

In order to bring about this desirable position in the form recommended, we have brought in the sum of £150,000 from contingency account and have transferred the sum of about £260,000 to provision for taxation.

It is proposed to maintain the final dividend at last year's rate of 6s. per £5 unit of stock, and this will entail a reduction of about £21,000 in the carry-forward.

## FAVOURABLE RESULTS

Again a year of favourable trading has to be recorded, with the output of our factories in this country, which are operated by the Oxo Company, well maintained, notwithstanding a reduced personnel, and with the volume of sales at a figure which surpasses last year's hitherto best. Operations in our overseas factories were again conducted on a substantial scale commensurate with the number of cattle that could be brought to the plants, but drought, both in Africa and South America, retarded and impaired the conditioning of cattle, and weights and yields were lower than for several years.

Our South American factories have again concentrated upon production for the Ministry of Food and it is gratifying that their efforts have resulted in the output of important quantities of canned meats and other foodstuffs of particular value and convenience in time of war.

## MINISTRY OF FOOD CONTRACT

The new contract negotiated by the Ministry of Food and the Argentine Meat Board for the supply of corned beef and other canned meats to the United Nations during 1943 and 1944 was not finally settled until after the close of our season, and the revised prices, although showing a welcome improvement, proved to be barely sufficient to compensate the general increase in the costs of production.

Notwithstanding the severe drought which prevailed throughout the greater part of the three Republics of the River Plate during the spring and summer months, the herds and flocks on our estancias came through well, and mortality figures compare not unfavourably with those of more propitious farming years. The customary movement and transfers of stocks were interfered with, while uneven and retarded conditioning upset the smooth execution of farm routine and programmes, but the substantial increase which occurred in the price of all livestock rather more than offset these adversities and all the subsidiary companies which conduct our widespread farming interests enjoyed a prosperous year.

In Africa our plant in Kenya has had an active year in the production of preserved meat and foodstuffs for the East African Supply Board. In Rhodesia factory operations were on a smaller scale than for several years past and for the first time since 1937, in the ranching section a small adverse balance of trading has to be recorded.

DALGETY AND COMPANY,  
LIMITED

## BUSINESS MAINTAINED

The adjourned fifty-ninth annual general meeting of Dalgety and Company, Limited, was held, on the 3rd instant, in London.

The following is an extract from the statement of the chairman, Maj.-Gen. Sir John H. Davidson, K.C.M.G., circulated with the accounts:—

The war is affecting the company's activities in many directions. Our connection as shipping agents is considerable, but under present conditions the task of seeking and arranging freight for shipping principals has been seriously dislocated. On the other hand, the company is doing a large amount of routine shipping work on behalf of the Allied Governments for war purposes and, arising also out of war conditions, the work at the company's ocean wharves at Brisbane and Sydney has been heavy.

The merchanting business has decreased, partly through the temporary inaction of certain valuable agencies for overseas products, and partly because of the curtailed shipments and restricted imports from this country. Rationing of petrol, difficulties of travel, and the serious depletion of our personnel have had the effect that the services rendered by the company's staff to wool and stock clients in the country areas have necessarily been curtailed. The drain on the company's staff has, in fact, been severe.

The difficulties arising from the shortage of man power are, of course, widespread, and the pastoralists and farmers are encountering many perplexities on this account. There are difficulties in connection with shearing, the movement of live-stock, the maintenance of fencing, mills, etc., and the adequate control of dangerous pests. The Australian season has been variable, although in most States fairly good.

I considered it desirable to sound a note of warning last year about the probable results for this year, but I think we can congratulate ourselves that the business of the company has been reasonably well maintained. I feel, however, that it is not out of place to repeat this warning, for the disadvantages to which I drew your attention were not fully felt during the year under review.

## GROWING BURDENS OF TAXATION

I also drew your particular attention last year to the growing burden of taxation. This burden continues to increase. Our business in Australia and New Zealand is deep-rooted and solid. Our organisation is efficient and our staff, though stretched to its utmost capacity, is excellent. If I may be allowed to express a personal opinion, it is that the present Governments in both the Commonwealth and the Dominion, having the welfare of their countries at heart, will frankly realise that such concerns as ours perform a useful and well sustained service to the community.

With regard to wool, changes in the level of production were small, the Australian clip being somewhat larger in poundage though less in bales, and that of New Zealand rather below last season's record clip. Realisations were considerably higher owing to the 15 per cent. increase in price paid by the British Government.

Turning to the accounts, the increase in cash and decrease in advances are still further accentuated. While this greater liquidity must meanwhile result in a falling off of our interest earnings, nevertheless I feel that it is not altogether undesirable, as I believe that on the return to peace conditions we shall need to be in a strong financial position in order to provide for the requirements of clients and the development of our business. We recommend the payment of a final dividend of 3½ per cent., making 6 per cent. for the year—the same as last year—and, in doing so I feel sure you will agree that the year's result is satisfactory.

The reports and accounts were adopted.

CITY OF SAN PAULO  
IMPROVEMENTS AND  
FREEHOLD LAND COMPANY,  
LIMITEDCAPITAL REORGANISATION  
APPROVED

At the thirty-first adjourned ordinary general meeting, the meeting of the 7 per cent. preference stockholders and the extraordinary general meeting of the company, held, on the 27th ultimo, at River Plate House, London, E.C., the resolutions submitted were passed unanimously.

In the course of his remarks, Sir Arthur du Cros, Bart. (the chairman), stated that it was satisfactory that assets and revenue had recently increased, even at the reduced rate of 3d. per cruzero, and that profits on the present scale and basis were not likely to be liable to British income-tax for some years. Profits in suspense at £700,000 were three times higher than 10 years ago. The debtors at £1,217,000 were good, being secured on the land sold and carrying interest at 6½ per cent. Sales were 70 per cent. higher than in the previous year and continued high.

When dealing with the scheme for writing down the ordinary shares to 2s. 6d. and issuing 5½ per cent. income stock in consideration of cancellation of arrears of preference dividend, the chairman stated that he had received proxies with an overwhelming majority in favour. He stated that on the basis of profits for the past two years the income stock service would be covered four times, and the preference dividend three times in each case after providing for prior charges. The present financial year ending in February should show a satisfactory surplus after all prior charges and services. The accounts would show a clean sheet with the elimination of the exchange suspense account, the old debit balance on profit and loss account and the expenses of the scheme, and the surplus would be available for reserves or payment of ordinary dividend.

## JUTE INDUSTRIES, LIMITED

## MR J. ERNEST COX'S STATEMENT

The twenty-third annual general meeting of Jute Industries, Limited, will be held at the Association of Jute Spinners and Manufacturers, 5 Cowgate, Dundee, on the 24th instant.

The following is the statement of the chairman, Mr J. Ernest Cox, circulated with the report and accounts for the year ended September 30, 1943:

Trading profit, interest, dividends and transfer fees at £106,803 exceed the previous year's figure by £12,337.

The usual sum of £50,000 has been transferred to reserve for depreciation and obsolescence, and £25,000 has been added to the provision made last year to cover deferred repairs. The total amount for this purpose is now £50,000.

After meeting a dividend of 4 per cent. less income-tax, on the preference share there remains, with the amount brought forward, a sum of £35,424 to be carried to the next account.

Negotiations with the Inland Revenue relating to a capital and profits standard for excess profits tax purposes are still proceeding, but considerable progress has been made during the past year. We are advised that the provision made against this liability, as well as for income-tax and national defence contribution, is sufficient.

Your directors have decided that, in conformity with what has now become a practice of wide application, the shares of the company should be converted into stock, and on the conclusion of the annual meeting the necessary resolutions to that end will be submitted, for approval or otherwise, at the special meeting convened for that purpose.

ORIENT STEAM NAVIGATION  
COMPANY, LIMITED

## SHIP REPLACEMENT PROBLEM

The forty-fourth ordinary general meeting of Orient Steam Navigation Company, Limited, was held, on the 3rd instant, at 7 Bishopsgate, E.C., Mr I. C. Geddes (the chairman) presiding.

The following are extracts from the chairman's statement circulated with the report: The working profit has declined on account of the loss of ships and the substitution for their earnings of a much smaller sum from interest on investments. The amount of the reduction this year, as compared with the previous year, is £189,139. On the other hand, with a smaller fleet less is required to be written off for depreciation. We have transferred £50,000 from the profits of the year to pensions reserve account, so bringing it up to £200,000. We have paid the dividends on the preference shares and recommend the same dividend as last year on the ordinary shares—5 per cent., free of tax.

Before the war we had established reserves for the replacement of steamers and against the risk of a fall in the value of the securities in which our funds were vested pending the purchase of new steamers. In this year's balance-sheet these reserves, together with the outstanding balance of amounts provided for contingencies, have been collected in one account, the surplus of insurance recoveries the written-down value of steamers from enemy action. The total of this is £4,138,082. The amount now in credit in the Government tonnage account is £895,900. We shall be able to draw on this as we expend our money in providing substitutes for the ships we have lost during the war. Again we record our gratitude for

gallant service given at sea, on the land and in the air by all those of our staffs actively engaged in the present struggle. The report was unanimously adopted.

## BIGNELLS, LIMITED

## SATISFACTORY RESULTS

The seventh annual ordinary general meeting of Bignells, Limited, was held on the 28th ultimo, at Rushden, Mr Arthur J. Bignell (chairman and managing director) presiding.

The following is an extract from the statement by the chairman circulated with the report:—The accounts are presented in a revised form, and the appropriations recommended by the directors have been given effect to in this year's accounts, and will, I think, make it clearer for shareholders to understand how such proposals affect the accounts for the year under review.

The trading profit for the year amounted to £65,806 1s. 10d., which, after charging directors' fees, depreciation, War Damage Insurance and estimated liability for Excess Profits Tax, resulted in a net profit of £15,296 5s. 6d. The directors recommend that a final dividend of 5 per cent., less income tax, be paid on the ordinary shares, making, with the interim dividend already paid, 8 per cent. for the year ended November 27, 1943. The final dividend will absorb £1,875. The directors also recommend that the sum of £1,000 be applied in reduction of goodwill.

The appropriation account shows that after giving effect to the above recommendations (which are subject to the approval of shareholders in general meeting) and providing for income tax, the amount written off the goodwill out of last year's profits, the final and interim dividends on the ordinary shares paid January 29, 1943, and July 26, 1943, respectively, and

the half-yearly dividends on the 6 per cent. preference shares paid March 25 and September 29, 1943, there remains a balance of £7,267 11s. 11d. to be carried forward. Your board again feel justified in expressing satisfaction with the results for the year under review.

The report was adopted.

THE NATIONAL BANK  
LIMITED

## ANNUAL GENERAL MEETING

The one hundred and ninth annual general meeting of the proprietors of the National Bank was held, on the 27th ultimo, at the head office, 13 Old Broad Street, London, E.C.

Mr Michael J. Cooke, the chairman, presided.

The secretary read the formal notice convening the meeting and the report of the auditors.

The report and accounts, which had been previously circulated, were—with the approval of the proprietors present—taken as read, and the chairman reviewed the figures of the balance-sheet and referred to the payment of the dividend at the rate of 10 per cent. per annum, and the transfer of £10,000 to both the reserve and the premises accounts, which left £43,440—carried forward.

The chairman moved: "That the report and balance-sheet to December 31, 1943, be adopted by the meeting and entered on the minutes."

Sir George F. Murphy, Bt., seconded the motion, which was carried unanimously.

The retiring directors were re-elected and the auditors, Messrs Peat, Marwick, Mitchell and Company and Messrs Stokes Brothers and Pim, were reappointed for the ensuing year.

## Company Results

## British American Tobacco Company.

|                             | Years to September 30, |           |           |
|-----------------------------|------------------------|-----------|-----------|
|                             | 1941                   | 1942      | 1943      |
| Profit after tax†           | 4,087,565              | 3,065,348 | 3,321,735 |
| Preference dividends        | 585,000                | 585,000   | 585,000   |
| Ordinary stock (tax free):— |                        |           |           |
| Earned                      | 3,502,565              | 2,480,348 | 2,736,735 |
| Paid                        | 3,414,674              | 2,375,776 | 2,573,757 |
| Earned %                    | 14.9                   | 10.44     | 11.56     |
| Paid %                      | 14.58                  | 10        | 10.83     |
| Staff fund                  |                        |           | 100,000   |
| Carry forward               | 2,388,157              | 2,442,729 | 2,505,707 |

|                         |            |            |            |
|-------------------------|------------|------------|------------|
| Net fixed assets        | 603,492    | 578,545    | 485,089    |
| Net inter-company items | 31,385,270 | 27,234,040 | 27,673,614 |
| Net liquid assets       | 7,931,260  | 12,205,426 | 13,305,004 |

|                     |            |            |            |
|---------------------|------------|------------|------------|
| Gross liquid assets | 17,409,389 | 25,379,490 | 25,985,326 |
| Stock on hand       | 4,842,554  | 7,257,673  | 9,893,242  |

† Including dividends from subsidiaries. Other profits of subsidiaries not included, but, according to their level, an adjustment may be made in the reserve against profits of subsidiaries.

The company's balance-sheet shows an increase in general reserve from £1,000,000 to £2,250,000. The source of this considerable strengthening in the reserve position is not disclosed. The £1 units of ordinary stock, at 5½, yield £1 19s. 7d. per tax free.

## R. A. Lister. Agricultural machinery engineers.

|                     | Years to September 30, |         |         |
|---------------------|------------------------|---------|---------|
|                     | 1941                   | 1942    | 1943    |
| Profit              | 131,517†               | 404,076 | 399,383 |
| Depreciation        | ...                    | 38,712  | 43,503  |
| Taxation            | ...                    | 237,248 | 212,036 |
| Expenses            | 41,237†                | 7,109   | 7,005   |
| Preference dividend | 9,675                  | 9,000   | 9,000   |
| Ordinary shares:—   |                        |         |         |
| Earned              | 80,805                 | 112,007 | 127,839 |
| Paid (net)          | 56,000                 | 56,000  | 56,000  |
| Earned %            | 23.03                  | 32.00   | 36.52   |
| Paid %              | 16                     | 16      | 16      |
| Special reserves    | 10,000                 | 30,000  | 35,790  |
| General reserve     | 15,000                 | 25,000  | 35,000  |
| Carry forward       | 70,468                 | 71,475  | 72,524  |

|                         |          |           |           |
|-------------------------|----------|-----------|-----------|
| Net fixed assets        | 342,558  | 334,564   | 302,453   |
| Net inter-company items | 567,754  | 547,095   | 641,557   |
| Net liquid assets       | 971,361* | 1,221,608 | 1,255,749 |

|                          |           |           |           |
|--------------------------|-----------|-----------|-----------|
| Gross liquid assets      | 1,614,015 | 1,675,437 | 1,987,751 |
| Stock in trade           | 727,107   | 805,601   | 955,067   |
| Cash                     | 496,604   | 438,430   | 242,097   |
| Tax reserve certificates | ...       | ...       | 400,000   |

† Net of depreciation and taxation.

\* Including management commissions and staff bonus of £32,430.

† After deducting "provision for taxation" of £167,642. For 1942 and 1943 distinction has been made between liability for current taxation and taxation reserve.

The ordinary shares of £1, at 77s. 6d. ex dividend, yield £4 2s. 7d. per cent.

## AN ANALYSIS OF ELECTIONS IN GREAT BRITAIN: 1918-35

[Table for Article on page 168]

(Reproduced from "Coupon or Free?" By R. G. W. Mackay. Secker and Warburg.)

| Year    | Contested Seats Actually Won |      |      |          |           | Contested Seats in Proportion to Votes Cast |      |      |          |           | Difference,<br>i.e.,<br>Additional<br>Majority<br>in<br>Favour of<br>Cons. |
|---------|------------------------------|------|------|----------|-----------|---------------------------------------------|------|------|----------|-----------|----------------------------------------------------------------------------|
|         | Cons.†                       | Lab. | Lib. | Majority |           | Cons.                                       | Lab. | Lib. | Majority |           |                                                                            |
|         |                              |      |      | Cons.    | Lab.-Lib. |                                             |      |      | Cons.    | Lab.-Lib. |                                                                            |
| 1918*   | 428                          | ...  | 81   | 347      | ...       | 292                                         | 217  | ...  | 75       | ...       | 272                                                                        |
| 1922    | 296                          | 138  | 105  | 53       | ...       | 208                                         | 164  | 162  | ...      | 118       | 171                                                                        |
| 1923    | 216                          | 188  | 145  | ...      | 117       | 209                                         | 173  | 167  | ...      | 131       | 14                                                                         |
| 1924    | 382                          | 142  | 34   | 206      | ...       | 261                                         | 192  | 105  | ...      | 36        | 242                                                                        |
| 1929    | 256                          | 288  | 59   | ...      | 91        | 232                                         | 225  | 143  | ...      | 136       | 45                                                                         |
| 1931    | 493                          | 46   | 4    | 443      | ...       | 368                                         | 168  | 3    | 197      | ...       | 246                                                                        |
| 1935    | 405                          | 141  | 21   | 243      | ...       | 308                                         | 217  | 38   | 53       | ...       | 190                                                                        |
| Average | 354                          | 146  | 53   | 155      | ...       | 268                                         | 194  | 68   | ...      | 14        | 155                                                                        |

\* These figures relate to the Coalition and non-Coalition parties.

† In 1931 and 1935, as well as 1918, these figures refer to Government (National) parties.



## RECORDS and STATISTICS

INVESTMENT  
Stock Exchanges: London  
"FINANCIAL NEWS" INDICES

| 1944         | Total<br>Bargains<br>in S.E.<br>List | Corres.<br>Day<br>1943 | Security Indices   |                   |
|--------------|--------------------------------------|------------------------|--------------------|-------------------|
|              |                                      |                        | 30 Ord.<br>shares* | 20 Fixed<br>Int.† |
| Jan. 27..... | 5,106                                | 4,857                  | 103.9              | 134.8             |
| " 28.....    | 5,229                                | 5,177                  | 103.9              | 134.8             |
| " 31.....    | 6,119                                | 6,631                  | 103.8              | 134.8             |
| Feb. 1.....  | 5,103                                | 5,255                  | 103.9              | 134.8             |
| " 2.....     | 5,589                                | 4,908                  | 103.8              | 134.7             |

\* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1943: highest, 106.1 (Oct. 1); lowest, 94.1 (Jan. 4). 20 Fixed Int., 1943: highest, 136.8 (Jan. 22); lowest, 133.1 (Sept. 8).

## New York

STANDARD STATISTICS INDICES  
DAILY AVERAGE OF 50 COMMON STOCKS

| 1944         | Average | Transactions | 1944         | Average | Transactions |
|--------------|---------|--------------|--------------|---------|--------------|
| Jan. 21..... | 117.6   | 814,000      | Jan. 25..... | 117.6   | 688,000      |
| " 22.....    | 117.8   | 521,000*     | " 26.....    | 117.4   | 778,000      |
| " 24.....    | 117.9   | 690,000      | " 27.....    | 116.3   | 595,000      |

1943: High, 125.4 (July 14); Low, 99.3 (Jan. 2). \* Two-hour session.

## (WEEKLY AVERAGES) (1935-36=100)

|                     | 1943             |                    | Jan.<br>12,<br>1944 | Jan.<br>19,<br>1944 | Jan.<br>26,<br>1944 |
|---------------------|------------------|--------------------|---------------------|---------------------|---------------------|
|                     | Low<br>Jan.<br>6 | High<br>July<br>13 |                     |                     |                     |
| 37 Industrials..... | 81.1             | 133.5              | 96.3                | 96.4                | 95.8                |
| 32 Rails.....       | 72.6             | 99.9               | 90.2                | 92.7                | 92.2                |
| 40 Utilities.....   | 67.9             | 89.6a              | 86.7                | 86.6                | 86.5                |
| 419 Stocks.....     | 78.5             | 100.9              | 94.5                | 94.6                | 94.1                |
| Av. yield %.....    | 5.36             | 4.35               | 4.71                | 4.70                | 4.74                |

\* Common Stocks. (a) Aug. 25.

## Capital Issues

| Week ending<br>February 5, 1944 | Nominal<br>Capital | Con-<br>versions | New<br>Money |
|---------------------------------|--------------------|------------------|--------------|
| To Shareholders only.....       | 700,000            | 693,000          | £            |
| By Permission to Deal.....      | 400,000            | ...              | 420,000      |

Particulars of Government issues appear on page 197.

| Year†     | Including<br>Conversions | Excluding<br>Conversions |
|-----------|--------------------------|--------------------------|
| 1944..... | 88,606,327               | 85,653,327               |
| 1943..... | 111,576,889              | 107,301,389              |

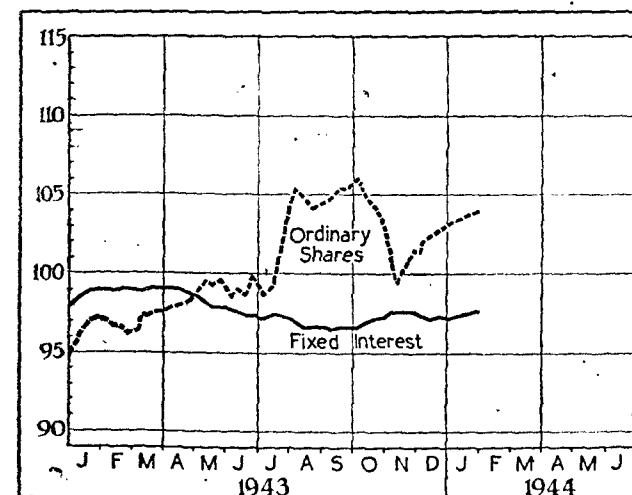
## Destination\* Nature of Borrowing\*

| Year†     | U.K.        | Brit. Emp.<br>ex. U.K. | Foreign<br>Countries | Deb.        | Pref.   | Ord.    |
|-----------|-------------|------------------------|----------------------|-------------|---------|---------|
| 1944..... | 85,535,077  | 118,250                | Nil                  | 85,115,077  | 488,750 | 49,500  |
| 1943..... | 106,513,789 | 787,600                | Nil                  | 106,415,965 | 392,330 | 493,094 |

\* Conversions Excluded. † Includes Government issues to January 25, 1944, only. Above figures include all new capital in which permission to deal has been granted.

FIXED INTEREST AND EQUITY SECURITY  
MOVEMENTS (July 1, 1935 = 100)

Financial News Indices of 20 fixed-interest securities  
(converted to new base) and 30 ordinary shares.



## ACTUARIES' INVESTMENT INDEX

| Group and Number<br>of Securities | Price Indices<br>(Dec. 31, 1928=100) |                     |                     |                     | Average Yields<br>(Per Cent.) |                     |                     |
|-----------------------------------|--------------------------------------|---------------------|---------------------|---------------------|-------------------------------|---------------------|---------------------|
|                                   | Jan.<br>25,<br>1943                  | Oct.<br>26,<br>1943 | Dec.<br>28,<br>1943 | Jan.<br>25,<br>1944 | Jan.<br>25,<br>1943           | Dec.<br>28,<br>1943 | Jan.<br>25,<br>1944 |
| 2½% Consols (1).....              | 146.5                                | 141.6               | 141.3               | 141.1               | 3.04                          | 3.16                | 3.1                 |
| Home Corps. (4).....              | 145.0                                | 141.7               | 141.4               | 141.7               | 3.22                          | 3.30                | 3.2                 |
| Industrial Debs. (42).....        | 121.2                                | 121.5               | 121.3               | 121.7               | 3.92                          | 3.91                | 3.8                 |
| Industrial Pref. (101).....       | 109.8                                | 111.0               | 111.6               | 112.7               | 4.31                          | 4.34                | 4.3                 |
| Bank and discount (10).....       | 113.4                                | 116.6               | 117.4               | 118.8               | 4.00                          | 3.86                | 3.8                 |
| Insurance (10).....               | 102.6                                | 109.4               | 107.7               | 107.1               | 4.06                          | 3.87                | 3.8                 |
| Aircraft (5).....                 | 70.5                                 | 65.5                | 68.8                | 70.9                | 7.57                          | 7.81                | 7.5                 |
| Coal (8).....                     | 95.8                                 | 100.7               | 95.6                | 97.2                | 5.77                          | 6.19                | 6.1                 |
| Electric power (16).....          | 117.9                                | 115.5               | 116.3               | 118.0               | 3.99                          | 4.07                | 4.0                 |
| Gas (8).....                      | 89.3                                 | 101.5               | 100.1               | 102.3               | 2.92                          | 3.14                | 3.1                 |
| Iron and Steel (18).....          | 66.6                                 | 66.3                | 64.0                | 65.2                | 5.30                          | 6.05                | 5.9                 |
| Total Productive (90).....        | 76.2                                 | 79.4                | 78.6                | 79.6                | 4.44                          | 4.68                | 4.6                 |
| Home Rails (4).....               | 75.5                                 | 77.6                | 82.5                | 80.2                | 5.39                          | 5.38                | 5.4                 |
| Stores and Catering (17).....     | 64.6                                 | 74.5                | 72.3                | 73.3                | 3.44                          | 3.40                | 3.3                 |
| Breweries and Dist. (20).....     | 137.0                                | 143.6               | 143.5               | 145.1               | 4.45                          | 4.35                | 4.3                 |
| Total Miscellaneous (40).....     | 81.0                                 | 85.0                | 84.7                | 85.8                | 4.28                          | 4.18                | 4.1                 |
| Industrials.....                  | 74.7                                 | 78.6                | 77.8                | 78.8                | 4.29                          | 4.43                | 4.3                 |

## FINANCE AND BANKING

**THE MONEY MARKET.**—The money market has returned to normal conditions of ease this week. Revenue payment have again been heavy, but their impact on bank cash has to some extent been offset by the £10,000,000 excess of Treasury bill maturities over payment for new bills. Although £20,000,000 was asked from the banks this week against Treasury Deposit Receipts, this amount was approximately balanced by the effective maturities. The banks, freed from the cares of window dressing have been more ready buyers of bills and the market which obtained a 32 per cent. allotment at last week's tender for Treasury bills, was able to satisfy their requirements. The Bank return shows the continued deflation of the volume of credit built up over the turn of the year and kept at a decidedly inflated level throughout January. Bankers' deposits at £169,619,000 are £18,165,000 down on the week.

**MONEY RATES, LONDON.**—The following rates remained unchanged between Jan. 28th and Feb. 3rd:—  
Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days, 1½%; 3 months, 1½%; 4 months, 1½-1½%; 6 months 1½-1½%; Treasury Bills: 2 months, 1-1½%; 3 months, 1-1½%; Day-to-day money, 1-1½%; Short Loans, 1-1½%. Bank deposit rates ½%. Discount deposit at call ½%; at notice ½%.

**Exchange Rates.**—The following rates fixed by the Bank of England remained unchanged between Jan. 28th and Feb. 3rd. (Figures in brackets are par of exchange.)  
United States, \$ (4.86) 4-02½-03½; mail transfers 4-02½-03½. Canada, \$ (4.86) 4-43-47; mail transfers 4-43-47½. Switzerland, Francs (25.21) 17-30-40. Sweden, Krona (19.159) T.T. 16-85-95. Dutch West India, Florin (12.11) 7-58-62. Portugal, Escudo (110) 99-80-100 20; mail transfers 99-80-100-30. Panama, \$ 4-02-04; mail transfers 4-02-04½. Brazil, \$ 63-64½ c. (buying). Uruguay, 7-6597 p. (buying).

**Fixed Rates for Payment at Bank of England for Clearing Offices.** Spain, Pesetas 44.00. Turkey, Piastres 520. Italy, 71-25 lire.  
**Market Rates.**—The following rates remained unchanged between Jan. 28th and Feb. 3rd.  
Egypt, Piastres (97½) 97½. India, Rupee (18d. per rupee) 17½-18½. Belgian Congo, Francs 176½. China, National \$ 3-3½. Iran, Rl. 128-134.

**Special Accounts** are in force for Chile, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London. Rate for payment into Argentine special account: 16-03 pesos.  
**Forward Rates.**—Forward rates for one month have remained unchanged as follows: United States, ½ cent pm-par. Canada, ½ cent pm-par. Switzerland, 3 cents pm-par. Sweden, 3 ore pm-par.

## NEW YORK EXCHANGE RATES

| New York on    | Jan.<br>26 | Jan.<br>27 | Jan.<br>28 | Jan.<br>29 | Jan.<br>31 | Feb.<br>1 | Feb.<br>2 |
|----------------|------------|------------|------------|------------|------------|-----------|-----------|
| Cables:—       |            |            |            |            |            |           |           |
| London.....    | 402½       | 402½       | 402½       | 402½       | 402½       | 402½      | 402½      |
| Montreal.....  | 89-87½     | 89-750     | 89-87½     | 89-75      | 89-75      | 89-680    | 89-680    |
| Zurich.....    | 38-75      | 39-40      | 39-45      | 39-75      | 40-30      | 42-00     | 43-50     |
| B. Aires.....  | 25-10*     | 25-15*     | 25-15*     | 25-15*     | 25-15*     | 25-15*    | 25-15*    |
| Rio.....       | 5-16       | 5-16       | 5-16       | 5-16       | 5-16       | 5-16      | 5-16      |
| Lisbon.....    | 4-10       | 4-10       | 4-10       | 4-10       | 4-10       | 4-10      | 4-10      |
| Barcelona..... | 9-20       | 9-20       | 9-20       | 9-20       | 9-20       | 9-20      | 9-20      |
| Stockholm..... | 23-85      | 23-85      | 23-85      | 23-85      | 23-85      | 23-85     | 23-85     |

\* Official buying rate 29.78. † Free rate.

## FINANCING EXPENDITURE

The following table summarises the Exchequer returns to date (January 31st) and shows the respective shares of revenue and borrowing in meeting expenditure:—

| £000                            |            | £000                              |            |
|---------------------------------|------------|-----------------------------------|------------|
| Total ordinary expenditure..... | 4,699,697  | Total ordinary revenue.....       | 2,306,938  |
| New Sinking Funds.....          | 11,217     | Loans raised:—                    |            |
| Loans repaid:—                  |            | 3% Def. Bonds (net).....          | 95,861     |
| " Other debt," external.....    | 7,979      | 3% Savings Bonds 1960-70.....     | 330,643    |
| Bank of England advances.....   | 6,500      | 2½% Nat. War Bds. 1949-51.....    | 9          |
| Increase in balances.....       | 536        | 2½% Nat. War Bds. 1951-53.....    | 322,661    |
|                                 |            | 2½% Nat. War Bds. 1952-54.....    | 207,300    |
|                                 |            | 3% Terminable Annuity.....        | 358,542    |
|                                 |            | Nat. Savings Certs. (net).....    | 219,950    |
|                                 |            | Tax Reserve Certs. (net).....     | 151,706    |
|                                 |            | " Other debt," internal.....      | 9,515      |
|                                 |            | Floating debt (net):—             |            |
|                                 |            | Treasury Bills.....               | 277,441    |
|                                 |            | Public Dept. Adv.....             | 8,115      |
|                                 |            | Treasury Deposits.....            | 421,000    |
|                                 |            | Miscellaneous Receipts (net)..... | 16,248     |
|                                 | £4,725,929 |                                   | £4,725,929 |

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

THE  
ECONOMIST

ESTABLISHED 1843

Vol. CXLVI No. 5242

REGISTERED AS  
A NEWSPAPER

FEBRUARY 12, 1944

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

The Public Service - - - 201

Baltic Vacuum - - - 202

Prices and Markets - - - 204

NOTES OF THE WEEK - - - 205

Hazard and Caution; Anxiety in Finland; The Russian Way; False Dawn at Brighton; Counter-Offensive; Building, Housing and Planning; Neutral Turkey; The Status of Algiers; Control in Education; Advice on Schooling; Demobilisation Debate; Plan of Action; Manx Home Rule; Nikopol Manganeese; The Cost of Subsidies.

AMERICAN SURVEY - - - 210

Four Midwestern Papers; American Oil Diplomacy; The Sorest Point; Sweat and Taxes; The Soldiers' Vote.

THE WORLD OVERSEAS - - - 212

The Falange Economy; Middle Eastern Oil; Student Unemployment in Eire; Portugal's New Budget.

THE ECONOMIST, BRETTENHAM HOUSE, LANCASTER PLACE, LONDON, W.C.2.

TELE. TEMPLE BAR 3316.

ANNUAL SUBSCRIPTION £3.

## The Public Service

THREE years ago a committee examined the use of skilled men by the Services, and much of the mechanical efficiency of to-day's armies of invasion is due to its proposals; the new regiment, REME, was one result. Now, if the reconstruction programme that is being slowly fashioned is to be effective in action, the Civil Service should be similarly surveyed. What use is it going to make in peacetime of the sort of experts it has been compelled to call in to run the war? The conclusion in 1941 about the Armed Forces was that without radical changes in the recruitment and use of experienced craftsmen

the machines on which the lives of fighting men and the safety of the country depend may have to be entrusted to hands insufficiently skilled under inadequate supervision.

The same is now true, as peace approaches, of civilian government. If an Economic Civil Service is not promptly set up, properly staffed and paid, with proper status in the permanent hierarchy of administration—that is, if the machinery of government, which, directly or indirectly, will extend after the war farther into the economic field than ever before, is entrusted to unskilled hands inadequately supervised—not even the best projects to make the most of the nation's resources by a suitable marriage of public and private enterprise are likely to succeed. Government will be, in fact, what it is so often said to

be—a brake on the wheel; and the many tasks not suited for private management will either be undone or publicly botched.

The present danger is all in this direction. The after-war demand for cutting down the wartime Civil Service is already being anticipated. The apparent ill-treatment of temporary civil servants in the matter of pay-as-you-go income tax is only one instance of the casual esteem in which they are held. In numbers, necessarily, the Civil Service must be much cut down when the war is over, and the many thousands to go will be temporaries; there is a case indeed, as the Liberal Party report on demobilisation suggests, for the release of those of junior status at the first practical moment so that they can resume their civilian careers. But, in terms of skill and quality, if central administration is robbed at a stroke of the men of capacity from outside who have enabled the Government to mould the nation's industry, trade and finance into a working war economy, all hope of the successful execution of post-war plans, in the field of economics, can be abandoned.

The prospect, indeed, may be even worse. Without men of both intelligence and practical experience in technical matters, the Government will have no option, in its economic policy, but to do what it did before the war. For lack of both policies and agents, it will again hand

over responsibility to industrial bodies, and make them self-rulers and judges in their own cause; the industries are already filing claims. Many of the temporary civil servants doing industrial or commercial jobs, it is true, came to Whitehall from industry not entirely without interest; they came in to keep hold, and these can well be allowed to go when the wartime Ministries shrink. But there are others, now with the technique of administration added to outside skill and knowledge, who have developed a new sense of public responsibility and a new doctrine of public policy in industrial affairs. These are the men from whom should be drawn at least the skeleton of the new Economic Service, before they are dismissed out of hand or driven back to their old work by their present inferior status. These are the men who, with others like them, can staff the Boards and Commissions which may be set up between industry and the state; who can watch over public interests on the boards of private companies; who can serve the public corporations; and who, at the Board of Trade or in a Ministry of Industry, can be ready and equipped to scrutinise efficiency and prices if the public need requires. These are the men who will be able to watch over the community's interests and to fashion for their chiefs a consistent code of economic policy. Yet the doors are already being opened to bow them out of the Civil Service.

The number of competent temporaries who both could and should be kept is only small in numbers, though it is big in value. They are key men. Industry and the professions, especially the universities, will want their best men back. Many may go of their own accord, under contract or deliberate choice; but some, at least the minority needed to start economic government on the right road, should be kept in the public service. They can only be kept if the decision is made immediately to make it worth their while to stay, not merely in terms of money, but in authority and prospects of permanent and satisfying work. At present the most that they are offered is hand to mouth, piece-meal continuance in employment, more often than not as administrative beings of a lower order, up to some undefined date. If there is no change in attitude they will surely be lost—and with them much of the possibility of successful reconstruction.

## Baltic Vacuum

THE appearance of the Soviet army at Narva has thrown out of balance all the northern rim of Hitler's Ostland, just as the capture of Luck and Rovno by the Russians thrusts a wedge into its southern fringe. True, the Russians have still to fight their way through the deep and solid defences built by the Germans around Lake Peipus, before they can set their feet firmly on Estonian soil. But the result is apparently being taken for granted by the Germans themselves—and by the population of the Baltic states. The roads in Estonia and, to a lesser degree, in Latvia are reported to be blocked not only by military traffic but also by streams of refugees. The civilian authorities, German and Baltic, are packing up their baggage; and the German army is taking over the administration. German civilians have been ordered to leave Riga by February 15th; and a wild scramble for accommodation on board ships sailing for Copenhagen and Stettin has been reported from Riga harbour. Panic seems to be spreading behind the German lines.

But the army is not giving up the fight. The Germans themselves state that they have razed to the ground all villages east of Narva. Clearly they will "scorch the earth" in the Baltic countries not less ruthlessly, but perhaps even more ruthlessly, than they have done in the Ukraine. Here the routes for retreat are much shorter; and they lead straight into Germany. Before the Germans go back they drive before them the cattle and the manpower of the Baltic *Generalbezirke*—by now a familiar feature of all Nazi retreats.

The Government cannot do its job without men like these; and it cannot keep them without building immediately the kind of framework in which they can do their work, and to which can be attracted year by year similar recruits in a steady stream. Much more is needed than bits and pieces. It is not enough, say, to decide to keep on the Central Statistical Office here or a reconstruction department there, one good temporary in this Ministry or another in that. Unless there is a radical change in the Civil Service status of men with skill and knowledge gained outside, the economic departments, branches or offices which are retained or newly set up will be staffed either by permanents who, for all their good education, high intelligence and outstanding integrity, will not be competent to make a success of it, or by temporaries too poor to get good work elsewhere. It is not simply a question of administrative machinery; it is a question of personnel. And the problem can only be solved by the institution of an Economic Service to advise on and administer economic policy on every required point. Its cadre at the outset would be the wartime temporaries kept on; its new recruits, as the new Service developed, would be specialists, of Civil Service standard in education and intelligence, but up to ten years older at the age of entry, to permit a sufficient period, beforehand, of direct practical experience in industry or business or on the research side of applied economics. Their salaries would be appropriate to their age and qualifications, and they would no longer be regarded by the Civil Service, like the wartime pioneers, largely as hewers of wood and drawers of water.

Only by the permanent aid of such new professionals at the right places can the Government either make or apply the policies for which the nation must look in the post-war future. At present, as casual labourers, they do make it possible for the Government to devise post-war plans. To let them be swept bodily away on the tide of demobilisation would be crass folly. There are serious obstacles. Much of the press and, so, many of its readers will soon be up in arms against every "expendable" bureaucrat; inside, there are some permanent civil servants prepared to give the parting push. It is precisely because of these obstacles, as well as the gap to be filled, that action should be taken now to create the needed new regiment of modern administrators.

For all the undoubted determination of the *Wehrmacht* to make use of every inch of land for defence, the most recent German moves show distinct signs of confusion. The decision was taken very late in the day to conscript the nationals of the Baltic countries, whose contribution to the fighting had previously been limited to a few SS battalions of volunteers. But the call-up was no sooner issued than it was cancelled, at least in Estonia. It is not quite clear whether this was due to a realisation that it was really too late to train conscripts or to doubts about the political reliability of the Baltic peoples. In Tallinn, Riga and Kaunas emergency conferences of the chiefs of police, Gestapo and SS were held last week; and appeals have been issued to the local populations to lend a hand in the fight against Soviet parachutists and local partisans operating near the borders. Fear of Communism is being whipped up by the propagandists; but, despite previous promises, not even a last-minute extension of autonomy has been granted to the Estonians, Latvians and Lithuanians. The only concession is that in the *Generalbezirk* of Byelorussia a statute of semi-autonomy similar to that which was granted to the Baltic countries in 1942 has now been announced.

Lohse, the Reichsminister for the northern Ostland, apparently feels that the time for gestures and reforms has passed; and that, if they were to be made now, their yield would probably be negligible. The Nazis have to pay the penalty for their Ostland policy, which has managed to antagonise not a few of even their potential

allies. When, in the summer of 1941, they occupied the Baltic lands, they were hailed as liberators by some sections of the local population. Those who had lost their property under Soviet rule hoped to get it back. Those whose relatives and friends had been deported to remote Russian provinces—and the number of deportees was considerable, especially among the *intelligentsia*—welcomed the Germans as the foes of their foes. All of them hoped for a restoration, however nominal, of their independence.

But the hopes have been dashed in every particular. Neither states nor individuals have been given back their rights. Such changes in property as have been carried out by the Germans in the Ostland have merely added new and greater grievances to the old ones which had arisen under Soviet rule. The three Baltic states, it should be remembered, possessed no landlord class before the war. The Baltic land reforms of 1919-1922, which were the result of a happy combination of social demands with national aspirations, eradicated landlordism both peacefully and effectively. The great landowners in these provinces had been the famous German barons, except in Lithuania, where the big estates were owned by Poles. The destruction of the economic power of these alien landlords was meant to give national coherence to the young Baltic republics. The alliance between the peasants' hunger for land and national feelings was so strong that the reform easily achieved its purpose. When in 1941 Soviet political Commissars approached the Baltic peasantry with their customary denunciations of parasitic landlords, the reply was a shrug of the shoulders. The Baltic states were peasant republics, and remained so even in spite of the undemocratic regimes established there in the early thirties. The field for further agrarian revolutions was thus small. The Soviets undertook the splitting up of the larger holdings. Under the reforms of 1919-22 the general maximum size of holdings was 100 hectares (about 250 acres). The Soviets reduced this to 30 hectares in Estonia and Latvia and to 60 hectares in Lithuania. This involved the partial expropriation of about a quarter of the Estonian and Latvian farmers, but since the land was distributed to the landless and the poorer peasants, those who gained were in a majority. No large-scale collectivisation was attempted, though the fear of it undoubtedly haunted the countryside.

The Germans have, on the whole, left this position unaltered. Where they have changed it they have done so in favour, not of the former owners, but of German settlers. Here and there, the survivors of old baronial families have reappeared to "reconquer" their old estates. Only a few of the local "kulaks" have got their property back as rewards for services rendered to the occupying army or police. German agrarian policy has thus redressed no wrongs; but by partly undoing the reforms of 1919-22 it has injured national feeling. To this the utter impoverishment of the countryside should be added. Prices for agricultural produce have been fixed

at 60 per cent of the prices paid in East Prussia. In 1943 Estonian farmers obtained only 1 per cent of the quantity of fertilisers they had used in 1939; and it is unlikely that supplies have been any more plentiful in the neighbouring countries. Between 60 and 70 per cent of the cattle have been slaughtered.

Nor have the earlier expropriations in industry and commerce been reversed. In Latvia and Lithuania the middle classes consisted largely of Jews. "Aryanisation" meant therefore the destruction—and probably also the physical extermination—of the greater part of the middle classes, which had already been broken economically by the Soviets. The medium-size and large-scale enterprises nationalised by the Soviets have been taken over by the various German Ostland companies. No return of these properties to private ownership has occurred on any noticeable scale. The few concessions that have been made in the last few weeks have been negligible in importance. When the Red Army returns to the three Baltic republics it will find their outlook not an iota more "capitalistic," perhaps even less so, than it was in 1941 when the Soviets were forced to retreat. But will the victorious Russian soldiers be greeted by the Baltic peoples as liberators?

In the economic and social sense, the Baltic states have become almost a vacuum. The old structure of the three tiny republics has crumbled under the impact of the two gigantic and hostile steamrollers that have travelled over them. There is little likelihood that any appreciable centres of social resistance to the Soviets will emerge in that vacuum. Quite apart from all political and strategic arguments, the Russian case for the reincorporation of the Baltic states is greatly strengthened by this fact. But it is an argument of a purely negative character.

The pros and cons of the Baltic issue can be stated briefly. The arguments in favour of reincorporation in Russia are of a practical character. There is the familiar Russian need for safe strategic frontiers. There is the obviously precarious economic and military position of independent states of such tiny dimensions. There is also the advantage of their reintegration into the huge economic framework of Russia within which they lived and developed until the first world war—offset by the isolation from world trade that would probably be involved. There is, finally, the not very convincing argument that Estonia and Latvia had never until 1919 existed as independent states, while Lithuanian independence was many centuries back in history. What must be set against these arguments, each of which has some weight, is the right of the Baltic peoples to determine their own fate. It can hardly be conceded that the plebiscites of 1940, which gave a nearly 100 per cent majority for incorporation into the USSR, really did justice to the principle of self-determination.

The question is whether the conflicting viewpoints can somehow be reconciled. Can justice and expediency be brought together? It is in this context that recent changes in the Soviet constitution ought to be re-examined. The Baltic issue would become much easier to solve—and

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reincorporation would cause fewer scruples to Allied opinion—if the federal structure of the USSR were more real than it appears to be so far. The Baltic peoples have now been assured that they would have their own Commissars of Foreign Affairs and of Defence. But they have probably learned from their own experience in 1940-41 that it is the control of internal affairs and of the police that really matters. And, in any case, what does the possession of separate commissariats mean, not in constitutional law but in fact? Are the constituent Republics going to be allowed to decide anything for themselves? Or will they merely get a *congé d'élire* from Moscow, the freedom

to decide to do what they are told? Does a Soviet Republic enjoy Dominion status?

The other question which may soon be uppermost in the minds of the Estonian, Latvian and Lithuanian peasants bears on the collectivisation of agriculture. After reincorporation, can they feel confident that there will be no forcible collectivisation with all its familiar harsh consequences? Will this also be one of the matters they will really be allowed to decide for themselves? In other words, can Moscow afford a certain margin of diversity and looseness in economic and political forms? The question can now only be raised. It cannot yet be answered.

### Principles of Trade—VII

## Prices and Markets

THE general pattern of an international trade policy for Britain that has been developed in these articles is that of an attempt to set on foot a regional experiment in the planned expansion of trade. The system should be so devised that international trade should neither be an impediment to full employment policies (as might happen if the attempt were made to return to a universal gold-standard system in the near future) nor the victim of full employment policies (as might happen if policies of rigid bilateralism were followed). There is reason for hoping that the "region" might from the start embrace a substantial part of the world, and that a system that was multi-lateral from the start would gradually become omnilateral.

It is not appropriate, in these articles, to enter upon the detailed and technical discussion of instrumentalities. The subject cannot, however, be left without some reference to such hotly controverted subjects as subsidies, quotas, state trading, trade agreements and commodity stabilisation schemes. Would these find any place in the sort of system that has been sketched out? Apart from the general framework of trade, what judgment should be expressed upon attempts to regulate or influence the prices of specific commodities, or to secure and protect specific markets?

Attempts are sometimes made to draw up lists of "permitted" and "objectionable" varieties of interference with international trade. Thus, in America, it is customary to argue that "moderate" protective tariffs and restrictions on immigration are, if not beneficial, at least comparatively harmless, while other devices, such as quantitative restrictions, exchange controls, Government trading and so forth are wholly bad. The Economic, Financial and Transit Department of the League of Nations, which is now located in the United States and is largely under the influence of American thinking, has recently published two studies,\* on quantitative regulations and on the relations between state trading and free economies, which reflect these views. It is very questionable whether any such distinctions can be logically sustained, apart altogether from the suspicion of self-interest that attaches to the particular arguments that have been mentioned. A high protective tariff may be much more noxious than a quota system which (to borrow the language of not a few economists) "supports without constricting." A monopolist private concern, trading in a "free" system, may wage far more aggressive economic warfare than a Government Board. There are really only two tenable positions to take up. Either all forms of interference with the free movement of men, money and goods should be removed; or else, if any of them are to be permitted, all of them must be judged on their merits, not by theoretical structures of casuistical dogma. And since it is clear that, as a matter of hard fact, all interferences are not going to be done away with, the second alternative is the only one that holds the field.

To say that Government interferences with international

trade must be judged upon their merits means that they must be judged by their results, and that, in its turn, means that they must be judged, in the great majority of cases, by whether their net effect is to expand international income—that is, the aggregate of all national incomes—or to contract it. If this test were generally applied, it would be possible to bring a certain amount of order into the present chaos of arguments. For example, it would immediately be apparent that a country which allows itself to sink into a violent depression, but which refrains from applying exchange controls or quota restrictions, is doing far more harm to the structure of international trade than one that practises the purposive direction of international trade as part of a consistent policy for keeping up its purchasing power, at home and abroad. The sharp American recession of 1938 reduced international trade by much more than it was expanded by the whole of Mr Cordell Hull's reciprocal agreements.

Nowhere, perhaps, is there more risk of ghosts being seen than in the matter of Government trading. Buying and selling by public boards might, it is true, be wholly aggressive and disruptive; but there is no very apparent reason why it should inevitably be so. Moreover, so far as Great Britain is concerned, there is a great deal to be said for the bulk purchase (as in wartime) of certain commodities, especially those where there is an international stabilisation scheme or where, as a part either of strategic or of economic policy, it is desired to hold special stocks in this country. Government intervention on selling side may, similarly, be harmful (for example, it leads to competitive subsidies) or helpful (for example, it is confined to securing the economies of large-scale operation). When it appears in the guise of an international Wheat Agreement, it appears to be acceptable in quarters where Government trading is undebatable. But in any case it would be foolish to express a judgment on state trading merely because of fears of what it might lead to. If there are dangers, let them be state trading specifically guarded against.

Quotas are another very clear example of the interference with international trade. In the case of the Baltic peoples, the political reliability of the Baltic peoples is the chief reason why an instrumentality can be used to and applied for a purpose. It is certainly true that the overwhelming bulk of the quotas that were imposed in the decade before the war were restrictive and bad. If no change in the ultimate objective of the economic policies of governments is to be expected, there might be a case for trying to do away with quotas—though, for exactly the same reason, there would be little chance of success. But if international trade is thought of in the framework of a deliberately expansionist economy, quantitative regulation is at once more valuable and less likely to be harmful. Its virtue in expansion is exactly the same as its vice in restriction—the fact that its effects are precise and calculable.

The same basic line of argument can be applied to the very vexed question of the proper limits of trade agreements. Is it ever right that a pair of countries, or a restricted group of countries, should offer each other concessions—relating either to tariff rates or exchange regulations or quotas—which are not generalised to all

other countries by means of the Most-Favoured-Nation clause or some similar device? The answer can, once again, be found in the actual effect of such agreements. If a bilateral agreement succeeds in increasing the trade between the signatories without reducing any other trade, it is good; if not, it is bad. The Ottawa Agreements of 1932 deserved condemnation, not because they set up a system of Empire preferences, but because they did so by raising the duties and restrictions on trade between British and foreign countries. Had they lowered the barriers to intra-Commonwealth trade without raising those to British-foreign exchanges, it would have been hard to object to them. Political realities should not be lost sight of. The fact that, for so many of the primary commodities, Great Britain is by far the world's largest purchaser is almost the only trump in the British hand, and it is in the highest degree unlikely that the British people could be persuaded not to play it. The effort should be to see that it is played in a way that helps British trade without hurting that of other countries. The realistic choice is not between a system that permits bilateral bargains and one that does not. It is between a contracting system of trade, in which such bargains will merely concentrate the contraction on the weakest bargainer, and an expanding system, in which the failure to permit such bargains would condemn the whole trading world to move at the pace of the slowest.

On all these difficult questions of trade procedure, then, the first test to be applied is whether the particular device in question would increase or diminish international income. In the particular case of British policy, however, there is a second criterion of hardly smaller importance—this is the effect that would be produced upon the Terms of Trade. This is the technical expression for the relationship between the prices at which the country buys its imports and the prices at which it sells its exports. One result of the last war and its aftermath was to make British imports cheap relatively to British exports. In 1924, a unit volume of foreign goods (or, more specifically, of imports into Great Britain) could be paid for by about one-fifth or one-sixth less volume of British manufactures than in 1913; the Terms of Trade had moved in favour of Britain by about 20 per cent. In the Great Depression there was a further move of another 15 per cent in our favour; the ratio moved back somewhat in the years of recovery, but in 1938 it was possible to pay for a unit volume of our imports with 30 per cent less of our exports of Trade in 1913.

It is not often realised how profound is the influence upon the British economy, and especially on the standard of living of the British people, of the Terms of Trade. It was by moving to the strong favourable shift in this factor that some of us suffered so much more lightly from the Great Depression than the other industrial countries. It is true even in those

that the shift in the Terms of Trade was associated, in the downward phase of the cycle, with mounting unemployment in the export industries, fewer exports being needed to pay for a relative stable volume of imports. But it was the additional purchasing power placed in the hands of the British public by the great fall in the cost of imported food and raw materials that touched off the building boom and the general buoyancy of the consumers' goods industries that were the backbone of British recovery. On balance, this movement of the Terms of Trade undoubtedly created much more employment than it destroyed (though in different industries); and it certainly gave rise to a remarkable increase in the standard of living.

In post-war Britain, struggling to keep up the national standard of living, it will be essential to keep the Terms of Trade as favourable as possible. No other single factor, in the early years, will so strongly influence the standard of consumption that it will be possible to provide. Moreover, there is only one conjuncture by which all three of the vital elements—favourable Terms of Trade (that is, high real wage rates), a large volume of trade (that is, high employment) and equilibrium in the balance of payments—can all be secured at once, and that is by low prices on both sides of the comparison. If the prices of imported food and materials are high, then either wages will have to be low, with consequent damage to the standard of living, or else British export prices will have to be high, with consequent damage to the volume of trade and to the balance of payments. The task of keeping British export prices as low as can be contrived is part of the whole complex of industrial policy and cannot be entered upon here. But the task of keeping British import prices low belongs properly in the discussion of international trade principles. It is, of course, by no means in the British interest to ruin the primary producers of the world. On the contrary, higher incomes among primary producers mean better markets for British goods. But it is most emphatically in the British interest to insist that those higher incomes shall be provided by greater efficiency, higher productivity per man, in the primary producing countries, and not by the artificial maintenance of high prices. There is no magic way by which we can get richer, or get anything but poorer, if we have to work harder for our food and materials. The ratio between an hour of British work and a ton of imports is a factor as basic to economic policy as the ratio of thermal efficiency is to the engineer. In all discussions of commodity regulation schemes, it is essential to remember that the interest of the United Kingdom is that of a consumer. And the British representatives can the more confidently insist on low prices through greater efficiency because they will be pleading the cause of world-wide economic expansion.

(It is proposed to conclude this series with one more article)

## NOTES OF THE WEEK

### Building.

Lord Po. ar building-and Caution

postwar war in Russia has reached a new climax. The Soviet High Command is now taking its winnings after one of the most hazardous operations of this hazardous war. As the Russians advanced from the Dnieper from October onwards, the front took on a fantastic shape. Great salients thrusting in different directions between Leningrad and Kherson served the Russians as the springboards for attack; but they also laid their flanks open to dangerous counter-blows. Even last week, the hazard seemed to be mounting to new heights. The Russians took Luck and Kowno in Poland; but, five hundred miles to the east, Manstein was still clinging to the Dnieper in the Smyela region, and had weathered all Russian attacks in the Dnieper bend. The contrast between the softness of the German defence in the centre and its stiffness in the south was amazing; and as long as Manstein held his ground in the south, and kept his supply lines open the possibility still existed that he might cut the Russian salient from the Dnieper to the southern fringe of the Pripiet Marshes. But the most recent

happenings—the encirclement of ten German divisions around Smyela and the capture of Nikopol by the Russians—have banished that danger for good. It is now the Germans who have to face the disastrous consequences of the game of chance. They staved off disaster once when they stopped the Russian advance towards Zhmerinka, and thus saved their main railway feeding the whole southern front. But now the same threat, on a much larger scale, has arisen further in their rear, where the Russians are advancing towards Lwow, the main base from which the German forces in the Ukraine have been marshalled and supplied. The entire structure of the German front in the south is now bound to crumble. But this is only the immediate implication. The less immediate meaning is even graver for the Germans. If, while retreating in the Baltic region, the German High Command contemplated the shortening of the front along a line, say, from Riga to Odessa or from Riga to the Carpathians, then the Russian threat to Lwow may cut this potential line before it is reached. There is no longer any coherent pattern in the

\* "Quantitative Trade Controls: Their Causes and Nature," 45 pages. 2s. 6d. "Trade Relations Between Free-Market and Controlled Economies," 92 pages. 4s. 6d. (Geneva) League of Nations. (London) Allen and Unwin.

German moves in the east. Their only purpose seems now to be to delay—no matter how wastefully or with what disastrous consequences—the Russian approach to the powder-barrels in the Balkans.

The situation in Italy has given rise to some criticisms and disappointment, because the fighting there has seen obviously lacking in the imagination and daring for which the Russians are now being so richly rewarded. Stalemate on the Garigliano and Rapido rivers has not yet been broken; and the fine start made in the Nettuno landing has not been followed up by any move either towards Rome or towards the front in the south. Even the beach-head itself has not been extended enough to put the landing beaches beyond the range of the enemy's artillery. Kesselring has been given three weeks in which to collect his forces, to harden his defences, and, finally, to counter attack. The notion that the Nettuno bridgehead is now to be another Tobruk seems unconvincing and out of date; in the Year of Invasions, the time for isolated and besieged coastal "hedgehogs" ought to be regarded as past. Yet criticism must clearly be qualified by the layman's insufficient information. It remains to be seen what is intended and what will happen; there may be other moves in Italy itself. Action in the West is planned. Time may still show that the Nettuno episode has after all a logic that fits it into a much wider pattern of operations.

### Anxiety in Finland

Diplomatically the Finns have so far refused the risk of leaving the Axis side. Mr Cordell Hull has told the press that the United States Government has recently made plain that the Finns must take the consequences of their continued collaboration with Germany. Militarily, their mind may soon be made up for them. The Russian armies have advanced to Narva, and may quickly occupy the greater part of the Estonian coast. Helsinki, after a long interval, has been raided by strong forces of Russian bombers; and air bases along the Estonian coast would make all southern Finland an easy target. Moreover, the Russian reconquest of all three Baltic States, and perhaps the Åland Islands, would cut off German supplies. Clearly Finland may be compelled by force to come to terms, a second time, with Soviet Russia; and for the moment diplomacy has apparently given way to arms in the Allies' attitude. On February 6th, when Helsinki was first bombed again, the official Soviet News Agency authoritatively stated that reports of separate Russian negotiations for peace with Finland "did not in the slightest degree correspond with reality"; and new threats of dire punishments when the Red Army reaches Finnish territory have begun in the Russian press. Meanwhile, with the threat overhanging, discussion for and against the war goes on in Finland. The Diet reassembled at the end of last month, and differences in view became more evident, not only between the Left and the Right, but also within the Social Democratic Party itself, the strongest in the Diet. The chief of the political police, Anthoni, reputed to be an ardent Nazi, resigned. In the Diet, the President or Speaker, Hakkila, a Social Democrat, was re-elected, but many Social Democratic votes went to Voionmaa, chairman of the Foreign-Affairs Committee, and closely linked in reports with the campaign for a separate peace. The Acting Premier Tanner—the Premier, Linkomies, is ill—is the most determined advocate of a fight to the finish.

It is still hard to measure the exact balance of opinion, though it seems that the Polish-Russian dispute has stiffened the will to resist in face of the Russian advance. Opinion on the margin is at present being swayed not so much by the choice between Nazi Germany and Soviet Russia as by the respective pulls of Swedish and German influences. The Swedo-Finns, 10 per cent of the population, make up the most influential section of the peace party. On the other side there has been a resurrection of the old Lapua Movement and greater activity on the part of the small Nazi Movement. But politics does not seem likely to decide the issue any more than diplomacy. The German counter to the nearing Russian danger is the threat to occupy all Finland. But this can only be done if the Germans can prevent the Russian armies from advancing farther into Estonia, which now seems uncertain, to say the least. Yet

even though the balance of force has swung in favour of the Russians, the Finns are no more inclined towards unconditional surrender than they were four years ago; it is this sense of national independence, rather than the influence of political ideas or diplomatic calculations, that keeps the Finns in the fight.

### The Russian Way

The federal reform in Russia is now in course of practical execution. The first step was the appointment of M. Alexander Korneychuk to the post of Commissar of Foreign Affairs for the Ukraine. The sequence of the various stages of the reform throws some light on the immediate meaning of the new "federalism." The problem which Soviet diplomacy puts first is the conflict with Poland. The first Ukrainian Foreign Secretary has been known for his extremist anti-Polish attitude. By formally devolving diplomatic responsibility upon M. Korneychuk, the Moscow Foreign Office may be able, ostensibly, to wash its hands while he, on behalf of the Ukraine, makes more exacting claims against Poland. The "Ukrainians" increase their demands almost daily. First, they protested against the proposal that the Curzon line should be made the basis of a new frontier settlement with Poland; they are reported to prefer the Russo-German demarcation line of 1939, the so-called Ribbentrop-Molotov frontier. Then it appears that M. Grechukha, the President of the Ukrainian Supreme Soviet, has laid claim to territories situated to the west of both lines—that is, to Polish districts which were not even occupied by the Russians in 1939. In the recent debates of the Supreme Soviet in Moscow, the speeches of the Ukrainian deputies had a threatening tone, absent from the statements of other Soviet spokesmen. This odd division of labour may be for bargaining purposes; and Moscow may well appear eventually as a more moderate influence in the dispute. Tactics of this kind have been used before in this part of Europe. Marshal Pilsudski secured Vilna for Poland when he ordered the Polish general Zeligowski to capture Vilna "on his own account," without involving the Polish Government. Two wrongs do not make a right; and Polish misconduct in the past would be no justification for coups of the same kind by their powerful neighbour. It is a pity that Russia should seem to be entering now upon a policy which would be almost certain to dissipate much of the huge moral credit won since 1941 by the sacrifices and the valour of her soldiers as well as by the immense exertions of her toiling peoples.

### False Dawn at Brighton

The narrow Government majority at Brighton in what has always been a very safe Conservative seat caused little surprise locally. The result should not be taken too readily as an injunction to Mr Churchill to eat the warning words of his two letters to the constituency. While creating a heated national controversy, it is doubtful whether in the end the famous letters made any decisive difference to the issue. The local reaction was one of indignation, but its effect in terms of votes may perhaps have been offset by the quieter section who were brought by the Prime Minister's words to give their attention to the election. Few of the supporters of the Independent candidate believed Mr Churchill's own insistence that by rejecting Flight-Lieutenant Teeling, they would be releasing him, and even after the Prime Minister had personally reassured his personal responsibility in the matter, they continued to believe that he was, in this connection, either the prisoner, by his own choice, of the party caucus or the victim of advisers. Brighton, in fact, was not concerned at the polls with the war at all. Local issues predominated; the nomination, yet again, of an outside Conservative candidate was widely resented. Reconstruction legislation is of special interest to a seaside resort which has been in the front line since the fall of France. It was natural that a popular local man, the brother of the mayor, should be considered by many, and especially by the business community, an appropriate spokesman to be at Westminster. In so far as the opposition vote did reflect a national opinion, it reflected the familiar protest against the sorry slowness to legislate for peace. But the electors were neither voting on Mr Churchill's leadership in war nor foreshadowing, necessarily, how they would vote under peacetime conditions of party politics. Brighton may still qualify for colours

of the truest blue. The present period, in fact, is the false dawn of politics in which many electors wish to indicate to the Coalition whips their rather bruised sensibilities, without meaning either to question the conduct of the war or to choose definitely between the main party platforms.

Meanwhile, nominations have taken place for the West Derbyshire by-election, and, despite the unexpected appearance of a farmers' candidate with a contempt for electioneering and with no apparent quarrel with the Government, the issue will lie in the struggle between the National Government and Conservative candidate and his Independent Labour opponent, who has Common Wealth support. The decision of the local Liberal Association to leave its members free to vote according to their own judgment is likely to help the opposition, and the Government will need every member of the heavy battery of speakers it has rushed up. Here again there is more than a strong local suspicion of manipulation—even of nepotism; and, in addition, the result, in a longer election with national organisations of some sort on both sides, is likely to give a somewhat more clear-cut reflection of national trends than did Brighton. But even the arrival of yet another Independent in the House of Commons would be no more than a straw in a wind, which, though plainly felt, is still light and veering.

### Counter-Offensive

Whatever the real meaning of recent by-elections may be, one thing is certain and significant. The word has gone out that the Government must prevent further losses. The Prime Minister's intervention at Brighton was the beginning of a new policy. In West Derbyshire, the policy has been carried a stage farther by the recruitment of minor Ministers to support the official candidate. Previously, members of the Government, in accordance with the party truce, had held aloof, and this is still to be the attitude of members of the War Cabinet. But the little guns, from now on, will be thrown into the breach. The Government, at least, does not underestimate the possible national meaning of these events. Side by side with the light governmental artillery go the forward elements of Conservative Reform. In 1943, the main aim of Tory Reformers was to underline their belief in Reform; now, for the time at least, the stress is upon the adjective Tory. Both at Brighton and West Derbyshire the progressive group of young Conservatives has demonstrated its determination, come what may, to stand by the party and the Coalition. The speeches of its leaders, in recent weeks, have had the same emphasis—the imperative need for continuing the Coalition; and the impossibility of Tories, however Reformist, acting in Parliament or outside "again the Government." These young men are good politicians who know that the way to effective action is through the party machine. This is not so well appreciated by members of the Labour Party—despite the example of some of its most able members, who, by party indiscipline, have made sure that their political efforts will leave little or no mark upon national policy. The game of politics, even in the age of Beveridge and Acland, is still won by those who play politics, not those who raise issues.

### Building, Housing and Planning

Lord Portal has stated a design for immediately post-war building, and referred, in general terms, to the shape of postwar policy for housing. Both items in his statement to the House of Lords are discussed in an article on page 216. Meanwhile the third and widest circle of policy in these matters namely, policy for planning, remains entirely undefined by any Minister. Lord Woolton's promised White Paper on planning will, presumably, fill the gap. As it is, while the Minister of Works has spoken specifically about the technique of house-building in the near future, all the hoary but vital questions raised by the Barlow Commission and the Scott and Uthwatt Committees remain unanswered; and the only new answer that is being widely forecast is No to the more practical Barlow proposals. It would be fantastic if a large-scale programme of even temporary house-building were to be begun without any positive Government policy on the location of industry, and the mobility of labour—or more aptly, as one expert has put it, about the location of labour and the mobility of industry. Every step taken to provide the houses which will be needed after the war,

urgently in the short run, less urgently in the long run, without a definition of national planning policy, in the physical and geographical sense, will make it more certain that building after the war will be even more chaotic and disastrous, in its social effects, than it was after the last war, when the face of Britain was so sadly spoiled.

### Neutral Turkey

With the approach of the climax of the war, the Allies are inevitably anxious to enlist as much support as possible beyond, as well as behind, their frontiers. The process of dividing the sheep from the goats, of rallying the one and coercing the other to the strictest of strict neutralities, is well under way. Portugal has freely given bases in the Azores. Pressure on Argentina, and now on Spain, is depriving the Axis of two remaining sympathisers. It is clearly essential to construct, as a background to further offensive action, such conditions in neutral countries as are most favourable to the Allied cause. While, for geographical reasons, little could be done, say, to alter the situation in Sweden, the place of Turkey, inside the fold or out, active participant or sympathetic spectator, has not yet been clearly enough defined. Far from achieving any agreement on the extent to which Turkey is prepared to stand by the obligations to the Allies that have repeatedly been acknowledged, the Allied-Turkish consultations, which have been going on ever since the conference at Cairo, appear to have reached a deadlock. Once it had been established that the Turkish Government would prefer, if it were forced to abandon the present status of a non-belligerent, to participate against the Axis as a full belligerent, rather than passively to allow Allied forces to make use of Turkish bases (which would have meant losing the advantages of belligerent rights while risking the danger of reprisals), two points of disagreement at once arose. The danger of a German invasion to forestall Allied plans was a greater risk, so the Turks held, than they could afford to take with the volume of war material at present given to them by the Allies. The Allied reply that such an invasion was improbable, under the present circumstances, and that, in any case, Allied supplies were already more generous than was warranted by Turkey's ability to absorb them and put them to proper use, does not, by itself, lead to any solution save mutual irritation and misunderstanding. Turkey cannot afford, at this late stage, to sacrifice the British good will which she won so hardly in 1940 and 1941 by her loyal refusal to come in against her ally. The Allies cannot afford to lose, through want of plain speaking and decisive action, the active help of an ally whose strategic position as guardian of the Straits and spring-board for south-east Europe is of first importance.

### The Status of Algiers

Only a few months ago the legal status of the French Committee of National Liberation was still disputed and questioned. The Americans recognised the Committee as the leading body of French resistance; but they made

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explicit reservations about its position as a Government. The Russians, on the contrary, explicitly recognised the Committee as "the representative of the state interests of the French Republic." The British official statement refrained from making the reservations made by the Americans, but the recognition it gave was not so explicit as the Russian declaration. It is now certain that recent weeks have brought a decisive change in the attitude of the Allied Governments. The agreements on currency and on mutual aid between Great Britain and France announced on Tuesday (and discussed in a Note on page 217) are much more than a routine document signed by the Treasuries of two countries. They mark a political turning point. The recognition of the franc as an Allied currency foreshadows—so it may be hoped—the final restoration of the Anglo-French Alliance, which has never in fact been abandoned either by Britain or by resisting Frenchmen. The new agreements were made in the spirit that animated the makers of the economic treaties of November, 1939. The fresh start is still modest; but the scope of Anglo-French economic and political co-operation will widen very soon. Sir John Anderson has made it clear that the new arrangements are independent of such financial arrangements with France as may be made after the war. But it is at least equally clear that the new agreements are in an altogether different category from the agreement between the Prime Minister and General de Gaulle in August, 1940. A new attitude seems also to have been adopted by the State Department, which is now reported to be inclined to reconsider its relations with Algiers, and to give wider recognition to the Committee of National Liberation. This change of heart will be welcome in this country. It almost certainly springs from the realisation that Algiers has now really become the temporary political capital of France; and that, whatever criticisms may be made of General de Gaulle's personal policies, the Committee's claim to represent the sovereignty of France is genuine and justified. What is perhaps less clear, for the moment, is the state of relations between Moscow and Algiers. M. Vyshinsky and M. Bogomolov have both been recalled to Moscow for consultation.

### Control in Education

The attempt in the Commons on Tuesday, during the Committee stage of the Education Bill, to leave out the word "control" from the new definition of the powers of the President of the Board of Education did not succeed. There is some confusion about the purpose of the new definition. Discussions since the Bill was introduced have been largely dominated by the determination of the non-county authorities, urban and rural, expressed in a vigorous campaign, to fight to the last for every one of their powers which seems, however remotely, to be threatened. The possibility has not entirely gone, for instance, that the principle of the single administration of all schooling over wide areas (applied in the Bill in a rough and ready way to counties, with some anomalies) may be, in effect, considerably whittled away by further concessions. Suspicion of the President's powers of "control" has a similar origin, and it is shared by some county councils—who also tend to act in these controversies as, first and foremost, vested interests. If it was the Government's intention, by the wording of the new Bill, to ride roughshod over local initiative and responsibility, these fears would be justified; and something more might perhaps be done to define the word "control" more precisely. But, in fact, every party to the discussion knows very well why the new definition of central responsibility has been introduced. In the past the standards set by statute have not been realised because an appreciable proportion of the minimum requirements have been "permissive" and left to the willingness and ability of local authorities. Now it is the Government's intention, very rightly and very belatedly, to insist upon minimum standards of schooling for all children in all areas; to secure what Mr Butler called "the development of a real national policy of education"; and to make it "mandatory." Over and above the minimum, there should be, and will be, the amplest room for local diversity according to local needs and local wishes.

Unfortunately, the Government itself has not yet seen the problem as a whole. It is not enough to say "it shall be done." The local authorities must also be capable of doing it. Administratively, this has been recognised in the principle of single regional administration, which in some cases ought logically and practically to out-run even county

boundaries. Financially, with the accumulation of other rate burdens, the Bill may still be made abortive by the same financial incapacity which made it inevitable in past Bills that necessary policies should nevertheless be made "permissive." It may still be that, when the whole tale of new rate burdens has been told, some existing local services will have to be taken off the rates on to taxes and become national; and it is by no means sure that education might not be more suitable than some other services for such translation.

### Advice on Schooling

The disappearance of the Consultative Committee of the Board of Education, to be replaced under the new Bill by two Central Advisory Councils, one of them for Wales, should not pass without recognition of the Committee's remarkable work between the wars. What is needed in any Ministry, more perhaps than anything else, is the development within of a consistent code of administrative conduct and coherent policy, expertly and impartially evolved. Without such sustenance from his agents and advisers, no Minister can make progress in his duty to Parliament and people, and no Parliament can discharge its ultimate responsibility to make the most of the nation's laws and taxes in the interest of all the citizens it represents. It has not been for lack of advice of this order that educational policy has faltered and sometimes failed during the past twenty-five years; the faults have been local, financial and political. The reports produced by the Consultative Committee and the advice given day by day by HM Inspectorate have together constituted a notable body of doctrine, theoretical and practical. The Committee is not being replaced because it has fallen short, but rather because something still more continuous is required. Its function was limited to advising on matters referred to it by the Board. The Advisory Councils, which will include representatives of all branches of public life concerned with education, will have this function, but they will also advise the President on any matters they regard as important. In a sense, their setting up is a final tribute to the work of the Consultative Committee. There is a danger that, by broadening the field of work and widening the advisory personnel, to represent the national life and culture "in the broadest sense," the work so well done before may now become too diffused, and the hard core of expert and practical doctrine may be lost. If Mr Butler and his successors can avoid this dissipation of the present excellent intentions, the Advisory Councils will represent an important step forward in "the development of a real national policy of education."

### Demobilisation Debate

Discussion on demobilisation has passed through a series of well-defined stages. First, there was the controversy last year about the proper principles of release from the Forces, to which the outstanding contribution was the startling promise of Mr Bevin that "first in" should be "first out," without qualification. Secondly, there was the period, lasting until now, when various political and research bodies drew attention to the very complicated problems involved. This approach was epitomised in the proposal of the Tory Reform Committee that discharge should be guided by a "points" system which would allow, in a complicated calculation, for the continued requirements of the Services; for the immediate need of post-war industry for skilled men; for the strong view of members of the Forces that rough justice should follow Mr Bevin's formula; and for the particular family or other responsibilities of individual Servicemen. This "points" proposal was not a practical policy, but simply a succinct account of the many matters involved in a far from simple problem. Now the second stage of discussion is merging into the third. PEP has produced, in the latest number of its broadsheet *Planning*, an account of the military, industrial and personal aspects of demobilisation; and laid stress, rightly, upon the decisive importance of remobilisation for peace-work—that is, upon the obvious fact that, if lasting jobs cannot be provided for all, ex-Service men and ex-warworkers alike, demobilisation will be a failure, and politically a disaster. The third stage, that of practical proposals, has been well opened by the Liberal Party in a report just published. These proposals are based, in the first place, on experience after the last war, when "scientific" demobilisation caused the beginnings of mutiny, disaffection and political chaos—until Mr Churchill saw that, one way or the other, the overriding need was to get men out of the Forces as quickly as possible. Thus the Liberal report says:

If the total process of demobilisation of all those destined for early release can be speeded up to a sufficient degree, greater benefits will be obtained and the interests of each individual will ultimately be better served . . . if the basis of priority adopted is that of sheer practicability.

### Plan of Action

Not all can be released early. Peace will come in stages. Men will be needed after Germany's defeat, both in the Forces and industry, for the Far Eastern war, and for purposes of overseas occupation and home defence. The Liberals propose that this need for longer service should be met, over and above the key men and units who must be kept in any case, by voluntary enlistment; it is their view that volunteering would suffice if a sufficient inducement in terms of pay and allowances could be given to the volunteers. This may perhaps be regarded as by no means proven; but it is certainly right to say that it would be

the negation of both democracy and justice to retain the principle of compulsion merely to avoid the introduction of adequate scales of pay in the British Forces.

For the rest, the Liberal principles are speed and common sense; the promptest release of those who can be spared; the discharge, wherever and as soon as possible, of men long away from home; the spreading of military orders, after the war in Europe is over, to minimise local unemployment; the provision beforehand, not merely in paper plans, but in terms of labour and materials, of clothes, food, homes and household goods for returning men and reassembled families; and above all the re-employment in peacetime jobs of both ex-Service men and industrial workers. It is not hard to find work in the short term for those demobilised. Six months after the armistice of November, 1918, 3,300,000 out of 5,000,000 men had been sent home; and at the end of the year only 400,000 were drawing unemployment pay. Mass unemployment came later; and, similarly, demobilisation policy will be tested not one year, but two or three after most men have been discharged. The only way is a policy of Full Employment; and both PEP and the Liberals agree, not only that such a policy should now be fashioned, but also that

a clear announcement of plans for demobilisation should be made well in advance of the termination of hostilities in Europe.

### Manx Home Rule

A petition for effective Home Rule for the Isle of Man is now before the Home Secretary. The object of the radical reforms suggested is more democratic control over the Manx Government by the people of the island. At present ultimate authority is vested in the Lieutenant-Governor appointed by the Home Secretary and assisted, in an advisory capacity, by elected representatives in the House of Keys. A recent tendency to appoint the Governor and his official Secretary from the ranks of retired colonial administrators has not helped to bring about sympathy of views on the government of the island; and it is unfortunate that criticism of the chief Minister has necessarily to be directed against the person of the King's representative. In the petition it is proposed, instead, that an executive committee, responsible to the people's representatives, should take over the administration, appointing, among other Government officers, a Finance Minister with full control over the annual budget. This office has previously been held by the Governor himself, who, since the Isle of Man Customs Act of 1886, has had the power of complete veto on all measures of expenditure and taxation proposed by the House of Keys. It should be noticed that if the independence of government sought in the petition were to be granted, it would necessarily follow that the financial responsibilities of the Manx people would become heavier in proportion as the stringent control of the Home Office was lightened. While the status of the island is semi-colonial in character, an income-tax rate ranging from 9d. to 2s. 7½d. in the pound, with an annual contribution to the Imperial Government of £10,000, and an added £20,000 for war-time defence, can perhaps be tolerated; but the British Government could scarcely grant greater freedom of government without requiring sacrifices from the Manx people more commensurate with those of its own taxpayers. On the other hand, it would be difficult to find an arrangement, satisfactory in practice and to Parliament, for so small a territory that would, in effect, confer upon it quasi-dominion status. Possibly some modified form of freer local government, preserving the traditional House of Keys, together with representation in Parliament, might prove an acceptable compromise.

### Nikopol Manganese

If the Germans had been able to hold and make full use of the manganese mining area whose centre is Nikopol, their supplies of manganese ore would have been amply sufficient. Actually, they did not restore the mines to nearly effective working until lately; and now they have lost them to the advancing Russians. Nikopol's annual pre-war output of ore was about one million tons, or two and a half times Greater Germany's pre-war annual imports. Germany's occupation of Nikopol lasted almost two and a half years, and every effort was made to restore the mines. German sources suggest that at least 400,000 tons of ore were mined during this period. By the loss of Nikopol the Germans have not lost all this area's manganese capacity, because they have never had it all. On the other hand, if they could have kept their hold, output would certainly have increased further, and this would have meant that the low-grade manganese ore in other parts of the Continent as well as in Germany would no longer have been needed. Now, with its loss, Germany is thrown back entirely upon the low-grade ore. The German war machine will not become at a stroke bereft of manganese, which is absolutely essential for making any kind of steel; there is the low-grade ore available to be worked. The immediate consequences are, first, that the labour and machinery used to restore the mines have been utterly wasted; and, secondly, that new labour and new machinery, for the processing of low-grade manganese ore, will be needed at a time when labour shortage is the most serious single difficulty in the German war economy. Deficiency will follow. The loss of Nikopol demonstrates the main weakness of Germany, which is not the absolute lack of this or that vital war material, but the fact that the sweeping retreat from regions with important material resources compels the Germans to divert labour and material, with only problematical chances of success, in an effort to make good the loss.

### The Cost of Subsidies

The cost of maintaining low prices for essential commodities in the national wartime diet was demonstrated last week in answer to a Parliamentary question. A table, reproduced below, of prices paid by the consumer and prices paid by the Government, was accompanied by a list of the total cost of subsidy for the various commodities. Under the heading "Other Subsidies," the most important items are subsidies for fertilisers and animal feeding-stuffs, the cost of the Ministry of War Transport's operating loss in the carriage of imports, and a sum of £20 million needed to supply cheap and free milk under the National Milk Scheme and the Milk in Schools Scheme.

|                              | Present Price     | Unsubsidised Price | Cost of Subsidy in £ million p.a. |
|------------------------------|-------------------|--------------------|-----------------------------------|
| Bread . . . . .              | s. d. 9 per 4 lb. | s. d. 1 2          | s. d.                             |
| Flour . . . . .              | 1 21 " 6 lb.      | 1 91               | 60.4                              |
| Oatmeal . . . . .            | 31 " lb.          | 1 5                |                                   |
| Meat (home-killed) . . . . . | 1 11 " lb.        | 1 5                | 23.1                              |
| (imported) . . . . .         | 81 " lb.          | 91                 |                                   |
| Potatoes . . . . .           | 61 " 7 lb.        | 101                | 28.6                              |
| Eggs (large) . . . . .       | 2 0 " doz.        | 3 91               |                                   |
| (small) . . . . .            | 1 9 " doz.        | 3 61               | 11.3                              |
| Sugar (domestic) . . . . .   | 4 " lb.           | 51                 | 10.5                              |
| Milk . . . . .               | 9 " quart         | 91                 | 10.5                              |
| Cheese . . . . .             | 1 1 " lb.         | 1 31               | 3.7                               |
| Bacon . . . . .              | 1 101 " lb.       | 1 11               | 1.6                               |
| Other subsidies . . . . .    |                   |                    | 149.7                             |
| TOTAL . . . . .              |                   |                    | 205.8                             |

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# AMERICAN SURVEY

## Four Midwestern Papers (From a Correspondent in Iowa)

THE great decisions made at the Moscow, Cairo and Teheran conferences have been represented to mid-west American newspaper readers in the most diverse ways: with whole-hearted support and hopes that the Republican party will rally round, and that freer post-war trade will be added thereto (*Des Moines Register*); with jubilation, marred only by misgivings lest Russia be allowed to re-occupy its 1941 boundaries and Britain, France and the Netherlands their Far Eastern Empires (*Cleveland Press*, *St. Louis Post-Dispatch*), and added misgivings about the United States and Britain backing reactionaries in Europe (*St. Louis Post-Dispatch*); and with scarcely veiled sneers at the motives and good faith of all concerned (*Chicago Tribune*).

The press in America is far from being a trustworthy index of public opinion, but these four papers do give a good idea of the spread of opinion in the area—and of the influences which are being brought to bear on still unformed opinions.

Each of our four papers has strong local roots, prestige and colouring. Chicago's boom-or-bust heartiness, gangsterism and mountebankery have influenced and been influenced by the *Tribune*, long its largest morning paper, with its gusty chauvinism and its slashing attacks on the objects of its publishers, Colonel McCormick's, personal dislikes. The *St. Louis Post-Dispatch's* liberal, crusading spirit, mixed with unpuritanical tolerance, stems partly from the German immigration to St. Louis in the 19th century which followed the leadership of the men of '48, and partly from the personal influence of Joseph Pulitzer, the founder, and the men who thereafter carried on the paper.

Cleveland's rich tapestry of immigrants from all parts of Europe, peasants turned factory workers in a new land, could be either a headache or a challenge and the *Cleveland Press* has taken it as a challenge. This ferment of new Americans, trying politics and trade unionism, making mistakes but trying again, has interacted with the original liberalism of the Scripps chain to produce a mixture which has not wholly succumbed to the growing conservatism that has been manifest in recent years in the rest of the chain, to which the *Cleveland Press* belongs. The output of the local columnists sticks to the old pro-labour, anti-monopoly line better than the leaders supplied by the chain from New York.

Something of the deliberate caution of the heavily capitalised Iowa farmers goes into the policy of their paper, the *Register*, which is dominated by the personality of its editor, Mr W. W. Waymack, a man of outstanding character and influence. Nearly half the Sunday edition's circulation goes outside the city's retail trade area.

All four of our papers describe themselves as "Independent" of political parties, but despite this avowed "independence," it is fair to say that the *Chicago Tribune*, the *Cleveland Press* and the *Des Moines Register* lean toward the Republicans on national and international issues to-day, though differing widely on which way the Republican party should go, while the *St. Louis Post-Dispatch* leans more nearly toward the New Deal.

Three of the four newspapers are pressing for a bi-partisan foreign policy of postwar collaboration to keep the peace, with the Moscow agreements as a hopeful start. The fourth (the *Chicago Tribune*) has long been willing and eager to disrupt the Republican party rather than have it go along with any such programme. Yet three of the four were isolationist before the Japanese attack on Pearl Harbour, and even the *Des Moines Register* never advocated intervention stronger than Mr Roosevelt's step-by-step process. The *Chicago Tribune* was isolationist in an angry way, imputing bad faith and betrayal of the nation's interests due to Mr Roosevelt's alleged snobbish eastern seaboard Anglophilism. The Scripps-Howard chain (in-

cluding the *Cleveland Press*) had broken with the New Deal on domestic issues by 1935, thought Mr Chamberlain's Munich was great stuff in 1938 and, while resenting the label "appeaser," opposed the Lend-Lease Bill in 1941. The *St. Louis Post-Dispatch* was isolationist because it feared for democracy and humanitarianism if what seemed to it hysterics and chauvinists plunged the United States into another war; it only became reconciled by the actual attack on Pearl Harbour. The *Des Moines Register* headed its "Platform" in 1939 with "Keep out of war," but supported every single step to extend greater aid to the Allies, with increasing urgency after the fall of France.

There is a strong element in America which considers the war with Japan the main show, emotionally, and sometimes intellectually, too, and this line of thought, or of prejudice, appears at its strongest in the *Chicago Tribune*. But for any but the hate-press, this issue has been dead since it became obvious that the United States was deeply committed to joining in a European offensive with good prospects, and since developments in the Pacific have shown that Allied forces can slowly move ahead there at the same time. The *Tribune* and its allies are therefore turning to the question of Russian relations, which is a glorious opportunity for them, since even sincere supporters of Allied harmony have misgivings about Communist Russia gobbling up little neighbours with somewhat greater claims to democracy. Both the Scripps-Howard papers and the *St. Louis Post-Dispatch* worry in public about that, as they do also about the iniquity of restoring Pacific colonies to imperialist Britain, France and the Netherlands.

Among the great majority of Americans who in general support Mr Roosevelt's foreign policy, much bitterness has also developed over what seems to some of them the Administration's consistent support of the more reactionary elements in Europe: MM. Darlan and Giraud, General Mihailovitch, King George of Greece, Marshal Badoglio, etc. The *St. Louis Post-Dispatch* is the one of our four which represents this viewpoint most vigorously, though the *Des Moines Register* likewise let out an anguished yelp when M. Peyrouton was dragged in from Argentina to high office. The Scripps-Howard Press tends to wish a plague on both sets of quarrelsome Europeans, and the *Chicago Tribune* alternates between that view and denouncing one side or the other as Communist or worse. (In Ohio and Pennsylvania, Scripps-Howard strongholds, there are enough old-country Europeans on both sides of these fences to make the issue well worth ducking for the cautious.) The *Des Moines Register* is cautious on principle, but leans to the "left" side of these issues when it can do so without feeling too disruptive.

The *Register* and the Scripps-Howard papers are inclined to take a kindly view of Republican leaders' gestures toward political internationalism, reading into them perhaps more than is there, whereas the *St. Louis Post-Dispatch* snorts with impatience on one side while the *Chicago Tribune* snarls on the other. Still more critical as an issue is economic internationalism, toward which the American people and Congress have moved so little since Smoot-Hawley tariff days. Only the *Chicago Tribune* and the *Des Moines Register* say much. The *Chicago Tribune* is against it. The *Des Moines Register* is for it, but sticks pretty much to tariffs as a target at a time when international trade barriers have become more administrative than fiscal.

Few people, even in the Illinois-Indiana-Ohio-Michigan region, where isolationism is strongest, fall for the whole *Chicago Tribune* "line." But a great many agree with some one or two elements of it: they may fear Russian Communism, or hate the Japanese more than the Germans, or dislike imperialism, or distrust those "clever diplomats" the British, or hate Mr Roosevelt, or fear an international charity scheme or a tariff cut. In 1919-20, Senator Lodge and

Senator Borah managed to win a victory for isolationism by working on each of these and other feelings separately, one at a time. Mr. Roosevelt and Mr Cordell Hull, forewarned, have performed prodigies and will doubtless perform more to present political internationalism to a suspicious American people in a form to which all but the extremists can agree—and to present it so they must say "Yes" in one swoop or lose the whole. But international economics are still a "local issue" in America, likely to be decided piecemeal on local grounds rather than once for all on broad considerations. Therein lies the gravest danger.

## American Notes

### American Oil Diplomacy

Seventy-five years ago the Mediterranean was connected with the Indian Ocean by the Suez Canal constructed by Ferdinand de Lesseps. Now there is to be another link, an oil pipeline from the refineries on the Persian Gulf to the Mediterranean, to be financed by the American Government and to be constructed by American engineers. The project, whose cost is assessed at \$130 to \$165 million, will be carried out by agreement with the Arabian American Oil Company and the Gulf Exploitation Company; the one is owned by Standard Oil of California and the Texas Oil Company and the other by the Gulf Oil Corporation. The consent of the rulers of Saudi Arabia and of Kuwait has yet to be obtained. Details of the scheme are not yet available, but Mr Harold Ickes, Secretary of the Interior, United States Petroleum Administrator and President of the Petroleum Reserves Corporation, gave a broad indication of its objectives last week-end. In one sense the decision to construct this pipeline is an economic one in that the United States is anxious to conserve its oil supplies by encouraging the utilisation of foreign resources. In the main, however, the objective of the project is one of strategy. Mr Ickes said that it will

greatly help to assure an adequate supply of petroleum for the military and naval needs of the United States in view of the obligations which this country must assume for the maintenance of collective security in the post-war world.

The pipeline system is to be operated and maintained by the American Government through the Petroleum Reserves Corporation; its facilities are to be available to oil producers other than those who are parties to the agreement; but the State Department reserves the right to stop supplies to the governments or nationals of any country where this would be unwise in the light of American foreign policy and the requirements of collective security. The project is the first that envisages the direct participation of the American Government in the development of overseas oil resources, and in its strategical objective it resembles the purchase of the Khedive's shares in the Suez Canal by Disraeli in 1875 rather than the construction of the canal by de Lesseps.

### The Sorest Point

There is to be a Presidential election in the United States next November. Presumably there will be a Republican and a Democratic candidate. That much is safe to say in a British newspaper; but the pitfalls which lie beyond were shown up luridly this week when the Republican press—from the stately and allegedly Anglophile *Herald Tribune* to John O'Donnell of the *Daily News*—pounced upon a leader in the *Church of England Newspaper*, gave it front page news standing, and then set their columnists and editorial writers in full cry. For a British newspaper, no matter how obscure, to insist on Mr Roosevelt's irreplaceability and to reflect on the sincerity of Governor Dewey's internationalism, shows, no doubt, a certain lack of tact and political *savoir-faire*. But in this case, surely, a very substantial mountain has been created out of a molehill, with a magnificent disregard of the facts. The *Church of England Newspaper*—estimable publication though it is—can hardly be accurately described as "an influential, authoritative, Government-supported organ of the established Church of England." It is not Government-supported; it is only one of five Anglican publications, none of which is run by the Church; and a telephone call—either in London or New York—would have

made this clear. The *World Telegram* speaks of the "ecclesiastical ineptitude . . . which, repeated, would virtually guarantee Governor Dewey's victory." The *Daily News*, with its characteristic flair for drama, suggests this may be Mr Churchill's "Kiss of Death" to Mr Roosevelt. The *Herald Tribune*, in accents of thunder, calls it an insult to many forces in America which are trying to make American participation in world affairs a non-partisan matter—"journalistic licence" . . . "which may diminish the hopes of the United Nations for a viable peace." The *Tribune's* leader ends on the hope that the responsible British press will recognise realistically the limits of international political discussion. The present incident is based in part on a misunderstanding of the rôle and importance of the newspaper concerned, though it might be added that in the United States the political freedom of British newspapers generally is underestimated and the extent of domestic censorship exaggerated. It is also true that some of the Republican papers are not above emphasising such a political *faux pas* as a means of identifying Mr Roosevelt with foreign intervention in domestic politics. But on the general issue, there can be few Americans who would care to maintain that the results of this election are matters of no interest or importance outside the United States, a sort of political skeleton not to be mentioned in polite society. Surely the country that produced the Five Senators, as well as the Four Freedoms, can afford to be magnanimous and let the British parson have his say.

### Sweat and Taxes

Mr Roosevelt's message on the state of the union a fortnight ago was interpreted as an appeal based on the now immortal psychology of blood and toil, sweat and tears. In it the President asked for a realistic tax bill. Mr Willkie, who does nothing by halves, has insisted that the Treasury proposals for taxes increasing revenues by over \$10 billions should be more than doubled. This virtuous competition as to the amount of sacrifice the American people will be prepared to stand—or even to demand—by election time does not extend to Congress. The Bill which has been agreed to by the Senate and House of Representatives provides for a revenue increase of only \$2,315 millions. Minor victories have been won for the Administration. The shameless attempt to emasculate the law governing the re-negotiation of war contracts has been abandoned. Court review of decisions under the law will not be general, but limited to cases where re-negotiation was imposed by the government. The definition of sub-contractors has been rewritten in a way which does not limit the application of the law to any considerable extent, and the exemption granted the machine tool industry has been struck out. But in other respects the tax Bill registered defeats for the Administration. The total to be realised is far below goals considered adequate by the Treasury. Income taxes have not been raised; indeed the victory tax has been lowered from 5 per cent to 3 per cent, although this is offset by the discontinuance of earned income credit. Social security taxes, which the Treasury would have liked to raise, are to be frozen at the present level of 1 per cent for another

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year. There is some speculation about the fate of the Bill. In some quarters it is believed that Mr Roosevelt might veto it. This is possible, but would be unprecedented; and there is no reason to think it would result in a more generous or realistic measure. Mr Roosevelt, being a practical politician, will probably argue that one-fifth of a loaf is better than no bread.

### The Soldiers' Vote

The Bill providing for a simplified Federal ballot for servicemen is having a stormy and confused passage through Congress. In the House last week the Administration measure was crushingly defeated by 224 to 167, the *coup de grâce* being administered by 48 Southern Democrats, who voted with the Republicans. The House then passed the Eastland-Rankin Bill, which merely recommends the states to make provision for absentee Service voting and requires the military authorities to give state ballots mail priority—the measure which Mr Roosevelt has characterised as a “fraud.” Since then the Senate has passed, by a narrow margin of six votes, a compromise Bill, which would establish a double system. The precise details are not yet entirely clear, but the original Danaher amendment, which was sup-

ported by the Administration, would limit the Federal ballot to Servicemen overseas and to those in the United States whose home states have made no provision for absentee voting by August 1st. The bitter partisanship which has consistently characterised the debate in Congress almost certainly is unrepresentative of the temper of the voters; and there is equally little doubt that in this case President Roosevelt has the popular end of the argument. Almost certain proof of this is the refusal of Governor Dewey to comment on a telegram of his to a member of Congress, which was widely interpreted as meaning he favoured the solution by state ballot. It is hard to avoid the conclusion that if the Senate compromise is adopted the President will have the substance, if not the whole, of what he wanted, as well as the credit of preventing a wholesale disfranchisement of Servicemen. State absentee voting provisions for Servicemen were not universally effective even within the limits of the United States in 1942, and they plainly stand a much smaller chance of bringing in that half of the Service vote which will be stationed overseas by next November. If, on the other hand, Federal aid is completely rejected the Republicans and anti-Administration Democrats will have added a most unpopular chapter to their record of Congressional obstruction.

## THE WORLD OVERSEAS

### The Falange Economy

[BY A CORRESPONDENT]

February 1st

It is almost five years since the Spanish civil war ended with a precarious victory for General Franco and the Falange. During the war, the Spanish economy had been reduced to a level of less than 50 per cent than it was previously. The Franco regime was not strong enough to tackle the work of reconstruction, and no effective help from outside could be obtained because of the outbreak of the world war a few months later. For years, the economic situation drifted, unreformed and undirected. Roughly 60 per cent of the population was employed in agriculture, but the urgent need for agricultural reform was not met and the shortage of draught animals and fertilisers, together with the unrepaired ravages of the war, have caused a complete stagnation in agricultural production. This is shown in the following table:—

|                 | In 1,000 Metric Tons |       |       |       |
|-----------------|----------------------|-------|-------|-------|
|                 | 10-year average      |       |       |       |
|                 | before 1936          | 1941  | 1942  | 1943  |
| Wheat .....     | 4,130                | 2,824 | 2,954 | 2,600 |
| Rye .....       | 580                  | 504   | 657   | 750   |
| Barley .....    | 2,230                | 1,525 | 1,600 | 1,550 |
| Oats .....      | 570                  | 557   | 600   | 550   |
| Maize .....     | 650                  | 634   | 473   | 430   |
| Potatoes .....  | 4,300                | 6,500 | 6,200 | 4,500 |
| Olive oil ..... | 360                  | 340   | 240   | 300   |

Unreliable figures indicate that the production of pulse and citrus fruit is on the same level; that is, during the last three years agricultural production reached roughly four-fifths of the ten-year average prior to the civil war. Spain thus became dependent on imported wheat and maize, which was mainly supplied by Argentina. By the middle of last year roughly half of the one million tons of wheat promised had been imported. Before 1936, Spain was the largest exporter of olive oil. Current production is barely sufficient for home demands. In addition, the supplies of animal fats have been greatly reduced by the destruction of a large part of the livestock population. Partly because of a deliberate plan for agricultural autarky, and partly because it was impossible to import cotton and other textile fibres, resources were diverted to the cultivation of cotton and other industrial crops. Growers were encouraged by a system of premiums, whereas irrigation, which was in urgent need of reconstruction, was neglected.

Superficially, the supply of foodstuffs improved during 1942 and early 1943. But this was mainly the result of a more effective rationing system which replaced the family

ration card by an individual card. The supply of rationed foodstuffs actually increased by almost 20 per cent in 1942 compared with 1941. The 1943 harvest was, however, disappointing because of an early period of drought. Yet the determined attempt to stabilise the currency and prices, against the background of a slow increase in the supply of commodities, actually put an end to black market activities for a time.

The prices which were officially fixed for agricultural products at the end of last year are almost unchanged compared with the price level at the end of 1942. During 1942-43 it was still possible to dispose of the greater part of the export surplus of citrus fruit and wine. But the new season's crop has not found ready markets. Germany seems to have reduced its imports of oranges.

### Industrial Plans

In contrast to its neglect of agriculture, the Government has been very actively engaged on a plan for general industrialisation. The mineral resources for an extensive coal, steel and metal industry are there, and the most important raw materials for a chemical industry are also available. The idea is to increase industrialisation to a point where most of the industrial demand can be covered by home production, while, at the same time, exports of, for instance, unprocessed raw materials such as ores are to be replaced by refined metals. But, at present, Spain still lacks sufficient coal and other fuel for a rapid industrialisation. The generation of electricity is in its early stages with an annual capacity far below what would be needed for even a moderate industrialisation programme. In fact, the output of iron and steel actually fell between 1940 and 1942:—

|                | (In 1,000 tons) |      |      |
|----------------|-----------------|------|------|
|                | 1940            | 1941 | 1942 |
| Pig iron ..... | 581             | 537  | 528  |
| Steel .....    | 780             | 687  | 638  |

During the first three quarters of 1943, there was a slight increase compared with 1942. The mining of iron ore and pyrites for which Spain was famous has also declined, mainly because of export difficulties. There is, too, still a shortage of skilled workers in the mining industry. The output of copper, lead and zinc has hardly reached more than 50 per cent of production prior to the civil war. There has, however, been a considerable expansion in the mining of wolfram. Disused tin and antimony mines have been reopened. New records have been established in the production of mercury, and the development of nickel and vanadium resources is contemplated. It is not difficult to see that Germany is responsible for these activities.

The suspension of oil deliveries to Spain will probably speed up the production of synthetic oil from lignite and from shale resources, which are considerable. The deliveries

of imported oil to the state concern “Campsa” were as follows:—

|            |              |
|------------|--------------|
| 1940 ..... | 109,633 tons |
| 1941 ..... | 197,039 "    |
| 1942 ..... | 215,678 "    |

These figures compare with pre-war imports amounting on an average to 500,000 tons a year. Thus, recent imports were not large enough to build up stocks.

### The Totalitarian Model

Italian and German totalitarian ideas play a considerable part in the moulding of Spain's economy. The foundation of new companies in the mining and chemical industry reveal the model of the German concern, H. Goering. The two leading concerns for the manufacture of artificial textile fibres use German and Italian patents and processes. Home-produced cotton amounted to 13,200 tons in 1942, and the manufacture of artificial textile fibres is planned to reach 23,000 tons. Imports of raw cotton have, moreover, been substantial, and it is possible that total cotton supplies have reached the pre-war level.

After many unsuccessful attempts, industry is now almost completely organised in compulsory “syndicates,” which are modelled more after the Italian Fascist Corporations than the German Economic Groups. The INI (*Instituto Nacional de Industria*) is a sort of planning department for industrialisation and for capital expenditure. Production itself is controlled by the syndicates, frequently down to the details of manufactured articles. Capital expenditure figures look impressive, especially in the chemical industry. New industries, including aluminium plants, are certainly under construction, but the expenditure on residential buildings is small. The general impression, in fact, is that plans are far beyond what can actually be realised. Machinery for new plants has to be imported, and Germany seems to be behind its promises. All that has been achieved so far in agriculture and industry seems to be the stabilisation of production on a level well below that achieved before the civil war. The record activity in the mining of rare metals and the construction of substitute industries is deceptive, and the strain which the Falange experiment in totalitarian economy is undergoing is very apparent.

## Middle Eastern Oil

[BY A CORRESPONDENT.]

February 8th

ON various recent occasions President Roosevelt has referred to the Allied oil supply position. In addition to stressing the fact that the wartime rise in the United States oil output has not been due to exports—lend-lease and commercial exports of oil in 1943 together remained well below exports from the United States in 1938—he has pointed out that the utilisation of oil resources outside the United States was limited by two factors, the tanker shortage and the shortage of refining facilities, especially those for certain types of oil products such as aviation petrol. In both cases important changes are at present under way. The tanker position has improved recently and may be expected to become more normal within the next few months. This will affect particularly the utilisation of the Caribbean oil resources. At the same time, the refinery position outside the United States is being improved and will allow the Middle Eastern oil areas to make a larger contribution to the requirements of the United Nations.

In view of its strategic situation between the two great theatres of war, the Middle Eastern oil industry figures prominently in Allied planning, and its adjustment to the war needs of the United Nations started more than two years ago. All existing oil refineries in the Near and Middle East—Abadan in Iran, Haifa in Palestine, Suez in Egypt, and Bahrain in the Persian Gulf—have been working at full capacity for some months past. The facilities of all these refineries are now being expanded both quantitatively and qualitatively. Abadan and Haifa are already producing aviation spirit, and the two other refineries are now being adapted to special war products. As a result of the changes so far completed, the output of oil and oil products in the Middle East has already surpassed the pre-war peak of 120 million barrels, after having fallen to less than 105 million barrels in 1941. To-day the area supplies not only the Allied armies in the Middle East and the Eastern Mediterranean, but also the Allied air forces, naval squadrons and

land armies in the Indian Ocean area, and in Western Australia. As a result of the refinery expansion projects now in course of construction, the use of Middle Eastern oil will be considerably extended, and, according to President Roosevelt's statement in his last lend-lease report, will this year cover a large part of all oil supplies in the entire Mediterranean theatre.

But in addition to the short-term expansion programme, which was first begun in 1941, and greatly intensified in 1942 and 1943, both the United States and Great Britain have taken steps towards the long-term development of the Middle Eastern oil resources. Although the production of sizeable quantities of oil in the Middle East started some forty years ago, the area remains one of the lesser developed regions of the world. The development programmes which are now taking shape are intended not only to raise output in the existing producing regions of Iran, Iraq, Bahrain, and Egypt to a level more in line with the reserves of these fields, but also to open the rich oil resources of Saudi-Arabia to the full. Oil was first struck in Saudi-Arabia (in the Damman field) in 1936, and the investigations since made by various United States and British interests have indicated that the Arabian Peninsula is capable of becoming one of the leading oil producers of the future.

The United States Government, after sending a technical mission to Saudi-Arabia some weeks ago, has now published the first details of projects to be financed by the US within the wider development scheme for the Middle East. These include the immediate construction of a new and large oil refinery in Arabia and the construction of a 1,250 mile pipe-line from the Persian Gulf area (Bahrain and eastern Saudi-Arabia) to the Mediterranean. While the refinery construction will be privately financed, the pipe-line, which is to assure large supplies of oil on favourable terms for United States military needs in the Mediterranean area, will be constructed with public funds. There are no official details yet about the drilling campaigns which will be necessary. But private reports from the United States suggest that certain plans have already been laid down, and that they include not only a very intensive drilling campaign in Saudi-Arabia, but also large-scale exploration and exploitation in Iran, Iraq and the smaller regions.

## HISTORY, CURRENCY, AND PROPHECY

Before the War, when quality was what we cared to make it—we at Rowntrees made it high. You will remember Black Magic—Chocolate Crisp—Aero Milk Chocolate. These were typical of the standard at which all our production was fixed.

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After the War, when at length the quality of our products again comes completely under our own control, we shall make our post-war products to our pre-war standards. Unhurriedly, as the right materials come into the country, we shall again produce Black Magic, Chocolate Crisp and the others—and sell them from Penzance to the Pentland Firth. And that's a promise.

**ROWNTREES**

The fuller development of the Middle Eastern oil resources will certainly greatly help to ease the United Nations' supply position in the European and Far Eastern wars. But it will also greatly change the position in Asia and Europe after the war. Moreover, it will raise certain other problems, including the participation of Governments in oil production and the division of control over Middle Eastern oil between the various countries concerned. Information so far published suggests that oil production and oil refining in the Middle East will remain in the hands of private concerns and that the United States Government will confine its activities to securing priorities for materials and to the construction of pipe-lines. The future capital control over Middle Eastern oil is more obscure. The concessions for virtually all Middle Eastern oil regions were granted before the war. In certain areas British (together with Dutch) capital interests were predominant. In others, United States capital had exclusive rights. In most of the new areas, which appear to have the central part in the present schemes, the concessions were granted to companies controlled by both British and American capital together with certain other participations.

## Student Unemployment in Eire

[FROM OUR DUBLIN CORRESPONDENT]

January 29th

THE problem of finding employment for university graduates and other types of professional labour has become increasingly difficult in recent years. The problem is capable of being simply resolved into one of supply and demand. The supply of highly educated young men and, to an even greater extent, of highly educated young women has increased. This is partly the result of the abundance of scholarships awarded by the local authorities which subsidise students in the universities. There is a growing body of opinion that these scholarships are too numerous and too small. They do not enable the really poor man's child to go to the university, and the scheme would be improved if there were fewer scholarships of more substantial value. But the increase in higher education cannot be attributed to the scholarships alone. There is a widespread desire to get away from the countryside to the city, and three years at a university enables this to be achieved while preparation is being made for a career. Unfortunately, in very many cases, the career fails to materialise. Unemployed graduates are becoming increasingly numerous while others are driven to accept employment at a miserable rate of pay. Eire is in danger of producing an intellectual proletariat.

The magnitude of the problem can be seen from a study of the educational and occupational statistics. The number of students attending universities in Eire rose from 3,658 in 1920-21 to 4,311 in 1930-31 to 5,430 in 1940-41 and to 5,549 in 1941-42. The number is still rising. Fees have recently been raised, but so far no effect has been apparent on the number of students. A census of population was taken in 1926, and again in 1936. A comparison of the numbers engaged in the professions at the two dates is illuminating. Whereas the number of doctors, dentists and veterinary surgeons slightly declined, increases took place in every other profession, as the following table shows:—

|                                             | 1926          | 1936          |
|---------------------------------------------|---------------|---------------|
| <b>Total in Professional Occupations...</b> | <b>55,441</b> | <b>62,098</b> |
| Barristers .....                            | 320           | 360           |
| Solicitors .....                            | 1,036         | 1,399         |
| Architects .....                            | 199           | 279           |
| Civil Engineers and Surveyors....           | 978           | 1,047         |
| Chartered Accountants .....                 | 382           | 673           |
| Journalists and Authors .....               | 567           | 786           |
| Students and Articled Clerks .....          | 3,244         | 4,039         |

Among the "white collar" grades of labour, clerks increased from 24,710 to 30,405 and typists from 4,634 to 6,366. In interpreting these figures it must be remembered that the total population of Eire remained practically unchanged,

so that the rise in the professional groups was relative as well as absolute.

The demand for professional and clerical labour has not grown at the same rate as the supply. Indeed, it is likely that in some cases it has actually declined. Big incomes earned by members of the learned professions depend upon the existence of a rich class in the community; doctors and lawyers in particular depend for large fees on rich patients and clients. The whole policy of the Irish Government, however, has been egalitarian. The Land Purchase Acts have transferred the land from a class of rich landlords to small tenant proprietors, and high direct taxation has prevented the emergence of a new rich class. Other professions rely for employment on big business, but Eire is a country where big business is the exception rather than the rule. A complicating factor is that many Irish professional men regard British standards of fees and incomes as normal. Such standards are, to a large extent, quite unattainable in Eire. Home unemployment is preferred to working for what is considered inadequate remuneration.

### The Future Market

The future of the export market for Irish professional services is rather obscure. In the days before the Treaty, numbers of Irishmen found employment in India and other parts of the British Commonwealth. The Irish were in this respect like the Scots. Since the Treaty, fewer places have been secured in the Indian and Colonial services, but large numbers of doctors and engineers have continued to find employment in Great Britain. It is probable that these two professions will still enjoy the benefit of an export market after the war, but members of other professions and university graduates without any profession may find it difficult to find employment abroad. Apart from the question of what the external demand may be, the whole trend of educational policy has encouraged Irish youth to look inwards rather than outwards, and it is only natural that a generation bred to this standpoint should expect to find employment in its own country. Moreover, the type of education provided has been more suitable for a career in Eire than elsewhere.

If the absorptive capacity of neither the home nor the export market can be increased, the problem of the unemployed graduate may become very serious. The whole question of higher education in Eire is badly in need of investigation. Increasing numbers of students have been accepted by the universities and by the professional colleges without sufficient attention being paid to their prospects after graduation. The imposition of a *numerus clausus* would help to solve the problem, but it is an illiberal solution and one to be avoided, except as a last resort. A better line of approach would be an attempt to direct students into studies that might assist in the economic development of the country. Higher study in agriculture and in the applied sciences would result in the production of graduates for whose services employment should be available.

## Portugal's New Budget

[FROM OUR LISBON CORRESPONDENT]

IN a lengthy if straightforward preamble the Ministry of Finance has published the Budget estimates for 1944. Apart from the expected increase in outlay, equivalent to some £24 million sterling above the 1943 total, there is little that calls for special comment. Price control is admitted to be no more than a palliative of dear living, and the decision to grant an increase of 20 per cent to all government employees is roundly declared to be only a partial compensation. There is the usual division into ordinary and extraordinary sections, with both direct and indirect taxes calculated as bringing in more than they did in 1943. The increase will be obtained by numerous additional tax charges which, although individually light, will together serve to cover the increased expenditure. This is listed at 3,768,400 contos (1 conto approximately £10), with receipts reckoned to yield 3,769,300 contos; thus the established custom of budgeting for a surplus is followed. Hitherto that course has been successful; it remains to be seen whether an early cessation of hostilities in Europe, by reacting upon Portuguese exports and general trade, would prove detrimental. Tabulated, the 1944 Estimates compare with those of 1943 as follows:—

| (In contos—1 conto = approximately £10) |           |           |                    |           |           |
|-----------------------------------------|-----------|-----------|--------------------|-----------|-----------|
| RECEIPTS                                |           |           | EXPENDITURE        |           |           |
|                                         | 1943      | 1944      |                    | 1943      | 1944      |
| Ordinary.....                           | 2,302,425 | 2,618,700 | Ordinary.....      | 2,292,529 | 2,613,800 |
| Extraordinary.....                      | 1,167,774 | 1,150,600 | Extraordinary..... | 1,176,825 | 1,154,600 |
| Totals.....                             | 3,470,199 | 3,769,300 | Totals.....        | 3,469,354 | 3,768,400 |
| Estimated Surp.                         | 845       | 900       |                    |           |           |

# THE BUSINESS WORLD

## Short-Term Housing Policy

IN an article a week ago an attempt was made to define the outlines of a post-war housing policy in terms of needs and resources. It was suggested that a sharp distinction should be drawn in any realistic programme between, on the one hand, the short-term problems of making good arrears of maintenance and war damage, and of relieving overcrowding and, on the other hand, the long-term problem of raising the general standard of housing by replacement. The first task, which, besides a large volume of repairs, may involve the construction of some 1,500,000 dwellings, should be carried out as speedily as possible, but the second is essentially a long-term one and requires planning, not merely 10 years ahead—as the Government is doing—but over a period of 25 to 30 years. A mixture of the two is likely to produce confusion rather than houses. Each of these requires special treatment if the objectives are to be attained, and each of them raises complicated issues of general policy and detailed execution. Some aspects of the short-term problem are discussed below; considerations which should determine long-term replacement policy will be indicated in a subsequent article.

The fulfilment of the short-term programme will require a large measure of Government intervention. The Government's task does not end with the preparation of a global estimate of needs; it will have to be responsible for ensuring that its estimates are translated into accommodation within reach of the incomes of the people. This does not mean that the actual process of repair and building will have to be carried out by a Government department; but it does require detailed planning and supervision to ensure efficient execution in accordance with the degree of urgency. Unless the Government's responsibilities are clearly defined and adequate preparations made in good time for their efficient discharge, there is a real danger of delay and confusion at the end of the war.

The first task, obviously, is to translate the global estimates of need into a detailed programme of repairs and construction. This involves, as a starting point, a survey of housing conditions. The War Damage Commission already possesses information about the extent of outstanding repairs and about the number and types of houses that are beyond repair. A similar survey should be made by local authorities about the nature and magnitude of deferred maintenance and of overcrowding in each area. On the basis of this information, each local authority would be able to draw up a detailed repair and construction programme, arranged by degree of urgency of the work, and schedule any land which might be required for its fulfilment. By aggregating the local programmes the central Government would have a clear picture, not merely of overall needs, but also of the types of labour and materials required for their satisfaction. It would be in a position to prepare for the execution of the work according to the degree of urgency, to arrange for the supply of the requisite labour force and materials, and to assist local authorities in acquiring the necessary land. This essentially preparatory stage has not yet been reached. True, a number of useful decisions have been taken. For example, plans have been prepared to build up a large labour force and to ensure a supply of materials. As Lord Portal announced in the House of Lords on Tuesday, the Government has decided to turn over to local authorities, for the preparation of housing sites, plant and machinery no longer needed in the construction of airfields. Moreover, he expressed the hope that the recent increase in the permissible limit of expenditure would make it possible to repair the greater part of war damage, except total losses, by the end of this year. It was also announced a week ago that local authorities would be ready to start a quick programme of constructing 200,000 houses as soon as building could be restarted and that half the land required is already available.

The Government's responsibility, however, does not end with the compilation of a survey of housing needs and with the drawing up of a schedule of priorities on the basis of

the reserves likely to become available. These preliminaries, essential and urgent though they are, are merely a first step. The Government should be prepared to ensure that performance keeps in step with the programme.

During the early stages of the short-term programme—the emergency period—it will be necessary to combine a system of allocation of resources with stringent control over costs. Without the allocation of resources price control could hardly be effective; without price control priorities would be difficult to enforce, and the resultant cost inflation would make it impossible to provide homes within the incomes of those for whom they are intended. The new houses would find no buyers and no tenants and the whole programme would get stuck in the mud. An attempt to close the gap between the means of consumers and inflated costs by subsidy would be an expedient of doubtful efficacy; so long as the sellers' market persists and costs remain uncontrolled, prices would continue to rise and the size of the subsidy would have to be progressively raised without fully achieving its object. In proportion as the housing shortage becomes less acute, the physical and financial controls over repairs and construction can be loosened; but to allow free rein to money demand during the emergency period would defeat the whole object of policy. Price control might well be extended to cover interest rates. Houses to be built by the Government will naturally be financed at gilt-edged rates; but, in addition to this, there is a case for seeing that money is available at the same rates through both local authorities and building societies. Any such special financing should be limited in time to the duration of the emergency and in scope to the provision of working-class housing; and there should, of course, be no discrimination between different channels of financing.

Priorities and control over construction costs and interest rates will not automatically ensure cheap accommodation. So long as there is a serious housing shortage, the price of houses and rents would inevitably be driven up, causing hardship to the poorer section of the community. This raises the complicated problem of the future of rent control. At present rent control covers the great majority of houses; it applies to houses up to a rateable value of £100 in London, £90 in Scotland, and £75 elsewhere. In principle, rent control is an undesirable interference with the price mechanism; but in times of acute shortage it is an expedient that cannot be lightly discarded, in spite of its disadvantages. From the point of view of a short-term housing programme, the question is not whether rent control should be retained, but how it can be made into an efficient instrument for the prevention of an unreasonable rise in rents, not for freezing them in a world of rising prices. In other words, everything depends on how the instrument is handled. So far, the Government has not made known its intentions—the debate in the House of Lords on February 3rd added little to existing knowledge—but it has recently appointed a Committee under the chairmanship of Lord Ridley, "to review the question of rent control including the working of the Rent Restriction Acts."

The first question is whether controlled rents should continue to be frozen at the pre-war level, in spite of the rise in the cost of repairs, in the cost of living, and in incomes generally. Clearly there is a strong case for a periodic adjustment in accordance with a formula designed to take account of changes in the cost of repairs and of the cost of living, and of the extent to which a house is mortgaged. The indefinite freezing of rents amounts to statutory discrimination against one section of the community, that is, the payment of a subsidy to tenants by landlords. Secondly, there is a strong case for gradual decontrol, as soon as conditions permit, by lowering the upper limits of rateable values to which control applies. Thirdly, there is the thorny problem whether rent control should be applied to new houses as well, or whether a free market should be allowed to exist side by side with a controlled one. The problem

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is a difficult one, because the inclusion of new houses in the system might easily prevent private building. Despite its many disadvantages, control is probably justified during the period of acute shortage, but only in respect of houses designed for the low-income categories and on a basis which shows a fair return on the capital invested. If the rent on existing houses is adjusted and the cost of new houses carefully controlled, the disparity between the rents of old and new houses will be less marked. If the differential nevertheless remains such as to put new houses out of reach of the poorest consumers, special allowances to them—children's allowances would mitigate the hardship of the large family—would be preferable to building subsidies, not merely because such general subsidies do not discriminate between the incomes of tenants, but also because they have a habit of not percolating through to the consumer.

The task of bringing the cost of new houses within the incomes of those for whom they are intended, as well as that of constructing the largest possible number of houses with given resources, would be greatly facilitated by a reduction in the real cost of housing, whether by using more efficient methods in the construction of existing types or by the use of new materials and processes. The Govern-

ment can do much in raising the productivity of the industry, and, as the most encouraging part of Lord Portal's speech showed, it is fully alive to its opportunities. He was able to give an impressive record of research and preparations. Apart from experiments with pre-fabricated emergency houses, the Government has sponsored and encouraged experiments in permanent houses made by new processes and new materials; some of these are to be put up by the Ministry of Works for the purpose of demonstration and ascertainment of costs. In consultation with industry, the Ministry has already achieved good results in the standardisation of fittings, an important item in the cost of houses, which should bring substantial economies. Standardisation should make it possible to include some of the modern amenities, such as refrigerators, in every new house. The Ministry has also taken the initiative in sending a mission to the United States to study building methods in that country; the report of this mission, published in outline this week by the Stationery Office—it is briefly discussed on page 219—contains many interesting suggestions designed to bring economies. There are, in fact, opportunities for building better houses at a lower cost in resources which, if taken, would greatly assist in improving the standard of housing in this country.

## Youth in the Mines

**BOYS** who are now being recruited to the mines, whether on a voluntary or a compulsory basis, have two great advantages over those who, less fortunate, entered the industry in earlier years.

In the first place, minimum wages are now determined on a national basis, and the Porter Tribunal's award places the wages of juvenile workers on a much higher level than ever before. In some cases, as was shown in *The Economist* of January 29th (p. 160) the new minimum rates are above those originally claimed by the miners. The "Bevin boys," quite apart from any sociological value they may have in breaking down the miners' isolation, have done the mining community a real service, for the compulsory direction of youths to the mines influenced the Tribunal in its decision to raise the wages of juveniles in the industry.

Secondly, and perhaps of even greater importance in the long run, there is the new provision for training. The Coal Mining (Training and Medical Examination) Order, which came into force on February 1st, provides that no one shall be employed in mining "except under competent instruction and supervision, unless and until he has been adequately instructed and is competent to do the work without supervision." From now on, no one may work underground until he has had four weeks at a training centre and at least two weeks' experience under a competent instructor, and no one can work actually at a coal face unless he has had at least 16 weeks' experience of work underground. This ruling applies to all coalfields, except South Wales, where special conditions obtain. The Order further stipulates that nobody under the age of 18 shall be employed until he has been medically examined; this is the responsibility of the Ministry of Labour's medical boards.

The provisions of this Order may seem elementary common sense. In fifty years' time, the idea of anybody being allowed to work in a coal mine without previous training or proper medical examination, may seem as barbarous as the idea of sending children under ten to work below ground appears today. Yet, hitherto, training has been the exception rather than the rule, and far too little attention has been paid to physical fitness. The Member of Parliament for one of the South Wales constituencies said in a recent debate that he had "never known of boys from our mining villages being medically examined before going into the pits."

The coming into force of the Training Order means in effect that the main provisions of the Forster Committee's Report on juvenile recruitment have, at long last, been implemented. This Committee, which was appointed by Mr Bevin when it first became apparent that the coal-mining industry was going to run into a manpower crisis, was shocked at the absence of training facilities in the industry.

When coal was hand-gotten, it was usual for a boy to work underground with his father or some near relation, who instructed him in his calling and supervised his progress. With the development of machine mining, this family link has been broken, and in many cases it has disappeared entirely.

Deputies and colliery officials, overburdened with responsibilities, have had little time to attend to the training and welfare of young entrants, who have been largely left to their own resources. A direct result of this lack of training and supervision has been the appallingly high rate of accidents among juveniles. Every year, about a thousand miners are killed and a hundred thousand injured in the course of their employment. The proportion is higher among youths; one boy in every four under 18 is killed or injured every year. Mechanisation and the increased speed of production, together with deterioration in the quality of supplies, have tended to increase the rate still further in wartime, and the recent reports of the Mines Inspectorate have urged the need for more training. One welcome development has been the introduction of a special school at Sheffield to train miners to handle the new American machinery.

Though Britain has lagged behind many European countries both in mechanising its mines and in training its miners, some of the more progressive collieries in this country have recognised the importance of preliminary training, both as a means of economising manpower and of reducing accidents. The Bolsover Colliery Company in Nottinghamshire, the North Staffordshire Collieries, the Wigan Coal Corporation and Ashington Colliery Company in Northumberland operate schemes which vary in length and in character. Ashington's course lasts for three weeks, with lectures, classroom instruction, physical training and practical training in a special gallery; it is short, but it does ensure that the boys acquire a modicum of "pit sense" and a rudimentary knowledge of the trade before they actually start work. Emphasis is laid on safety through good and careful workmanship. The company has recently introduced a scheme for training 20-year-olds—the age at which it allows boys to become face workers—at a special section of the face.

These schemes differ somewhat in practice, though not in principle, from the training which is being given to the "Bevin" recruits at the Ministry of Labour's training centres. These boys have come in at a more mature age and, in general, they have no pit background and no intention of making mining their career. But both the private and the state schemes serve an immediate purpose—the need to maintain output in wartime. The figures of the manpower shortage and the Government's target of 30,000 recruits a year to replace wastage are too well known to need underlining. But it is useful to recall some of the salient features of the pre-war trend. In the ten years from 1930 to 1940, the total number of youths under 20 dropped from 143,599 to 95,652. The number of underground youths fell from 108,033 in 1930 to 66,024 in 1940, or from 76 per cent of the total to only 60 per cent. Compulsory recruitment may meet the immediate manpower needs, though it is extremely doubtful how far it will contribute to increased output. The recruits should enable the upgrading of other workers, though here the question of willingness to be upgraded and to accept direction under-

ground may present difficulties. But what about the long-term problem? It seems certain that the vast majority of the "Bevin boys" will want to leave the mines as soon as they can be demobilised; some of the "optants" may feel differently, but their numbers are in any case negligible. The present expedient has only shelved the manpower problem, which may emerge in equal, if not greater, proportions when the war is over.

One of the chief reasons for the decline in recruitment before the war was the lack of security, both as regards wages and employment. This is, of course, a national problem and, as such, only capable of national solution. It is bound up with Britain's industrial future, with the peace settlement and the decisions about international trade, with the policy for developing coal-based industries and the location of industry. But there is much that can be done in the coal industry itself. It has the duty, common to all industries, of achieving maximum efficiency in its methods and organisation; and this achievement of efficiency is tied up with the training and welfare of its personnel. Coal has too long tended to be a blind-alley occupation, which educated or ambitious boys would spurn. It needs to provide training for its craftsmen, engineers, mechanics and electricians, and to offer the young men in its ranks more opportunities for promotion and advancement. Here again Ashington provides an example of what can be done. For the last 20 years the company has been operating a scheme for training 16-18-year-old boys as colliery officials. Promising boys are selected, and undergo a course which is spread over seven years and, in fourteen stages, of six months each, covers every phase of pit work and colliery administration. The Mining Association and the Institute of Mining Engineers are now working out a similar training scheme on a national basis. This is long overdue. The shortage of competent managerial personnel in the mines has been acutely felt during the war, and has undoubtedly aggravated labour difficulties.

The problems of recruitment and training in the coal industry cannot be viewed in isolation. They are part of the nation's broader education problem and of the coal question as a whole. The Education Bill, which will raise the school-leaving age to 15 and later to 16 and make

attendance at day continuation classes compulsory up to 18, raises new perspectives. One of the demands put forward by the miners in their "Boys' Charter" is that no boy should be allowed underground until he is 16. This is a desirable reform, which should be introduced as soon as practicable and not be postponed until the school-leaving age is universally raised to 16. Another urgent question is the times of shifts. It is obviously detrimental to the health of young boys to start work at 3 or 4 a.m. as they do in many districts. The Forster Committee raised many other points on health and welfare, all of which have a bearing on manpower. Some have been dealt with, or promised. For instance, the completion of the pithead baths programme is assured by the Mining Industry (Welfare Fund) Bill.

But even if juvenile wages are relatively high and the conditions of work made more attractive and safer, there would still be a tendency for youths to drift to the towns, unless something drastic is done to improve living conditions. The chief difficulties which the organisers of the "Bevin" scheme are facing are to find sufficient housing and to occupy the boys' leisure. Most mining villages have no amenities and no entertainments; there are no youth clubs or organisations; the pit-heap is literally the only outlook.

Coal is not the only industry with a manpower problem. The same considerations apply, in more or less degree, to all the "older" industries. Cotton lost manpower for precisely the same reasons as coal; young agricultural workers left the land to work in the towns. If these older industries are to compete with the newer occupations for young labour, they must be able to offer equally attractive conditions and equal prospects of economic security and advancement.

But these reforms will have to be paid for, and the mineowners have already announced that there is not the money in the industry to meet the Porter Award. To improve working conditions in the mines at the cost of dear coal would be to place a handicap on the whole of British industry. There is only one way in which the dilemma can be resolved—by a steep rise in the productivity per man employed. Not even the most drastic measures that would conduce to that end can henceforward be neglected or deferred.

## Business Notes

### Anglo-French Financial Agreement

The agreements signed at Algiers this week between the British Government and the French Committee of National Liberation provide for the settlement of financial relations between the two signatories and fix the exchange rate between sterling and the francs now under the control of the French Committee. The mutual aid agreement is, in effect, an extension of the Reynaud-Simon agreement of 1939. Sterling will be made freely available for French expenditure in the sterling area, and conversely francs will be made available to the British authorities in meeting their outlay in French territories—but with this fundamental difference, that, in contrast to that agreement, no account will be kept of mutual aid transactions. Regular consultations will take place between the signatories in order to maintain equilibrium, though it is evident that under the stress of war conditions the current of these transactions may well show a violent and persistent bias in one direction or the other. Consequently, nothing has been done to define the limits to which the expenditure of francs or sterling should be confined. Special provision has been made for the advances made by the British Treasury to the former French National Committee under the agreement with General de Gaulle in August, 1940. That part of these advances relating to military supplies is being cancelled and the balance is being recognised as a special debt by the French Committee of National Liberation. There will be many items to set off against that debt, among them the dollar debt owing by the British Government in respect of war material which had been ordered in the United States and paid for by the French Government prior to June, 1940, and which was then, in part, taken over by the British Government. These, together with the relics of the Reynaud-Simon account, will all be thrown in a gigantic melting-pot after the liberation of France, and no useful guess can be made at present as to where the ultimate balance will fall, what its size will be or how it will be settled.

### Unification of the Francs

The financial agreement unifies the rates of the various francs under the control of the French Committee and gives them all an exchange rate of 200 francs to the £. The longstanding disparity between the ex-de Gaulle franc of 176½ to the £ and the North African franc disappears. The new rate has had more than a year's run and is proving reasonably satisfactory, though it should be noted that a considerable body of opinion in Algiers is already beginning to regret having made the full jump from the rate of 300 francs to the £, which was originally fixed, to 200, and would now prefer a half-way house between the two. There is no question of the rate now fixed for the Algerian franc being necessarily that which will apply to the currency that will be in circulation in metropolitan France after the liberation. The rate that will have to be applied between the franc of the liberating authorities and that which will have been controlled by Germany through Vichy for about four years will necessarily be the responsibility of the French alone. The French Committee have already set some interesting precedents for differentiating between their own currency and the currency found in liberated French territories. Both in Tunisia and in Corsica considerable restrictions have been placed on the free convertibility into North African francs of the currency found by the liberators. These restrictions have, however, taken the form of blocking suspect accounts and notes, and in some cases converting them at a substantial discount. These measures have fallen far short of fixing a generally applicable exchange rate between the old and the new francs. They should rather be regarded as part of the campaign of *épuration*. That technique will no doubt be followed in metropolitan France, and a considerable measure of deflation may be achieved by the simple process of cancelling the currency and credit found in the ownership of active collaborators.

### The Levant Pound

The monetary problem of Syria and Lebanon provided perhaps the most difficult of the difficulties encountered by the negotiators of the Anglo-French financial agreement. Together with the other ex-de Gaulle territories these countries formed part of the sterling area and showed no wish to have their monetary link with sterling disturbed. On the other hand, regard for French political susceptibilities demanded that the Levant pound should be shifted to the franc area with the other French currencies. A neat compromise has been found which puts Syria and Lebanon formally into the franc area, but without any of the reality of such membership. The Syrian and Lebanese pounds retain their rate of 8.8 to the pound sterling. They are protected from the immediate depreciation of the ex-de Gaulle currencies and are given an exchange guarantee that whatever may happen to the franc rate their parity with sterling will remain inviolate.

The importance of these Anglo-French financial agreements is self-evident. Quite apart from the immediate ground which they cover, they are another welcome token of the readiness of the British Government to negotiate with the French Committee of National Liberation as the unquestioned representative of France. Even more important, the agreements lay the basis for what should become a more permanent sterling-franc alliance which can only reach its full stature when France is liberated. If that alliance can be achieved, a very powerful contribution will have been made to the wider problem of international exchange clearing and stabilisation.

### Higher Wages—Less Coal

The award of the National Reference Tribunal for the coal-mining industry, published a fortnight ago, raised the weekly national minimum wage from 83s. to £5 for underground workers and from 78s. to £4 10s. for surface workers. While the increase will add substantially to the wages bill of the industry, the precise amount involved is not yet known, but is estimated at somewhere between £20 million and £30 million a year. Nevertheless, the award has caused disappointment in that it does not benefit miners whose earnings are above the minimum. Dissatisfaction has apparently been reflected in production, for on Wednesday Major Lloyd George, Minister of Fuel and Power, said:

It is rather deplorable that after raising wages there is a greater loss of tonnage than in any week since the war started. The issue has been further complicated by the absence of decision by the Government about who is to foot the cost of the higher wages. The Mining Association, in a statement issued on Tuesday, pointed out that "the money is not in the industry." The owners expect that the necessary finance will be provided from the Coal Charges Order Fund, which is at present fed by a levy of 5s. on every ton of saleable coal. The rise in the price of coal by 3s. a ton at the beginning of this month did not provide for the advance in wages, but was meant to replenish the Coal Charges Fund, which had been running at a loss. If the fund is to bear the extra wages bill, presumably the price of coal—which is already appreciably higher than in the United States—will have to be raised still further.

### Holding Company Accounts

With their fourth list of recommendations on accounting principles, the Council of the Institute of Chartered Accountants enter a field which is of direct interest to the majority of investors and to all students of published accounts. This is the proper treatment of the results of subsidiaries in the accounts of holding companies. The Council point out that there are three possible methods; to submit detailed accounts of the subsidiaries, to present a consolidation of the results of subsidiaries and to present a consolidation of the latter with the accounts of the holding company. Of these three methods they consider that only the third is of general application, although the others have definite merits in particular cases. They accordingly recommend the publication with the accounts of every holding company of consolidated balance sheet and profit and loss account, or such other material as will enable the shareholders to obtain a clear view of the

financial position and earnings of the group as a whole. They go on to say that every consolidated statement should indicate:—

The nature and measure of control adopted as a basis for the inclusion of subsidiary undertakings, the reasons for the non-inclusion of any undertakings which would normally be included on the basis adopted by the group, the procedure adopted where the accounts of subsidiary undertakings are not made up to the same date as the accounts of the holding company and, in the case of subsidiary companies operating overseas, if relatively important, the basis taken for converting foreign currencies as affecting assets, liabilities and earnings.

For the consolidated balance sheet they merely recommend that the headings used shall be suitable, but they do lay down that capital and revenue reserves should be stated separately. For the consolidated profit and loss account no classification of earnings is suggested, but provision is made that aggregate earnings and those attributable to the holding company shall be disclosed and that it should be easy to reconcile this statement with the statutory profit and loss account of the holding company. Further, the amount of profit retained by the subsidiaries must be evident, and the aggregate results of any subsidiaries whose balance sheets are not consolidated in the published statement must be set out as a special item. Granted that the requirements about the information to be supplied by all companies in their statutory accounts were satisfactory, these provisions about consolidated accounts appear to leave few loopholes. It is to be noted that the Council does not attempt a solution of the problem of what constitutes a subsidiary, or give an opinion on the adequacy of the present definition in the Companies Act, but that is, presumably, the business of the Cohen Committee and the Board of Trade.

### Building Society Interest Rates

The decision of the Halifax Building Society to reduce its mortgage interest rate from 5 per cent to 4½ per cent is an event of first-rate importance. In form, it refers only to new mortgage advances, and is extended only as a concession to existing mortgages; in fact, it implies a wholesale readjustment of building society interest rates. To judge from the terms of the announcement, the reduction has been decided independently by the directors of the Halifax Society, without consultation with—or at least endorsement by—the Building Societies' Association, whose committees have for many months past been discussing the outlines of post-war lending and financial policy. It has always been difficult to persuade building societies to talk with one voice, despite the Association's efforts; but the Halifax is a loud enough voice in itself to ensure that its challenge will be taken up by the Abbey-National and the other large societies. The tidiness of an agreed financial policy, in any case, is no substitute in itself for lower mortgage interest rates, which (as was argued in *The Economist* on October 30th last year) will be an important ingredient in post-war rehousing policy. The Halifax reduction is, however, a lead from great strength, for a much larger proportion of this society's funds is obtained from deposits, at ½ per cent or so less than shares, than is the case for other societies. The average interest on its total funds can be roughly put at 2.207 per cent, compared with 2.428 per cent for a typical southern society. If other societies, with a much smaller differential between interest receipts and payments, are to follow this lead—as in fact they must—they will have to devise some means of obtaining their funds at lower rates. This will not be easy, although there is still some room for further adjustment of the overall rate on building society funds to conform with the present interest structure. But it is the timing of the announcement that seems most significant of all. At present the amount of new mortgage business is strictly limited, though it has risen from the trough of 1940-41. Hence the reduction, in effect, is a reduction in the charge on old mortgage balances and any substantial effect on new business in the future must await the revival of new owner-occupier building. According to general expectation, this branch of building will not reach its maximum output until about five years after the end of the war. Long before this the other large societies will have fallen into line; but the Halifax will still be able to claim the lead, both in size of resources and in its latest decision to cheapen the cost of house purchases. There may be chagrin among the other large societies, and the Association, after months of elaborate discussion toward

an agreed financial policy, may feel that its efforts have been in vain. But there is no doubt that the Halifax decision is forward-looking and right.

### Powell Duffryn Amalgamation

The long-promised scheme for the capital reconstruction of the Powell Duffryn group, now presented, deals with the whole matter in a simple and honest fashion. It proposes to place Powell Duffryn Steam Coal and Welsh Associated Collieries in liquidation and to pay off holders of all classes of share at par. Holders of all preference shares and of the ordinary of PDSC have the option to exchange their holdings for an equal amount of ordinary capital in Powell Duffryn Associated Collieries, while holders of 5 per cent preferred ordinary in PDSC are offered nine ordinary shares of PDAC for every ten shares now held. Not only have the contractual rights been fully recognised, but all holders are offered the option of taking up new capital whose market value exceeds that which they are to surrender. The simplification of structure will make for clarity and the actual fusion should result in appreciable economies. In these circumstances, it is ridiculous to suggest that the rights of the preference shareholders of PDSC and WAC have been, in any sense, infringed by putting those two companies in liquidation. The contract with these investors was not that they should have their dividends and other preferential rights in perpetuity, or until such time as disaster brought the company into liquidation. There has never been any doubt that a company may be wound up at any time when it appears desirable to those who hold the majority of votes. There is no reason why preference holders should be given better terms than their contract stated—just as there is every reason why they should be given as good. Certainly no conversion into preference capital of PDAC could have been considered. There is a reaction at the present time against heavy fixed charges. The proposed capital structure of PDAC after the fusion will be some 15.5 per cent in debentures, 23.3 per cent in preference and 61.2 per cent in ordinary, a gearing which appears, by modern standards, to make some concessions to opinions which flourished in the days when stability of trading conditions was much more probable than is now, unhappily, the case.

### American Building Methods

In July last year Lord Portal, Minister of Works, appointed an expert mission to survey building methods in the United States with the object of ascertaining if the adoption of American methods would assist in increasing the efficiency of the industry in this country. The central feature of the report of the mission on Methods of Building in the USA (HM Stationery Office, 4d.), which was published this week, is the following comparative table of the money costs of building in the two countries before the

war (the rate of \$1.68 to the £ has been used as the conversion factor):—

|                                            | COMPARATIVE BUILDING COSTS |               |
|--------------------------------------------|----------------------------|---------------|
|                                            | Great Britain              | United States |
| Cost of building .....                     | 100                        | 75-175        |
| Hourly wage rates:—                        |                            |               |
| Craftsmen .....                            | 100                        | 350-380       |
| Labourers .....                            | 100                        | 215-245       |
| Cost of materials (excluding timber) ..... | 100                        | 110-160       |

The table tells a familiar story. Wages in the United States, especially those of craftsmen, are appreciably higher than they are in this country, but total costs are only slightly higher, on the average. In other words, productivity per man-hour is greater in the United States. The American building operative enjoys the advantages of better organisation and better tools, and he takes a keen interest in output, and the consumer obtains his house at a price not much higher than in this country. Although conditions are in many respects different in the United States, the mission was able to make useful suggestions on design, building procedure, construction costs and on factory-produced building. Its detailed findings, which deserve careful study by the industry in this country, are to be issued in the form of appendices.

### Willing to Learn

A week ago it was announced that yet another expert mission—a mission of the cotton industry, headed by Sir Frank Platt, Cotton Controller—was going to the United States to investigate and report on American methods and on any changes which could usefully be made in this country to increase production. The fact that the first child of the industrial revolution is seeking advice from one of its younger brothers is significant; it is symptomatic of a growing consciousness of the need for new and better methods, which is also reflected in the emphasis placed on the importance of research in reconstruction reports. If some—mainly the older—British industries have been left behind by the United States in the striving for greater productivity, this has been due, at least in part, to an attitude of extreme conservatism towards new methods and a tendency to protect the income from plant and machinery by monopolistic practices instead of protecting earning power by the adoption of more efficient methods. There are indications that the war has broken some of the shackles of conservatism; the willingness to learn from other countries is one of the most encouraging of them.

### The Big Seven

The publication of the January clearing bank statements provides an opportunity of measuring the redistribution of banking resources among the largest of the clearing banks over the past six years without having to make allowances for the inevitable distortion of year-end

## BAY HALL TRUST LIMITED.

Summary of the Directors' Report for the year ended 31st December, 1943, and of the accompanying Statement by Mr. C. T. Pott.

### DIRECTORS' REPORT:

The gross revenue amounted to £119,009. After charging Debenture Interest, Income Tax, Directors' Fees, Management and General Expenses amounting to £34,283, the net profit is £84,726. Adding £90,012 brought forward, the total available for appropriation is £174,738 and a dividend of 7 per cent, is recommended which will absorb £70,966 and leave £103,772 to be carried forward.

At market prices on December 31st, 1943 (or where no market price existed at valuations by the Directors at that date amounting to £322,876), the Share and Debenture Holdings and British Government Securities had an aggregate value of £242,182, as compared with their book value of £1,882,587.

### STATEMENT:

In the absence of the Chairman, Sir Charles Hambro, who is in Washington on work of national importance, Mr. C. T. Pott states: The net profit of £84,726 compares with £79,984 for 1942, an increase of £4,742. The allowance for Dominion Relief amounts to 3s. 5d. in the pound, so that the net income tax to be deducted on the 7 per cent. dividend now recommended will be at the rate of 6s. 7d., and the dividend is, therefore, equivalent to about 9.4 per cent. less tax at the standard rate of 10s. 0d. At the end of 1943, the value of our investments showed an indicated appreciation of £440,595 over book cost. Over 97 per cent. of the investments, including British Government Securities, taken at the valuations at December 31st last, are situated in United Kingdom, South Africa, and other parts of the British Commonwealth. Similarly measured, but excluding British Government Securities, about 91 per cent. of the investments are in Ordinary stocks and shares and the balance in fixed interest bearing securities.

Copies of the full Report and Accounts can be obtained on application at the office of the Company, Princes House, 95, Gresham Street, E.C.2.



figures. The appended table shows the totals of the "big seven's" January statements for 1938 and for each year since 1941 and the proportion of the whole which each represents. It will be seen that the ranking of these institutions has not altered over this period, but that there has been some interesting narrowing of the gaps separating some of them. If the trends under way over this period persist, some reclassification of the order of magnitude may occur before long. The relative stability of the position should be no cause for surprise. There is a standstill in the competition for new business, partly because ceilings have been arranged for deposit rates, partly because of the gentlemen's agreement which forbids competition for advance business by offering lower rates or commission

(In £ million)

| January       | 1938      | 1941      | 1942      | 1943      | 1944      |
|---------------|-----------|-----------|-----------|-----------|-----------|
| Midland....   | 559 23.0  | 607 21.4  | 708 21.6  | 784 21.9  | 884 22.2  |
| Barclays....  | 465 19.1  | 581 20.5  | 662 20.2  | 760 21.2  | 854 21.5  |
| Lloyds....    | 451 18.6  | 553 18.9  | 615 18.8  | 684 19.1  | 767 19.3  |
| Westminster   | 404 16.6  | 446 15.8  | 500 15.5  | 524 14.8  | 567 14.2  |
| Nat. Prov.... | 347 14.3  | 408 14.4  | 481 14.7  | 506 14.1  | 549 13.8  |
| Martins....   | 108 4.4   | 140 5.0   | 170 5.2   | 175 4.9   | 194 4.9   |
| District....  | 96 4.0    | 113 4.0   | 134 4.1   | 151 4.2   | 164 4.1   |
| Total....     | 2,430 100 | 2,828 100 | 3,270 100 | 3,584 100 | 3,979 100 |

charges. Industrial and agricultural development during the war has been spread sufficiently evenly over the country as a whole to deprive its impact of any special favouritism for one bank or another. One interesting feature of the situation is the slight tendency of the two smallest banks in this group, Martins and the District, to represent a larger proportion of the combined total. The gap which separates them from the other five is still considerable, but in measuring it some allowance should be made for the item of "balances due to and by affiliates" which inflates the figures of certain of the larger banks but does not appear in the figures of these two institutions. The position has certainly been reached where the proper title of the group of large commercial banks in this country should be the "big seven" and no longer the "big five." And if the reckoning is by groups rather than by individual institutions, there is an eighth in the Royal Bank of Scotland—Williams Deacon's-Glyn Mills group.

### Electricity Debate Continues

A week ago various associations of undertakings engaged in the electricity industry published a joint memorandum on the future of its distribution side, presented to the Minister of Fuel and Power in June, 1943. One of the associations whose name appears in the joint memorandum as a signatory is the Incorporated Municipal Electrical Association, which represents some 95 per cent of the local authority electricity interests in Great Britain. The report, summarised on page 188 in *The Economist* of February 5th, was based on the assumption that no drastic alterations should be made in the ownership and organisation of existing undertakings unless these can be proved to bring substantial and permanent benefits to the consumer. Procedure was suggested for the elimination of patches of inefficiency which would "retain the present structure of the industry so far as this may be efficiently utilised." On Tuesday the *Financial News* published extracts from a Supplemental Memorandum drawn up by the Incorporated Municipal Electrical Association, some of which appear to conflict with the recommendations contained in the joint memorandum. As reported by the *Financial News*, the Supplemental Memorandum of the IMEA suggests

that in all cases where local authority rights mature, the undertaking should be transferred to public ownership as soon as practicable . . . where the distribution rights of, or to be acquired by, a local authority or a joint board are within the areas of power companies, it is recommended that, in order to eliminate dual rights of supply within the area, the rights and assets of the power company also be purchased and transferred.

In other words, the memorandum advocates a policy of local government control over the distribution side of the industry. There seems, therefore, to be a conflict of opinion within the ranks of the IMEA. This is not surprising, but it will be interesting to see which of the two policies will ultimately be adopted. It is understood that the Supplemental Memorandum will be discussed at a meeting of the Association on March 16th.

### The "Grey" Market

If, as is confidently expected, permission to deal in the shares of C. C. Wakefield and Co. is to be refused at the request of the Treasury, there will be a large addition to the amount of securities at the disposal of the "grey" market. The disadvantages of forbidding normal market dealings and permitting business to go on outside the house was last discussed in *The Economist* of December 18th, on page 818. Hitherto the issues for which this permission has been refused have been small, but the Wakefield operation involves some £3,000,000 at market values. It is true that the holders took the stock over with the full knowledge that permission to deal might not be granted, but that does not affect the main argument that dealings, if permitted, should be through the normal channels with all the protections which they afford. If these channels are closed there will still be ample facilities for business. One of the outside houses alone advertises dealing prices for well over forty stocks of some thirty odd companies to a total nominal value of £4,000,000 odd. It has just sent a circular, giving prices, dividends and yields, for all the securities in which it is interested to every stockholder of the thirty odd companies. On the assumption that the average holding is of a nominal value of £200, this means 20,000 circulars for this operation alone. Doubtless, it sends out other circulars, it advertises in the press and it is prepared to send, for five shillings, full particulars of each of the companies listed. It is only by such methods that it can hope to create a real market in the securities in which it deals and, in the circumstances created by official action, it is rendering a service to the community and one which members of the stock exchanges have no option but to advise their clients to use if they wish to deal in unquoted shares. But what a fantastic waste of labour and material in order to achieve a safeguard for the existing rate of Government borrowing, a safeguard which may well prove illusory against a threat which is, in any case, infinitesimal, given the right of the Treasury to refuse permission to raise new money for any but essential purposes.

### Mechanisation on the Rand

An official inquiry is being undertaken to estimate the possibilities of a more complete mechanisation of the Rand gold mines. This is the result, not so much of the wartime shortage of native labour in the mines, as of more long-term considerations about its future sources and status. In 1930, there were 214,570 natives employed in the gold mines, or only a handful more than in 1915, but by 1940 their numbers had jumped to 387,850, while since that date alternative wartime demands have drawn elsewhere some 100,000 workers. The increased supply of the 'thirties was not automatically forthcoming. The Witwatersrand Native Labour Association, the larger of the two recruiting organisations affiliated to the Transvaal Chamber of Mines, found it necessary to secure the permission of the Union Government to recruit from new areas north of latitude 22 degrees south, previously closed for considerations of health. Other new areas may perhaps be tapped after the war. But it must be remembered that, with the exhaustion of the less deep workings in the Witwatersrand, future mining operations, conducted on the present basis, are likely to bring a lower productivity per head. South Africa's decision, for making the best use of all its gold resources, to develop after the war the Far Western and the Far Eastern Rand will make further demands upon the labour pool, which will in any case take some time to return to its pre-war level. There is thus the likelihood that labour will be harder to get, that it will yield less, and the added possibility that it will cost more. Natives are normally engaged for no more than a year; they do only manual work in the mines; and they do it all. They receive wages which to them must seem initially a small fortune. On the other hand, they receive in cash and kind little more than one-tenth the income of the average European worker. In 1940, for instance, about 40,000 Europeans received a total sum of £19,818,126, while more than nine times as many natives were paid £13,199,126 in wages together with a provision of shelter, medical attention and food rations, which was estimated to cost the companies concerned a sum of around £7,000,000. It is, therefore, probable that public opinion will bring about further improvements in the conditions of the native workers, and, while any scheme of mechanisation which assigns to some of them more complex tasks will ensure a welcome acceleration of this process, it is unlikely to increase the net cost to the owners. Thus the problem of

# FACTORY COAL URGENT announcement

The industrial coal situation is extremely serious. Nothing short of drastic measures can meet the emergency.

Demands of military operations on a vast scale are putting an acute strain on transport. This is aggravating the fuel position, already critical.

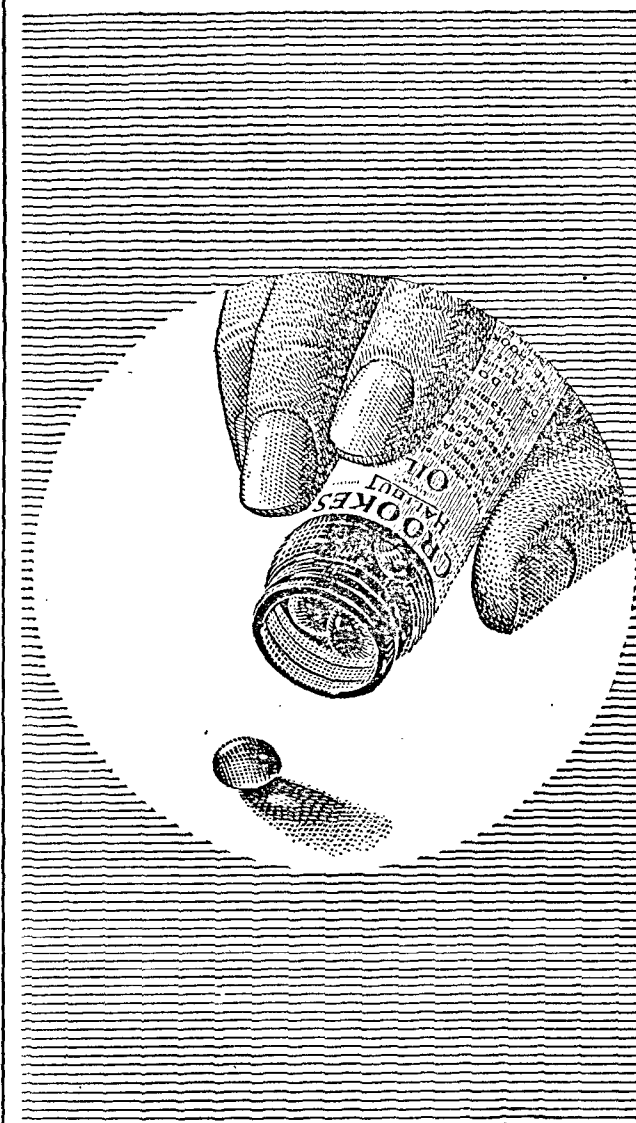
Managers in industry now have two immediate responsibilities: to reduce their daily coal consumption still further, and to set rail trucks free with the least possible delay.

### How managements should act

- ★ Call together your departmental heads. Get at once a list of all possible savings of coal, steam, water, oil, electricity and gas that may be made in their departments. Impress upon them that industry is faced with an emergency.
- ★ Make it your personal duty to see that every point of heat usage is checked for unnecessary consumption. Space heating, in particular, is making heavy demands on the coal supply: great savings are possible in mild weather.
- ★ Tighten up your Fuel Watching System. Encourage co-operation, keenness and ingenuity.
- ★ Do not delay another day in carrying out the recommendations made by the Regional Fuel Efficiency Committee Engineers who surveyed your factory.
- ★ Search through the Ministry's Fuel Efficiency Bulletins for every economy suggestion which can be put into practice immediately. There are many.
- ★ Your next consignment of coal may be held up for those wagons standing in your works. Release them quickly.

Very fresh economy now is added provision against possible further decline in the coal supply position.

UED BY THE MINISTRY OF FUEL AND POWER



## EXTRA VITAMINS ESSENTIAL TO HEALTH

Colds and influenza cannot be resisted when your diet is deficient in vitamin A: the daily dose of Crookes' ensures you the necessary amount. Adults cannot keep healthy and children cannot grow up with straight bones and strong teeth without sufficient vitamin D: the daily dose of Crookes' keeps your supply well above the safety level.

This extra supply of vitamins A and D will work wonders in building up your resistance and stamina through this fifth wartime winter.

## CROOKES' HALIBUT OIL

Obtainable only from chemists

CAPSULES—PER BOTTLE OF 100—8/6  
LIQUID—PER PHIAL—ENOUGH FOR 16 DAYS 2/-

native labour, as well as the need to increase productivity, makes the further mechanisation of the Rand desirable, if production is to be increased or even merely maintained; while, however susceptible the gold industry may be to decisions of high international policy, it is doubtful whether the producers can do themselves any service by thinking in terms of a decrease in production.

### New Zealand's External Payments

The issue of the statistical summary of the Reserve Bank of New Zealand for September-October, 1943, contains an interesting account of the transactions of the New Zealand exchange control over the two years ended June 30, 1942 and 1943. Now that all exchange operations are centralised through the control, the current balance of international payments can be easily and accurately estimated. This should hold true of all countries with exchange controls, but New Zealand is the first of the facts public property. The main items are all figures being given in thousands of New Zealand pounds:

|                                   | Receipts |        |                           |        |
|-----------------------------------|----------|--------|---------------------------|--------|
|                                   | 1942     | 1943   | 1942                      | 1943   |
| Exports .....                     | 76,725   | 78,646 | Imports .....             | 38,383 |
| Private interest, etc.            | 8,081    | 8,632  | Private interest, etc.    | 5,927  |
| American personnel receipts ..... | 242      | 9,294  | Public debt service ..... | 35,951 |
| Sundry items .....                | 675      | 2,401  | American personnel .....  | 5      |
|                                   |          |        | Sundry items .....        | 1,448  |
| Total .....                       | 85,724   | 98,973 | Total .....               | 81,694 |
|                                   |          |        |                           | 95,578 |

The growth of outgoings on account of public debt is explained by the fact that the item includes Government payments in respect of certain direct imports. The increasing importance of net receipts in respect of American personnel in New Zealand is clearly brought out. That particular factor is likely to be of even greater relative importance in the case of the Australian balance of payments. The figures show a modest surplus in each of the years concerned. These surpluses are reflected in another table in the summary, showing the net overseas assets of New Zealand. Over the three years to August 1943, these have moved as follows:

| (In £N.Z. thousands) |              |               |        |
|----------------------|--------------|---------------|--------|
|                      | Reserve Bank | Trading Banks | Total  |
| August, 1940 .....   | ...          | ...           | 24,711 |
| " 1941 .....         | 15,082       | 10,007        | 25,089 |
| " 1942 .....         | 25,214       | 13,822        | 39,036 |
| " 1943 .....         | 26,964       | 8,651         | 35,615 |

Against this has to be set Memorandum Security debt due to the UK amounting to some £10 million in March last. The improvement has been marked, but it has not reached the point at which New Zealand can indulge the luxury of wholesale repatriation of external debt. Hence the decision to deal with the 4½ per cent loan maturing next March by way of conversion and not of outright repayment.

### The LMS Payment

Despite the general weakening of home railway equities on the mere maintenance of the dividend for 1943 on LMS ordinary, it is difficult to believe that any large body of responsible opinion seriously expected rise in the payment. After the £340,000 increase in net revenue in 1942, when bombing was at its lightest and non-official traffic approached its permitted maximum, it was difficult to see how any really substantial further increase could be obtained. After maintaining the £400,000 allocation for war contingencies, the raising of the ordinary dividend from 2 to 2½ per cent meant a draft of £103,000 on the carry forward, an expedient which could not be repeated. So a higher dividend must come, in all probability, from a cut in the reserve allocation, which seemed improbable. In the event net revenue is up by £96,000, or 0.1 per cent on the ordinary capital, the dividend and the war contingencies allocation are unchanged and the carry forward loses a further £8,000. The result was followed by a fall of ¼ in the LMS ordinary to 33, at which the yield is £7 17s. 6d. per cent. No further railway results are to be announced until Thursday next.

### Factory Lighting

In his annual report for 1942, the Chief Inspector of Factories expresses surprise that in view of the relative smallness of its cost, more attention is not paid to factory lighting. It is now recognised that good lighting, apart from its amenity value, is a factor which aids production and reduces accidents. Unfortunately, it is difficult to illustrate exactly by statistics to what extent an increase in output can be attributed to better lighting standards. An attempt has, however, been made by the Electric Lamp Manufacturers Association's Lighting Service Bureau in a memorandum entitled *How Good Lighting Aids Production Efficiency*. Some of the examples given are reproduced in the accompanying table. The amount of light needed varies from process to process, but the effect of good

| Causes alone                       | Illumination          |                      | Percentage Increase in Production |
|------------------------------------|-----------------------|----------------------|-----------------------------------|
|                                    | Original Foot Candles | Present Foot Candles |                                   |
| General engineering .....          | 6                     | 16                   | 9                                 |
| Cable making .....                 | 8                     | 12                   | 5                                 |
| Woodworking .....                  | 2.5                   | 8                    | 25                                |
| Weaving worsted .....              | 13.3                  | 29                   | 5.3                               |
| Fine micrometer work .....         | 3                     | 10                   | 10                                |
| Thread winding and finishing ..... | 3.5                   | 15                   | 10                                |

lighting is felt in many directions. It lessens fatigue, and the workshop is made more cheerful. Better cleaning follows better lighting, since dirt is made more visible. Indeed, the Inspector of Factories in his report declares that

... it can be said that bad lighting, dirt and waste go together.

In the early days of the war, blackout arrangements, undertaken hastily, kept out the daylight even during daylight hours, and most factories built during the war were designed "black-out." It is difficult to alter the latter, but since the fuel economy campaign began, new arrangements have been made for blacking-out many of the older factories only at night. However good artificial lighting may be, it is recognised that daylight, where it is adequate, is better, and psychologically it is of great importance. It is clear that, as well as stressing the desirability of good lighting, advantage would be derived from the laying down of better standards in factories and that research into lighting methods should be undertaken both for the factory and the home.

### Shorter Notes

The Bank of Canada has this week reduced its rediscount rate from 2½ to 1½ per cent. Mr Graham Towers, the Governor of the Bank, said the step was designed to assure the continuance of the Bank's low-interest policy after the war. The rate has been at 2½ per cent since March, 1935, and for many years had been completely out of touch with Canadian open-market rates. The three months' Treasury bill rate in Canada has hovered for many years at about ½ per cent, while two-year bonds have for more than two years given a yield of 1½ per cent. The reduction of the official rediscount rate is therefore merely an overdue adjustment to prevailing market conditions.

Following the Anglo-French financial agreement all French territory overseas, excluding Indo-China, will, for exchange control purposes, form a single bloc outside the sterling area. A new payments order issued by the Treasury provides that moneys in the sterling accounts of residents in these territories may be used to make payments to residents of the sterling area and may be transferred to the accounts of other residents in the same territories. The franc currencies of the various territories, together with Levant pounds and Pondicherry rupees, are added to the list of specified currencies which, if held by a resident in the UK, must be offered for sale to the Treasury through a bank in the UK. The registration of securities denominated in any of these currencies is not at present required.

### AMALGAMATED ROADSTONE CORPORATION, LIMITED

#### RECORD RESULTS

The eighth annual general meeting of the Amalgamated Roadstone Corporation, Limited, was held, on the 9th instant, in London.

Mr G. F. Nalder, the chairman, presided. The following is the chairman's statement, circulated with the report and accounts: The year to March 31, 1943, again constitutes a record, trading profits amounting to £134,607, as compared with £114,480 for last year. The cost of maintaining all buildings, plant and machinery in the usual state of efficiency has been charged to revenue. After providing for depreciation, amortisation and contributions under War Damage Acts, there is a net profit, subject only to taxation, of £105,937, as compared with £92,681 for last year.

#### E.P.T. LIABILITY

Liability for E.P.T. has not yet been finally determined, but the auditors advise that adequate provision has been made, and that for the year under review the company's adjusted standard for E.P.T. is equivalent, after providing for preference dividend, to approximately 12 per cent. on the ordinary share capital. Following the policy adopted every year since the company was formed, your directors have, in addition to the amount of depreciation allowed for taxation, written off out of taxed profits substantial amounts by way of additional depreciation, amortisation of leasehold and freehold quarries, and war damage contributions, etc.; these provisions for the year under review have absorbed net profits equivalent to approximately 7 per cent. (gross) on the ordinary share capital.

During the year under review the company acquired, at a premium, nearly 90 per cent. of the entire share capital, preference and ordinary, of the Groby Granite Company, Limited, of Leicester. Your directors are satisfied that the Groby Company's quarries, buildings, land and cottages—all freehold—and plant and machinery are intrinsically worth a great deal more than the figure at which they stand in the balance-sheet of that company, which was formed nearly 80 years ago, and that consequently there was in fact no real payment for "goodwill." On the contrary,

your directors' assets are worth the purchase price. Since March 31, the issue of new pre-

st of the hold-ares has been recovered on a further increase of sharehold-ers reserves in the con-quisition of the Groby Granite Company, Limited, which has been paid by shareholders.

#### POSITION STATEMENT

Our quarrying activity has been local in Cornwall and North Wales, and delivery, were the Home Counties; this acquisition in Leicestershire is calculated to cope with the increased demand for quarry products which post-war public works should assure.

As far as can be seen, the earnings of the company and its subsidiaries for the year to March 31, 1944, will be found to be satisfactory, and with the 5 per cent. ordinary dividend now to be paid, there will be paid an interim ordinary dividend of 2 per cent., less tax, for the current year. The report and accounts were unanimously adopted.

### WANDSWORTH AND DISTRICT GAS COMPANY

The annual meeting of the Wandsworth and District Gas Company was held, on the 8th instant, at Wandsworth.

Mr Frank H. Jones, M.Inst.C.E., chairman and managing director, said that shareholders would be particularly interested to have a little further information regarding the Greater South London Gas Corporation. That corporation was created to effect the greatest possible efficiency out of the undoubted and available resources of three of the larger gas undertakings in London, namely, the South Metropolitan Gas Company, the South Suburban Gas Company and the Wandsworth and District Gas Com-

pany. Each undertaking would retain its identity and individuality, but, as far as possible, a common policy for the conduct of the undertakings would be recommended. The policy adopted should be so controlled by co-ordination that the interests of the consumers, the shareholders and the employees of all constituent undertakings were best served.

### F. W. WOOLWORTH AND COMPANY, LIMITED

#### MR W. L. SHEPHENSON'S STATEMENT

The fifth annual general meeting of F. W. Woolworth and Co., Limited, will be held, on the 18th instant, in London.

The following is an extract from the statement of the chairman (Mr. W. L. Stephenson) circulated with the report and accounts for the year ended December 31, 1943:

Conditions in the retail distributing trade certainly showed no improvement in the past year. We can feel some satisfaction, therefore, that in spite of shrinkage of personnel and curtailment of supplies of goods the board can place before you an accounting such as this. The falling off of profit can be mainly attributed to lack of merchandise.

The net profit is £5,203,654, £496,168 less than that of the previous year, a drop of 8.70 per cent. If you agree the final dividend of 1s. 6d. per unit, making 2s. per unit for the year, against 2s. 6d. per unit for the previous year, the balance to carry forward to the next account will be £7,232,840, which is an increase of £156,060. I am sure that your action through the years in agreeing to the retention of profits to build up this important sum will be rewarded.

When the company has come through the long period of this struggle, with all its necessary restrictions, the great paucity of men and goods, we shall face an enormous task. The stores are sadly shabby, understaffed and stocked with such goods as are available in these times; even the fixtures are in a condition we would not normally tolerate. It is going to be a gigantic job to re-equip ourselves with the kind of buildings, fittings, merchandise and personnel to put the Woolworth Stores in their right standing in post-war retail distribution. With this brief picture you can readily see that we need accumulated reserves of money.

## RECORDS and STATISTICS

### INDUSTRY AND TRADE

**Coal Output.**—The output of saleable coal in the four weeks ended January 22nd averaged 3,495,500 tons, compared with 3,623,600 tons per week in the previous four weeks.

#### AVERAGE WEEKLY OUTPUT OF COAL

(Weekly Standard Tonnage 4,161,000 tons)

| Four Weeks ended* | 1942 tons | 1943 tons | Four Weeks ended* | 1942 tons | 1943 tons |
|-------------------|-----------|-----------|-------------------|-----------|-----------|
| Jan. 23rd .....   | 3,824,800 | 413,400   | Sept. 4th .....   | 3,978,900 | 3,767,800 |
| Feb. 20th .....   | 4,028,000 | 416,400   | Oct. 2nd .....    | 4,076,100 | 3,819,400 |
| March 30th .....  | 4,074,500 | 413,700   | Oct. 30th .....   | 4,124,500 | 3,908,900 |
| April 27th .....  | 3,739,800 | 4,005,200 | Nov. 27th .....   | 4,126,600 | 3,815,000 |
| May 15th .....    | 4,103,900 | 3,624,600 | Dec. 25th .....   | 3,880,100 | 3,662,600 |
| June 12th .....   | 3,724,800 | 3,936,600 |                   |           |           |
| July 10th .....   | 3,987,200 | 3,579,700 |                   |           |           |
| Aug. 7th .....    | 3,539,300 | 3,097,800 | Jan. 22nd .....   | 3,813,400 | 3,495,500 |

\* The actual dates given relate to 1943 and 1944.

The production from opencast workings averaged 76,800 tons per week. During the previous four weeks, an average of 86,600 tons per week was produced. Only Leicestershire qualifies for the output bonus.

**Cotton Spinning Overtime.**—The current output of cotton

yarn does not adequately meet essential war demands, and the Cotton Controller has requested all spinning mills to increase the working week from 48 hours to 52 from March 6th. This move has been expected by spinners for some weeks past.

**The "Economist" Sensitive Index.**—There was no change in the index during the week ending February 10th. The complete index (1935 = 100) was 151.1; crops, 123.0; and raw materials 185.0.

**Retail Trade in December.**—The Retail Trade Report for December, published in the *Board of Trade Journal* of February 6th, shows that the index of the average value of daily sales (1937 = 100) rose from 106 in November to 126 in December. The rise can be attributed almost wholly to buying for Christmas, and it was noticeable in all departments. Compared with the average for the preceding twelve months and peace-time practice, the effect of the Christmas spurt in buying was felt least in the apparel and household goods departments. In all departments except these, more was spent for Christmas, 1943, than 1942. The amount spent per coupon last December was 5 per cent lower than in November, a usual December tendency since clothes rationing began.



# AVERAGE DAILY VALUE OF RETAIL SALES AND OF STOCKS, GREAT BRITAIN COMPARED WITH THE YEAR BEFORE

|                             | Daily Average Sales |       |       | Stocks (at cost) end Dec. |
|-----------------------------|---------------------|-------|-------|---------------------------|
|                             | 1943                |       |       |                           |
|                             | Oct.                | Nov.  | Dec.  |                           |
| (a) By Commodities          |                     |       |       |                           |
| Non-food Merchandise :—     |                     |       |       |                           |
| Price-goods                 | —17.4               | —12.4 | —6.8  | —0.6                      |
| Women's Wear                | —16.0               | —15.2 | —7.7  | —9.8                      |
| Men's and Boys' Wear        | —8.8                | —19.8 | —12.9 | +5.7                      |
| Boots and Shoes             | —16.9               | —12.2 | —9.6  | —7.9                      |
| Furnishing Departments      | —9.4                | —13.3 | —8.7  | —12.7                     |
| Hardware                    | —0.7                | —1.7  | +9.9  | —17.7                     |
| Fancy Departments           | +14.1               | +6.0  | +4.0  | —26.0                     |
| Sports and Travel           | +6.4                | +5.8  | +15.2 | —12.9                     |
| Miscellaneous               | +5.1                | +3.5  | +3.5  | +9.9                      |
| Total :—                    | —10.5               | —7.3  | —2.4  | —13.1                     |
| Food and Perishables        | +3.7                | +5.2  | +6.1  | —1.5                      |
| Total :—                    | —2.8                | —0.7  | +2.1  | —11.6                     |
| (b) Districts               |                     |       |       |                           |
| Scotland                    | —1.4                | —1.3  | +1.3  | —                         |
| North-East                  | —1.4                | +1.0  | +1.0  | —                         |
| North-West                  | —3.8                | —2.4  | +0.5  | —                         |
| Midland and S. Wales        | —3.5                | —1.5  | +1.1  | —                         |
| South England               | —4.5                | —1.4  | +1.9  | —                         |
| Central and West-End London | +1.6                | +1.4  | +0.8  | —4.5                      |
| Suburban London             | +1.0                | +2.6  | +5.5  | —9.6                      |
| Unallocated                 | —4.2                | —6.3  | +4.6  | —20.9                     |

Source: Board of Trade Journal.

## RETAIL FOOD PRICES

|                                           | Average price per lb. at |              |              | Per Cent. Increase since Sept. 1, 1939 |
|-------------------------------------------|--------------------------|--------------|--------------|----------------------------------------|
|                                           | Sept. 1, 1939            | Dec. 1, 1943 | Jan. 1, 1944 |                                        |
| Beef, British—                            | s. d.                    | s. d.        | s. d.        |                                        |
| Ribs                                      | 1 2½                     | 1 3½         | 1 3½         | 11                                     |
| Thin Flank                                | 0 7½                     | 0 9½         | 0 9½         | 27                                     |
| Beef, chilled or frozen—                  |                          |              |              |                                        |
| Ribs                                      | 0 9½                     | 1 1          | 1 1          | 35                                     |
| Thin Flank                                | 0 4½                     | 0 6          | 0 6          | 33                                     |
| Mutton, British—                          |                          |              |              |                                        |
| Legs                                      | 1 3½                     | 1 5½         | 1 5½         | 13                                     |
| Breast                                    | 0 7½                     | 0 8          | 0 8          | 8                                      |
| Mutton, frozen—                           |                          |              |              |                                        |
| Legs                                      | 0 10½                    | 1 0          | 1 0          | 18                                     |
| Breast                                    | 0 4                      | 0 4          | 0 4          | 0                                      |
| Bacon                                     | 1 3                      | 1 10½        | 1 10½        | 50                                     |
| Fish                                      | 0 11½                    | 1 2½         | 1 2½         | 28                                     |
| Flour (per 7 lb.)                         | 0 8½                     | 0 9          | 0 9          | 29                                     |
| Bread (per 4 lb.)                         | 2 4                      | 2 10         | 2 10         | 21                                     |
| Tea                                       | 0 3                      | 0 4          | 0 4          | 32                                     |
| Sugar (gran.)                             | 0 6½                     | 0 9          | 0 9          | 37                                     |
| Milk (per qt.)                            | 1 4½                     | 1 8          | 1 8          | 21                                     |
| Butter (salt)                             | 1 3½                     | 1 1          | 1 1          | 30                                     |
| Cheese                                    | 0 10                     | 0 9          | 0 9          | 5                                      |
| Margarine, special                        | 0 6½                     | 0 9          | 0 9          | 12                                     |
| " standard                                | 0 11                     | 0 11         | 0 11         | 0                                      |
| Eggs, fresh (each)                        | 0 2                      | 0 2          | 0 2          | 1                                      |
| Potatoes (per 7 lb.)                      | 0 6½                     | 0 6½         | 0 6½         | 5                                      |
| Index all foods weighted (July, 1914=100) | 138                      | 168          | 168          | 22                                     |

Source: Ministry of Labour Gazette.

## INSURANCE

**Life Assurance in 1943.**—The volume of new ordinary life business was well maintained in 1943; of the 46 offices listed in the table, 25 show increases and 21 decreases, the net effect being a slight gain on the previous year of just under 4 per cent. For purposes of this note the offices have been segregated into three groups: ordinary life offices, composite offices (including in this group ordinary life offices which are actively associated with fire and accident companies) and industrial-cum-ordinary offices. The continued transaction of a substantial volume of new assurances—the 1943 total amounts to 68 per cent of the pre-war (1938) figure—withstanding all the many handicaps under which the offices are suffering, such as shortage of staff and the absence of many prospective policyholders on national service, has been cited as evidence of a growing public demand for this protection. There are, indeed, good reasons for believing that the benefits which only life assurance can bring are steadily gaining increasing appreciation. If, however, it is contended that the greater part of the business reaches the offices without personal solicitation, then the proposition is open to some doubt. As the figures in the table show, the ordinary offices, which right from the start of the war have been much the hardest hit in the way of staff, are only transacting 42 per cent of their pre-war new business; the composite offices, which have now to maintain their organisations at a certain strength in order to cater for fire, accident and war damage insurances, average 68 per cent of the pre-war level; finally, the industrial-cum-ordinary offices, whose door-to-door collecting staffs have been available for the incidental production of new business, are maintaining an activity as high as 85 per cent of the pre-war figure. In the case of individual offices there are other influences at work—some offices definitely discourage new business, some accept

## Factory Lighting

In his annual report for 1942, the Chief Inspector of Factories expresses surprise that, in spite of the fact that the small-scale factory cannot personal solicitation remains an important factor in securing business—seems inescapable. It is apart understood that an increasing proportion of the business now transacted comes from women and that nearly all the policies issued are for moderate sums assured, proposals for large amounts being virtually non-existent. The tendency to reduce or abolish the additional premium for war risks continues; where an additional premium is charged few policyholders, it seems, decide to avail themselves of the extra cover.

## NEW ORDINARY LIFE ASSURANCES (In £'000's)

| Office                                    | 1938    | 1942    | 1943    | Change in 1943 against 1942 |
|-------------------------------------------|---------|---------|---------|-----------------------------|
| <b>Ordinary Life Offices:—</b>            |         |         |         |                             |
| Confederation Life                        | 1,475   | 1,341   | 1,267   | -74                         |
| Equitable                                 | 2,029   | 1,016   | 854     | -162                        |
| Guaranty & Law                            | 3,513   | 636     | 440     | -196                        |
| London Life                               | 2,701   | 585     | 761     | +176                        |
| National Mutual                           | 1,082   | 539     | 548     | +9                          |
| National Provident                        | 2,047   | 672     | 710*    | +38                         |
| Scottish Amicable                         | 2,131   | 632     | 845*    | +213                        |
| Scottish Life                             | 2,317   | 706     | 729     | +23                         |
| Scottish Temperance                       | 1,575   | 662     | 626     | -36                         |
| Scottish Widows                           | 3,159   | 1,125   | 1,245   | +120                        |
| Standard Life                             | 5,241   | 2,137   | 2,028   | -109                        |
| United Kingdom Provident                  | 6,466   | 3,001   | 3,534   | +533                        |
| Totals                                    | 51,116  | 13,739  | 17,644  | +3,885                      |
| <b>Composite Offices:—</b>                |         |         |         |                             |
| Alliance                                  | 4,205   | 1,401   | 1,210*  | -191                        |
| Atlas                                     | 4,043   | 2,663   | 3,247   | +584                        |
| Beacon                                    | 1,291   | 847     | 873     | +26                         |
| British Equitable                         | 871     | 423     | 400     | -23                         |
| Caledonian                                | 2,103   | 886     | 1,136*  | +250                        |
| Clerical, Medical & General               | 2,733   | 1,111   | 1,285   | +174                        |
| Commercial Union                          | 5,991   | 4,443   | 4,897   | +454                        |
| Eagle Star                                | 10,313  | 12,648  | 14,310  | +1,662                      |
| Friends' Provident & Century              | 2,655   | 1,929   | 2,149   | +220                        |
| General Life                              | 2,611   | 1,210   | 902     | -308                        |
| Gresham Life                              | 3,815   | 2,223   | 2,610*  | +387                        |
| Guardian                                  | 1,719   | 1,577   | 1,340*  | -237                        |
| Law Union & Rock                          | 2,811   | 1,675   | 1,679   | +4                          |
| Legal & General                           | 16,565  | 11,312  | 10,022* | -1,290                      |
| Liverpool & London & Globe                | 2,851   | 1,265   | 1,320*  | +55                         |
| London Assurance                          | 2,679   | 1,611   | 1,750*  | +139                        |
| London & Scottish                         | 1,588   | 760     | 563     | -197                        |
| National Farmers' Union                   | 676     | 1,205   | 900     | -305                        |
| North British & Mercantile                | 5,327   | 2,395   | 2,238   | -157                        |
| Norwich Union Life                        | 11,756  | 7,442   | 9,500*  | +2,058                      |
| Northern                                  | 1,781   | 1,009   | 954     | -55                         |
| Royal                                     | 5,177   | 2,665   | 2,743   | +78                         |
| Royal Exchange                            | 4,359   | 2,216   | 2,115   | -103                        |
| Scottish Union & National                 | 2,539   | 771     | 692     | -79                         |
| Yorkshire                                 | 3,030   | 1,589   | 1,500*  | -89                         |
| Totals                                    | 103,489 | 67,276  | 70,333  | +3,057                      |
| <b>Industrial-Cum. Ordinary Offices:—</b> |         |         |         |                             |
| Britannic                                 | 3,423   | 4,480   | 4,229   | -251                        |
| Co-operative                              | 3,275   | 3,190   | 4,456*  | +1,266                      |
| Liverpool Victoria                        | 3,572   | 2,286   | 2,288   | +2                          |
| Pearl                                     | 8,231   | 8,061   | 6,710   | -1,351                      |
| Prudential                                | 28,325  | 22,800  | 24,500* | +1,700                      |
| Refuge                                    | 7,895   | 7,027   | 6,002   | -1,025                      |
| Royal London                              | 5,526   | 3,324   | 2,953   | -371                        |
| Wesleyan & General                        | 1,498   | 1,313   | 1,275   | -38                         |
| Totals                                    | 61,745  | 52,481  | 52,413  | -68                         |
| TOTALS—All Offices                        | 204,086 | 134,188 | 139,097 | +4,909                      |

\* Approximate.

## INSURANCE SHARE INDEX (1913 = 1,000)

| Company                      | Dec. 31, 1941 | June 30, 1942 | Dec. 31, 1942 | June 30, 1943 | Dec. 31, 1943 |
|------------------------------|---------------|---------------|---------------|---------------|---------------|
| Alliance                     | 1,848         | 1,806         | 1,995         | 1,995         | 2,121         |
| Atlas                        | 3,016         | 2,984         | 3,048         | 3,361         | 3,428         |
| Caledonian                   | 3,963         | 4,151         | 4,277         | 4,529         | 4,780         |
| Commercial Union             | 3,320         | 3,537         | 3,646         | 3,646         | 3,918         |
| Employers' Liability         | 2,486         | 2,522         | 2,567         | 2,613         | 2,658         |
| Equity and Law               | 1,155         | 1,237         | 1,732         | 1,980         | 2,351         |
| General Accident             | 11,000        | 11,333        | 13,666        | 14,000        | 14,165        |
| Gresham Fire                 | 2,857         | 2,857         | 3,095         | 3,238         | 3,429         |
| Guardian                     | 2,961         | 3,077         | 3,192         | 3,307         | 3,455         |
| Legal and General            | 7,213         | 7,924         | 8,197         | 7,924         | 8,278         |
| Life Association of Scotland | 1,640         | 1,831         | 1,783         | 1,783         | 2,223         |
| London and Lancashire        | 4,000         | 3,923         | 4,077         | 4,154         | 4,385         |
| London Assurance             | 2,620         | 2,620         | 2,523         | 2,717         | 2,814         |
| North British and Mercantile | 4,777         | 4,713         | 4,904         | 4,968         | 5,159         |
| Northern                     | 1,731         | 1,761         | 1,851         | 2,089         | 2,089         |
| Phoenix                      | 1,624         | 1,624         | 1,793         | 1,911         | 1,996         |
| Prudential                   | 2,182         | 2,494         | 2,182         | 2,158         | 2,206         |
| Royal Exchange               | 4,128         | 3,943         | 3,943         | 4,313         | 4,313         |
| Royal                        | 2,839         | 2,796         | 2,862         | 3,011         | 3,011         |
| Scottish Life                | 2,458         | 2,640         | 2,640         | 2,640         | 3,118         |
| Scottish Union and National  | 2,625         | 2,958         | 3,106         | 3,401         | 4,067         |
| Sun Fire                     | 2,604         | 2,622         | 2,755         | 2,844         | 2,800         |
| Sun Life                     | 2,519         | 2,418         | 2,317         | 2,468         | 2,468         |
| Yorkshire                    | 3,041         | 3,092         | 3,195         | 3,453         | 3,605         |
| Totals                       | 3,144         | 3,234         | 3,557         | 3,685         | 3,868         |

(Continued on page 226.)

## COMPANY MEETINGS

**AMALGAMATED**  
Ordinary expenditure of £210,000. Thus, issues to sinking funds of £210,000. Thus, including sinking fund allocations of £11,427,000, the deficit accrued since April 1st is £2,402,845,000 against £2,464,929,000 for the corresponding period a year ago.

## ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

| Revenue                        | Receipts into the Exchequer (£ thousands) |                         |                         |                         |                         |
|--------------------------------|-------------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
|                                | Estimate 1943-44                          | April 1 to Feb. 6, 1943 | April 1 to Feb. 5, 1944 | Week ended Feb. 6, 1943 | Week ended Feb. 5, 1944 |
| ORDINARY REVENUE               | 117,500                                   | 679,820                 | 869,428                 | 60,796                  | 79,904                  |
| Income Tax                     | 80,000                                    | 49,839                  | 51,192                  | 4,980                   | 5,500                   |
| State, etc.                    | 100,000                                   | 78,418                  | 81,747                  | 1,676                   | 1,666                   |
| Duties, etc.                   | 17,000                                    | 11,630                  | 15,140                  | 30                      | 30                      |
| R.D.C.                         | 500,000                                   | 24,801                  | 26,051                  | 1,054                   | 660                     |
| P.T.                           | 1,000                                     | 630                     | 498                     | 120                     | 10                      |
| Other Ind. Rev.                | 187,300                                   | 113,579                 | 144,849                 | 76,516                  | 97,784                  |
| Total Ind. Rev.                | 525,320                                   | 387,292                 | 464,586                 | 12,136                  | 11,114                  |
| Excise                         | 450,180                                   | 370,500                 | 415,955                 | 13,100                  | 15,531                  |
| Total Customs & Excise         | 975,500                                   | 757,792                 | 880,541                 | 25,236                  | 26,645                  |
| Motor Duties                   | 25,000                                    | 27,125                  | 26,616                  | 786                     | 850                     |
| Canadian Govt. Contribution    | ...                                       | 2,471,919               | ...                     | ...                     | ...                     |
| P.O. (Net Receipts)            | 400                                       | 12,100                  | ...                     | 500                     | ...                     |
| Wireless Licences              | 4,700                                     | 3,830                   | 3,940                   | ...                     | ...                     |
| Crown Lands                    | 800                                       | 870                     | 950                     | ...                     | ...                     |
| Receipts from Sundry Loans     | 4,100                                     | 3,225                   | 6,303                   | ...                     | ...                     |
| Miscell. Receipts              | 24,000                                    | 83,809                  | 66,436                  | 1,960                   | 1,068                   |
| Total Ord. Rev.                | 290,750                                   | 242,969                 | 243,328                 | 104,998                 | 126,347                 |
| SELF-BALANCING P.O. & Brdcastg | 110,632                                   | 88,400                  | 95,150                  | 2,000                   | 3,600                   |
| Total                          | 301,812                                   | 233,769                 | 252,843                 | 106,998                 | 129,947                 |

| Estimate 1944            | Issues out of the Exchequer to meet payments (£ thousands) |                         |                         |                         |
|--------------------------|------------------------------------------------------------|-------------------------|-------------------------|-------------------------|
|                          | April 1 to Feb. 6, 1943                                    | April 1 to Feb. 5, 1944 | Week ended Feb. 6, 1943 | Week ended Feb. 5, 1944 |
| ORDINARY EXPENDITURE     | 375,000                                                    | 269,382                 | 307,993                 | 5,115                   |
| Int. & Man. of Nat. Debt | 9,500                                                      | 6,962                   | 6,775                   | 559                     |
| Payments to N. Ireland   | 7,500                                                      | 7,071                   | 6,881                   | ...                     |
| Cons. Fund Services      | 392,000                                                    | 283,416                 | 321,649                 | 5,674                   |
| Ord. Exp.                | 585,875                                                    | 470,337                 | 482,473                 | 111,045                 |
| ANCING                   | 110,632                                                    | 88,400                  | 95,150                  | 2,000                   |
| Adcastg                  | 596,938                                                    | 479,176                 | 491,985                 | 113,045                 |

| Week ended     | N.S.C. Defence Bonds |          |          |          | 3% Savings Bonds |          | 2½% War Bonds 1952-54 |          |
|----------------|----------------------|----------|----------|----------|------------------|----------|-----------------------|----------|
|                | Nov. 30              | Dec. 7   | Dec. 14  | Dec. 21  | Nov. 30          | Dec. 7   | Nov. 30               | Dec. 7   |
| Nov. 30        | 4,534                | 1,663    | 3,314    | 12,108   | 4,534            | 1,663    | 3,314                 | 12,108   |
| Dec. 7         | 4,683                | 1,697    | 4,134    | 4,490    | 4,683            | 1,697    | 4,134                 | 4,490    |
| Dec. 14        | 4,115                | 1,555    | 3,482    | 13,913   | 4,115            | 1,555    | 3,482                 | 13,913   |
| Dec. 21        | 3,537                | 1,362    | 3,770    | 5,493    | 3,537            | 1,362    | 3,770                 | 5,493    |
| Dec. 28        | 3,321                | 997      | 2,785    | 3,977    | 3,321            | 997      | 2,785                 | 3,977    |
| Jan. 4         | 5,126                | 1,618    | 5,558    | 10,245   | 5,126            | 1,618    | 5,558                 | 10,245   |
| Jan. 11        | 5,349                | 2,442    | 5,623    | 11,566   | 5,349            | 2,442    | 5,623                 | 11,566   |
| Jan. 18        | 5,688                | 2,073    | 5,200    | 9,430    | 5,688            | 2,073    | 5,200                 | 9,430    |
| Jan. 25        | 5,422                | 1,976    | 4,941    | 3,040    | 5,422            | 1,976    | 4,941                 | 3,040    |
| Feb. 1         | 5,255                | 1,923    | 5,779    | 7,384    | 5,255            | 1,923    | 5,779                 | 7,384    |
| Feb. 8         | ...                  | ...      | 5,125    | 7,565    | ...              | ...      | 5,125                 | 7,565    |
| Totals to date | 101,940*             | 659,464* | 145,909* | 217,674* | 101,940*         | 659,464* | 145,909*              | 217,674* |

your directors a... that... the purchase price... Since March 31... of Grob...

| Date   | Tender | Tap    | nk f g d | De-<br>posits<br>by<br>Banks | Floating<br>Debt |
|--------|--------|--------|----------|------------------------------|------------------|
| 1943   |        |        |          |                              |                  |
| Feb. 6 | 1010-0 |        |          | able                         |                  |
| Oct. 9 | 1170-0 |        |          | "                            | 4452-8           |
| " 16   | 1180-0 |        |          | "                            |                  |
| " 23   | 1190-0 |        |          | "                            |                  |
| " 30   | 1200-0 | 1872-3 | 32       | 1213-0                       |                  |
| Nov. 6 | 1210-0 |        |          | able                         | 4628-5           |
| " 13   | 1210-0 |        |          |                              |                  |
| " 20   | 1210-0 |        |          |                              |                  |
| " 27   | 1210-0 | 1868-9 | 361      | 291-0                        |                  |
| Dec. 4 | 1210-0 |        |          | le                           | 4750-0           |
| " 11   | 1210-0 |        |          |                              |                  |
| " 18   | 1210-0 |        |          |                              |                  |
| " 25   | 1210-0 |        |          |                              |                  |
| " 31   | 3115-2 |        | 367      | 11-0                         |                  |
| 1944   |        |        |          |                              |                  |
| Jan 8  |        |        | N        |                              | 4948-4           |
| " 29   |        |        |          |                              |                  |
| " 29   |        | 1936-2 | 290-6    |                              | 4796-8           |
| Feb. 5 | 1470-0 |        | Not      |                              |                  |

Million \$'s

§ Bid.



(Continued from page 227.)

## INVESTMENT

Stock Exchanges: London

## "FINANCIAL NEWS" INDICES

| 1944        | Total<br>Bargains<br>in S.E.<br>List | Corres.<br>Day<br>1943 | Security Index |
|-------------|--------------------------------------|------------------------|----------------|
| Feb. 3..... | 5,297                                | 4,670                  | 103.7          |
| " 4.....    | 5,217                                | 4,616                  | 103.7          |
| " 7.....    | 6,858                                | 5,738                  | 103.8          |
| " 8.....    | 5,582                                | 4,799                  | 103.9          |
| " 9.....    | 5,340                                | 4,822                  | 103.7          |

\* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1943: high (Oct. 1); lowest, 94.1 (Jan. 4). 20 Fixed Int., 1943: highest, 136.8 (lowest, 133.1 (Sept. 8)).

## New York

## STANDARD STATISTICS INDICES

## DAILY AVERAGE OF 50 COMMON STOCKS

| 1944        | Average | Transactions | 1944       | Average | Tr.     |
|-------------|---------|--------------|------------|---------|---------|
| Jan. 28.... | 116.1   | 514,000      | Feb. 1.... | 117.0   | 710,000 |
| " 29....    | 116.8   | 521,000*     | " 2....    | 116.8   | 710,000 |
| " 31....    | 116.7   | 690,000      | " 3....    | 116.4   | 595,000 |

1943: High, 125.4 (July 14); Low, 99.3 (Jan. 2). \* Two-hour session.

## (WEEKLY AVERAGES) (1935-36=100)

|                     | 1943             |                    | Jan.<br>19<br>1944 | Jan.<br>25<br>1944 | Feb.<br>2<br>1944 |
|---------------------|------------------|--------------------|--------------------|--------------------|-------------------|
|                     | Low<br>Jan.<br>6 | High<br>July<br>13 |                    |                    |                   |
| 37 Industrials..... | 81.1             | 133.5              | 96.4               | 95.8               | 96.1              |
| 32 Rails.....       | 72.6             | 99.9               | 92.7               | 92.2               | 94.7              |
| 40 Utilities.....   | 67.9             | 89.6a              | 86.6               | 86.5               | 86.9              |
| 419 Stocks.....     | 78.5             | 100.9              | 94.6               | 94.1               | 94.6              |
| Av. yield %.....    | 5.36             | 4.35               | 4.70               | 4.74               | 4.74              |

\* Common Stocks. (a) Aug. 25.

## Capital Issues

| Week ending<br>February 12, 1944                     | Nominal<br>Capital       | Con-<br>versions         | New<br>Money |
|------------------------------------------------------|--------------------------|--------------------------|--------------|
| To Shareholders only.....                            | 7,364,031                | 7,339,656                | 47,500       |
| Particulars of Government issues appear on page 225. |                          |                          |              |
| Year†                                                | Including<br>Conversions | Excluding<br>Conversions |              |
| 1944.....                                            | 116,098,120              | 105,805,464              |              |
| 1943.....                                            | 136,839,881              | 132,564,381              |              |

## Destination\* Nature of Borrowing\*

| Year†     | U.K.        | Brit. Emp.<br>ex. U.K. | Foreign<br>Countries | Deb.        | Prof.   | Ord.    |
|-----------|-------------|------------------------|----------------------|-------------|---------|---------|
| 1944..... | 105,687,214 | 118,250                | Nil                  | 105,219,714 | 488,750 | 97,000  |
| 1943..... | 131,776,781 | 787,600                | Nil                  | 131,468,047 | 392,330 | 704,004 |

\* Conversions Excluded. † Includes Government issues to February 1, 1944, only. Above figures include all new capital in which permission to deal has been granted.

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|                       |         |           |         |
|-----------------------|---------|-----------|---------|
| Aden and Cochla       | Madras  | Kisumu    | Kenya   |
| Aden Point (S. India) | Mombasa | Nairobi   | Colony  |
| Amritsar              | Colombo | Nuwara    | British |
| Bombay                | Delhi   | Eliya     | N.A.    |
| Calcutta              | Kandy   | Rangoon   | Entebbe |
| Cawnpore              | Karachi | Tuticorin | Jinja   |
| Chittagong            | Lahore  | Zanzibar  | Kampala |

Dar-es-salaam Mwanza Tanga ... Tanganyika Territory

SUBSCRIBED CAPITAL ... £4,000,000

PAID-UP CAPITAL ... £2,000,000

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(1942 Accounts)

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State of South Australia, the Government of the State of Tasmania,  
Commonwealth Savings Bank of Australia, 5,921 Agencies at  
Post Offices in Australia.

|                       |                              |              |
|-----------------------|------------------------------|--------------|
| As at 30th June, 1943 | General Bank Balances ...    | £287,573,348 |
|                       | Savings Bank Balances ...    | 221,004,531  |
|                       | Note Issue Department ...    | 149,496,942  |
|                       | Rural Credits Department ... | 2,464,154    |
|                       | Other Items ...              | 21,990,375   |
|                       |                              | £682,529,446 |

A. H. LEWIS, Manager.

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THE  
ECONOMIST

ESTABLISHED 1843

Vol. CXLVI No. 5243

REGISTERED AS  
A NEWSPAPER

FEBRUARY 19, 1944

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

|                            |     |                          |     |
|----------------------------|-----|--------------------------|-----|
| Chickens to Roost - - - -  | 229 | Only Fear Itself - - - - | 239 |
| Outlaw Europe - - - -      | 231 | Long-Term Housing Policy | 246 |
| The New Liberalism - - - - | 232 | Wool: An Example - - - - | 247 |

## NOTES OF THE WEEK - - - - 233

Russia and Finland; Guarding the Baltic?; Absentee  
Members; Electoral Reform; The Path to Parlia-  
ment; Local Choice; Bloodless Decision; Indian  
Alternatives; Pay-As-You Earn; Dual Government  
in Italy?; Reconstruction; Employment Policy;  
The Size of the Market; Water Policy; Penicillin  
Production; French Colonial Dilemmas; Nazi  
Europe; Shorter Note.

## AMERICAN SURVEY - - - - 239

Only Fear Itself; Pipeline Reactions; Bankhead  
Bill; Lend-Lease Repayment; Talk v. Silence;  
Shorter Notes.

## THE WORLD OVERSEAS - - - - 243

Post-War Ulster; Spanish Trade and Finances;  
Germany at War.

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## THE BUSINESS WORLD

## BUSINESS NOTES - - - - 248

Window Dressing; The Case for Oil Refineries;  
Magnesium Production; A Canpac Dividend;  
London Gas Payments; Gresham Insurance Offer;  
Rhodesian Copper Results; Miners' "Personal"  
Bonus; Swedish Credit Policy; Another  
Premium Loan; Bank Note Rates; Woolworths  
Redivivus; Building Good Houses; Transferred  
Workers' Allowances; BOAC Expansion; Rates of  
Hire for Tramps; Deeper Darkness; Correction;  
Shorter Notes; Company Results.

## COMPANY MEETINGS - - - - 255

## RECORDS AND STATISTICS - - - - 256

## Chickens to Roost

THE sky is black with chickens coming home to roost  
at the Ministry of Fuel and Power. Some of them  
are as old as the Sankey report; most are a reflection of  
the bankruptcy of recent coal policy. The war provided  
a real opportunity for bringing about a radical reorganisa-  
tion of the mining industry, which Commission after  
Commission had said should not be postponed, but only  
the fringe of the problem has been touched. In April,  
1942, *The Economist* wrote:—

The coalmining industry has been one of the out-  
standing failures of British economic policy in the present  
war.

There is no reason to revise that judgment after two  
years in which the coal industry has moved from crisis  
to crisis. Production has continued to fall and it is excep-  
tional for the national target of 4.2 million tons a week  
to be realised. Artificial respiration and palliatives have  
been applied; boys have been directed into the mines  
to make good the loss of manpower. Such measures may  
have provided temporary relief, while Mr Churchill's  
descent into the arena prevented the issue from coming  
to a head last October. But not even the Prime Minister's  
oratory could solve the present dilemma, or allay the  
very real disquiet about the handling of the mines.

The public may be excused a certain impatience. One  
week, it reads that the miners have been awarded a higher

national minimum wage, and the next, that output has  
fallen, and that 276,000 tons were lost in strikes in the  
fortnight following publication of the award. The Porter  
Tribunal made it perfectly clear that to grant a minimum  
wage was "an unsatisfactory method of increasing wages,  
since it fails to provide an incentive for increased pro-  
duction or more efficient work." It rejected the miners'  
claim for increased piece rates, as inconsistent with the  
granting of a minimum wage, and instead urged the  
industry to proceed with a fundamental overhaul of the  
wages structure, described as "long overdue."

But by only raising the national minimum, the award  
created a number of anomalies, which were apparently  
only discovered somewhat late in the day. The more  
prosperous coalfields, such as Yorkshire, Leicestershire and  
Nottinghamshire, where minima above the new national  
rate were paid, found that they derived no benefit  
from the award. The margin between piece-workers and  
day workers was narrowed, and to eliminate this would  
mean in fact an application for increased piece rates,  
which the Tribunal had rejected. The Government's  
refusal to provide the funds to meet the cost involved in  
the adjustments, either from the Coal Charges Account  
or by a subsidy, is therefore technically justifiable, and in  
conformity with the terms of the award. "Anomaly" is  
a convenient word, but a disingenuous one. It was

obvious to everyone from the start that the grant of a higher minimum, below which no one in the industry was to fall, would disturb the existing relationship between those workers who are at the minimum and those who are not. If what was being asked for was, in fact, a general increase of wages, the miners should have said so from the start. To grant a general increase in the guise of correcting "anomalies," and at public expense, might only lead to a string of new claims for financial assistance. The effects of the Government's refusal of assistance, however, are unfortunate; output is bound to decline still further and there will be no incentive to earn above the £5 minimum. The decision seems to have been taken without sufficiently explaining the reasons to the miners, who appear to have assumed that the funds would be provided, in the interests of securing industrial peace and maintaining output.

The miners' attitude is understandable. They have been treated alternately to threats and cajolery, and have been led to expect, from declarations by the Prime Minister, Major Lloyd George and Mr Bevin, that their interests were so much a matter of national concern that they would get nearly everything they asked for. Now that the men have got the whip hand, with labour at a premium and a desperate demand for coal, they seek to exploit their position. With bitter memories of broken pledges, they prefer to get what they can now, rather than to rely on promises of post-war security. At the same time, it would be a short-sighted policy for them to discredit their own Tribunal, and the present situation is dangerous in that it is tending to revive the old district divisions, fostered in the past by the owners, but which had recently been breaking down.

The miners also argue that wages in coalmining are still low by comparison with other, less dangerous and arduous occupations. Weekly earnings have risen from about 56s. in 1938 to 111s. 6d. in January, 1943, compared with 148s. 7d. in motor vehicle and aircraft manufacture, 130s. 8d. in shipbuilding, and 126s. 3d. in electrical engineering. Both out of general sympathy with the conditions of a miner's life and also as a means of maintaining the labour supply of an essential industry, most members of the general public would agree that good wages in coalmining—perhaps even better wages than the present—are desirable.

But wages cannot be treated in a vacuum. They must be related to output. And while wages have been rising from 56s. to 111s. 6d. a week, output has been falling from 22.9 cwt. to less than 20 cwt. per man-shift. The inevitable result has been a steep rise in the price of coal. The wages bill has increased from £67.1 million in the first half of 1941 to £90.9 million in the last six months of last year. The Porter Award requires more money, and the correction of the "anomalies" would require still more—to be provided either by a further rise in prices or out of the public purse.

Now it may be that nothing very catastrophic would follow, in wartime, from either a subsidy or an increase in prices. Other things are subsidised, including steel, and there is no absolute reason why coal should not be added to the list. As for prices, a rise would chiefly affect the consumer (whose consumption ought to be reduced), the railways (whose very large profits accrue to the Exchequer), public utilities (an increase in whose rates could not harm the economy campaign), and general industry (most of which is directly or indirectly engaged on Government contracts).

But the future cannot be left to take care of itself in this way. Coal is almost the only natural resource which this country enjoys; it enters in greater or less degree into every industrial process. Dear coal would be a most damaging, and possibly quite ruinous, policy both for British industry in general and for the coal-mining industry itself. On the other hand, whether or not subsidies of any sort will find a place in permanent policy, subsidies to keep wages at a level that is not matched by the productivity of the labour force are permanently quite indefensible.

It is not, therefore, the immediate crisis in the coal

industry that is so alarming, it is the evidence that a very difficult long-term problem is merely being tinkered with or let drift. During the war, one concession after another has been made to the miners, relating to their conditions of work, their wages and the method of determining wages. Each concession has raised costs. It would be wrong to say that these concessions should not have been made—or indeed that more ought not to be made now. But the only way in which they make long-term sense is if they are combined with a policy for quite drastically increasing the efficiency of the industry, the average productivity per head. Of such a policy there is less than no effective sign. The public interest demands that a stop be put to the Danegeld policy. Let there be no further additions to cost until there is some visible sign—something more than verbal optimism—of an increase in efficiency. And if putting a stop to concessions leads to an explosion, an explosion there must be. The responsibility for it will lie, without possibility of shifting, on the Government. They were warned, in the most explicit terms, two years ago that this would happen. They preferred easy optimism and they must now face the consequences.

There can be very little doubt that a considerable increase in efficiency in the industry is fully possible, though it would no doubt take time. The mere regrouping of pits, without any other change in methods, would do something. A determined extension of mechanisation could do more. The limits to mechanisation have been repeated *ad nauseam*. They undoubtedly exist, and the British mining industry will no doubt never be as fully mechanised as many others. But if the methods used in the best British collieries were generally applied a great step forward would be taken. And if new devices now in process of development are as productive as they promise to be, still more could be done.

One thing, however, is certain. This sort of technical reorganisation is quite incompatible with the present structure of the industry. It is not so much that the industry is privately owned (though that has its psychological importance) as that it is owned in so many units of differing size, financial strength, efficiency and competence. A system of "control" or "direction" from central authority is of very little effect if it leaves the basic structure untouched. That, at least, has been the experience of the last two years. The Government, in its anxiety not to raise political controversies, has tended to rely in the main on voluntary economy in fuel consumption to perform the miracle. The proposals put forward by the miners for improving the control scheme have been largely ignored, and the Government's present scheme for the grouping of pits in each area will not have much more result, unless it leads to real technical integration, which is unlikely with the present structure of ownership. The outsider's comment is Campbell-Bannerman's to Arthur Balfour: "Enough of this fooling."

The curse of the mining industry for a generation has been the politics played by both sides. Salvation now can only be found through a rigidly non-political, technical approach. Let the mines of the country, or of each district, be regarded as a whole, and a plan drawn up for getting the estimated requirements of coal from them at the lowest possible cost in labour. Let this plan be drawn up by non-political technicians, of whom there is no lack in the industry. And when this plan is complete, let the structure of ownership in the industry be fitted to it.

If to follow this procedure means to arrive at nationalisation or some other form of public ownership, there should be no shrinking from it. Indeed, it is probable that not only the Left, but the whole of the Centre and a large part of the Right, have already made up their minds that public ownership of the mining industry is inevitable. But it is essential that everybody should realise what sort of nationalisation is intended. The miners, with their emphasis on "psychological" factors and the resistance they so often put up to the introduction of machinery and the closing of inefficient pits, seem to mean by nationalisation the injection of public funds into an in-

dustrial that is otherwise left unchanged. That would be disastrous. The nationalisation that is needed is not one that is wanted for its own sake, but one that is wanted as the only way of securing a sharp increase in efficiency. That sharp increase in efficiency will, in its turn, bring many things the individual miner will strongly dislike. But it is the only means by which his very reasonable demand for good wages and good conditions can be met.

## Outlaw Europe

SOON the Allied armies will descend on the European mainland. The commanders, the planners and the organisers of the greatest military adventure in history are brooding over maps of the coasts across the Channel, and of the communication lines behind them. With equal eagerness others try to pierce the political West Wall and catch a glimpse of the social and political picture of Europe after nearly four years of German occupation. Only stray features can be seen at all distinctly. In the foreground is the foreign oppressor; the people are hidden or underground. The life of Europe has been ruthlessly uprooted. Describing the mood in which he saw the outbreak of the First World War Mr Lloyd George once wrote: "... I felt like a man standing on a planet that had been suddenly wrenched from its orbit by a demoniac hand and that was spinning wildly into the unknown." Nothing could describe better the position of the European peoples on the eve of invasion.

Europe, as we knew it before 1939, exists no longer. After the last war, too, changes were great and deep. Three powerful monarchies lay in ruins. The Communist Revolution in Russia was in full swing. Repercussions of war dominated the peace. Yet, compared with the Second World War, the First was only a prelude. The bloody, wasteful fighting was limited to narrow strips of land. So was the destruction it entailed. Behind the mud and slaughter of the trenches, civilian life still kept the air of some normality. Only in the present war has all the fury of total warfare broken upon the European continent; but it has broken, and is still mounting.

So Europe on the eve of another invasion is a huge melting-pot, with the greatest heat and turbulence still to come. No social or political forms have any stability. There have been expropriations, during the occupation, on a larger scale than in any revolution, not of one social class by another, but for the benefit of the ruling class of Germany at the expense of most of the occupied peoples. The loot has been lifted in many different ways, direct and indirect. In some cases, the restitution of property after the war can be achieved without great technical difficulties. Where German capital has taken control of entire foreign industries by buying up con-

It is not easy, of course, to enter upon a drastic scheme of re-organisation now. Both politically and industrially, the moment is ill-chosen. It would have been much better to have begun in 1942 and to have had something to show for the change now. But it never will be easy to begin, and when it is a question of putting a stop to a policy of weakness and drift, there is never any time like the present.

trolling blocks of shares the process can easily be reversed. But such cases affect only small groups of owners—at the top of the social pyramid. In most European countries the middle class has been practically wiped out. Shopkeepers, homeowners, independent entrepreneurs and artisans have disappeared. In Eastern Europe they have been directly robbed. In Greater Germany and Western Europe they have been squeezed out by industrial concentration. Nor are bombing, bombardment, demolitions and "scorched earth" merely military operations; they strike straight at the property and standing of the middle classes.

Black markets, too, have undermined social structures everywhere in Europe—except in Germany. Black markets have long ceased to be a marginal anomaly. In France, Poland and the Balkan countries they are the norm. The great majority of all economic transactions are done in them. To trade illicitly and anonymously is a matter of self-preservation. It is also a deliberate political weapon against the occupying authorities, a form of economic sabotage. Everywhere it is a function of gnawing shortage. The social consequences of this phenomenon cannot be lightly dismissed, as the staff of Amgot has discovered in Italy. For long after the war they will remain all over Europe. To restore economic discipline will take much time, much effort, much skill and much understanding—which the Allied Governments and UNRRA should know already. The black market, too, is a great shuffler of social classes. Often the professionals come from the most surprising quarters; professors, teachers, lawyers, journalists, civil servants, intellectuals become *déclassés* after their pigeon-holes—their universities, schools, newspapers and offices—have been taken from them. And the black markets are also the breeding ground for a new "middle class," the upstarts of the Second World War, Europe's war profiteers.

And so the story of turmoil and the destruction of normal life and normal values, of lawabidingness and loyalties and statuses, can be carried on. Some items are only too familiar, such as the deportation of millions of people and the shattering of families. The events of the last year or so have added new ones. There are the



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*maquis* in France, the "bush rebels." Hundreds of thousands of young Frenchmen have fled to the mountains and forests in order to escape Sauckel's press-gangs. In every country of Europe ever-growing numbers live similarly outside the pale. In Poland and the Balkans it is the partisans who make up the "bush armies," and their military exploits are to some extent known. What is less known is the effect of these widespread and spreading outlaw movements on the social outlook of the countries concerned. To hold them in check, the Germans lay waste vast tracts of the countryside. In eastern Europe and the Balkans, the peasants have begun to flee bodily into the hills and forests; wherever outlaws visit a village its inhabitants suffer the most savage German reprisals, and so they make off. Villagers become outlaws. The partisans can only get food by requisitioning it from farmers who are again exposed thereby to reprisals and prefer to escape to the partisans' own hiding-places. Other recruits take to the bush through no political sympathy with the active rebels but because of senseless Nazi oppression. Others again are simply lawless and masterless men plying their trade. This, increasingly, in greater or less degree as old frontiers are passed, is the European background. Until a year or so ago the outlaw movement was still confined to the mountains of Yugoslavia, the steppes of the Ukraine or the forests and swamps of eastern Poland. With the advance of the Soviet armies the peasants' rush to the woods is extending westwards; and it has now almost reached the borders of the Reich itself.

It is true that western Europe has not yet gone through the same ordeal as southern or eastern Europe; and the difference remains most important. But it is precisely here that the next and biggest battles, bombardments and repressions may take place very soon. What is the effect of all this on Europe, on its politics, its aims, aspirations, needs, wishes and possibilities? The core of it all is a gallant, heroic, desperate struggle for bare survival, not romantic, but with its own ideals and values. But very often this struggle is so desperate and so absorbing as to leave almost no time or energy for political thought or for any thinking ahead. Striking in the many reports from occupied countries is the negligible role which politics in the pre-war sense seems to play in the real life of the

weary masses. Social and political programmes preoccupy the minds only of small illegal parties and organisations. The party organisations themselves have been smashed; Europe has been politically beheaded. The first-rank political leaders have largely been killed or cast into German concentration camps. In some countries, second or third-rank leaders have been "liquidated," and command has been taken over by the n.c.o.s and privates of the pre-war movements.

But, tentatively, two features can be picked out from the seeming chaos. First, in *underground Europe*, there is a deep, tough, primitive nationalism, natural, instinctive, rather than political. Each nation in turn has been trampled down; each has drunk humiliation to the last dregs. The resisters in each country have had to hold out unaided for four long, dreary years. From their lonely posts they could not see the wider horizons of the war or grasp its logic. They are, exaggeratedly, self-consciously, patriots, because that is how they have comported themselves.

Secondly, less wide but fairly general, there is a somewhat vague and somewhat inarticulate social radicalism. In most occupied countries collaborators have been found more readily, but not entirely, among the extreme Right and the upper classes. The familiar demand in France to end the economic predominance of the "two hundred families" has been strengthened by motives of patriotic justice; and the position is only slightly different in other countries. Compared with the social and political aftermath of the First World War, the present "radicalism" seems to be more spontaneous and widespread, but less determined and much less clear-headed and organised. The end of the war will probably see the Right discredited almost everywhere in Europe, and the Left strengthened but immensely confused.

The picture is tragic. No European clash of arms since the Thirty Years' War has produced such a tremendous unsettlement. Against this must be set Europe's present-day powers of recovery. They are strong enough in modern conditions, if freed, to stave off for certain any decline akin to that which followed the Peace of Westphalia. But they will need aid and stimulation from outside; and every policy for post-war Europe must start from the magnitude of the all-European breakdown.

### The Principles of Trade—VIII

## The New Liberalism

AN apology is needed for the length to which this series of articles has extended. But the subject is not only complicated in itself; it is one that requires delicate handling and the most careful exposition. In matters of trade, national susceptibilities have always been near the surface and are very easily bruised. The cynic may say that national self-interest is, in this sphere, all too easily transmuted into high moral principle. That may be; but the translation is sub-conscious and the moral indignation that can be aroused by heresy is none the less formidable for being invisibly based on the profit motive. There are some most influential circles in the United States that are prone to regard other nations' views on the methods of international trade as the acid test of whether or not they are sincere in their adhesion to the cause of the United Nations. It is not enough, in these matters, for a country to be well-intentioned; it must be manifestly seen to be well-intentioned. Moreover, there is another aspect. For accidents of history, the doctrine of Free Trade came to be, especially in Great Britain, the keystone of the arch of the liberal philosophy. More particularly, for a journal like *The Economist*, piety alone demands that the classical principles of international trade be handled with loving care.

Yet the conclusions reached in this series of articles are not, after all, so very different from those of the classical theory. The driving force behind the philosophy of Adam Smith and his successors was a strong belief in the natural tendencies of the economic system towards material ex-

pansion. In this expansion they saw—and rightly saw—the hope of rescuing mankind from penury, and it was their passionate will that expansion should not be blocked that led them to lay such stress on economic freedom. But it was the expansion that was their end; free trade was only the means. In their day and age they were right in their assumption that any form of conscious intervention in economic processes would necessarily be restrictive and bad. The idea of planned expansion would have been very foreign to them. But we have learned that freedom of commerce may not be so completely synonymous with expansion, nor planning with restriction. To insist to-day that it is the expansion that matters most, not the exclusive use of one means of securing it, is not to revolt against the liberal doctrine, but to restore it, to rescue it from the latter-day corruption which mistook the means for the end.

It is important that this point should be realised. All over the world to-day, the spectacle can be seen of the perfect busily impeding the good—but nowhere more clearly than in international trade. Mankind has quite obviously made up its mind to control its own economic environment. This is in the trend of all human development, and there is no possibility of stopping it, even if that were desirable. The determination appears in the categorical imperative to prevent great depressions, mass unemployment and poverty in the midst of potential sufficiency. It may be that in some parts of the world these are still debatable questions, or that, while the end is

accepted, the inevitable means are not. This appears to be still true of the United States, but it is becoming less true every day in Great Britain. And in Europe, as it emerges from the war, it is likely to be taken for granted, not only that the state has a responsibility for the condition of economic affairs but also that it must largely administer its own responsibility. In short, we are moving into an era of purposive direction of economic affairs, and those who think that international trade can remain an exception to this world-wide trend are cherishing an illusion. In theory, three possible systems of international trade can be set up—the wholly uncontrolled; the planned expansionism that has here been sketched out; and the narrow restrictionism of two-sided barter. In fact—at least until conditions of far greater stability than the world has known since 1914 can be restored—it is only the last two that come into question. Those who reject the middle solution, hoping to get the first, are far more likely to find themselves saddled with the third.

There is another most potent reason for appealing to the liberal opinion of the world to support a policy of planned expansion. Such a policy would necessarily be empirical. Once it departs from the simple absolute that all interferences with trade are bad, it must inevitably rely on judgment. Intervention in trade is sometimes good, sometimes bad; only judgment, based upon principle, can decide which is which. But in these highly political matters judgment and principle can be expressed only by an informed and disinterested public opinion. As things have been hitherto, bewildered bureaucrats, caught between the insistent necessities of the balance of payments and the clamours of the vested interests, have had nowhere to turn for guidance or help. Their natural recourse to the economists and the publicists has been met only with an unhelpful general commination. This has not, of course, in the least prevented an endless array of interventions in trade and of interferences with free commerce. But it has meant that there has been no principle or judgment in the process save that of yielding to him who can shout loudest.

Where the economists and the publicists could help would be in drawing up a body of practical principle by which proposals for action can be judged. For if the new doctrine of planned expansion turns out to be merely protectionism writ large, then it is predestined to damnation. This point cannot be sufficiently emphasised. The technical devices by which a policy of planned expansion would be administered would be much the same as those by which the protection of vested interests is secured. This is inevitable; it is the risk that has to be taken once the shelter of the absolute prohibitions is left. All through the ascent of man, the tools he has fashioned could be used for good or evil, and to be a democrat is to have the faith that they will, on balance, be used for good. Throughout the field of economic policy, and more particularly in international trade, the real controversy is no longer whether there shall be deliberate interference with economic processes—events have

decided that long ago—but on whose behalf the state shall intervene, on behalf of the community as a whole or of particular interests. The fight is not an easy one, and it will be lost if those who can best lead public opinion persist in remaining neutral.

It is difficult to draw an exact frontier between planned expansion and protectionism. As a first-instance rule of thumb, it may be laid down that any intervention whose direct effect is to stop some trade that would otherwise be carried on is suspect, that any intervention that brings specific benefit to a specific industry is also suspect, and that anything that does both at once is doubly suspect. But the only real safeguard is principled vigilance. The only real solution is the same combination of clear-headed public opinion and honest servants of the state as has saved the modern democracies from financial debauchery.

This need and this danger should be borne in mind in devising the machinery of the state to administer the policy. The device invented by Chamberlain's Import Duties Act—the Import Duties Advisory Committee—might well be taken as a model of what to avoid, since it exhibits all the major defects. It is compelled by its constitution to consider applications, industry by industry, without any effective guidance on the needs of the public interest. It is prohibited from doing the one thing that is essential—that is, studying the economic problem as a whole. Even its air of judicial impartiality is a defect, for a judge who has no law to administer must arrogate to himself the legislative function. To make IDAC "independent" is merely to secure that its decisions cannot possibly fit into the framework of any economic policy. There can be no dodging of responsibilities; the control of international trade is an essential element of economic policy, which is rapidly becoming, in peacetime, the central part of the Government's job. Instead of an "independent" Committee, exposed to the blast of every vested interest, policy should be administered by a responsible Minister answerable to Parliament and people. It would be an advantage if his Department had no other responsibilities to confuse the issue—if the domestic industrial responsibilities of the Board of Trade could be set aside in a separate Ministry of Industry—both, of course, subject to the higher command of economic policy.

The greatest need of all, however, is to rescue international trade from the atmosphere of theology. It is an instrumentality, not an end in itself. To increase the wealth of the community, to abolish individual destitution, to put an end to disastrous economic fluctuations—all these are objectives worth while in themselves. There is nothing so absolute about international trade. Its humbler duty is to do what it can to help in the attainment of these more absolute aims. We are moving into an age of new techniques and new responsibilities. If international trade can be rescued from the doctrinaires and submitted to a technical assessment of the contribution it can make, the largest step will have been taken towards recasting the principles of trade.

## NOTES OF THE WEEK

### Russia and Finland

The last act of the Russo-Finnish drama is drawing to an end. The Soviet victories on the Leningrad front and the Russian drive into the Baltic countries, followed by heavy bombardment of Helsinki, have emphasised the hopelessness of Finland's military position. The Finns are now in the pass to which they were brought four years ago when the Russians broke through the Mannerheim Line. Public opinion in Finland has now definitely swung in favour of peace. M. Paasikivi, the author of the Treaty of Dorpat of 1920 and of the Peace Treaty of 1940, has arrived in Stockholm in order to sound Russian intentions or to receive the terms of armistice from Madame Kollontay, the Soviet Ambassador. The immediate prospects depend on how severe the Russian terms are going to be. Moscow has, of course, the right to demand nothing less than unconditional surrender. The Casablanca formula applies to

the satellites as well as to the chief partners of the Axis. Yet very much depends on the spirit in which Russian diplomacy makes use of its strong position. The frontier issue is naturally in the forefront; although the Russians have not yet formulated their claims, there has been no evidence so far of any intention on their part to demand drastic revisions of the 1940 frontier. At this stage it is not the peace terms but the armistice terms that matter most. A partial occupation of Finland by Soviet armies may be a military necessity. The Russians will naturally be anxious to dispose—possibly with Finnish help and as soon as possible—of the seven to ten German divisions left in the north of Finland. They will also be anxious to use against the Germans in the Baltic sea the naval and air bases in the Gulf of Finland and on the Aaland Islands. They will probably also refuse to parley with the governmental team of Ryti, Mannerheim and Tanner, the men

formally responsible for Finland's participation in the war on the side of Germany. These are the indisputable implications of "unconditional surrender." But it is only here that the real difficulties start, and they are inherent in the peculiar Finnish background. Finland was the only Axis country in which the war against Russia in 1941 was backed by a more or less democratically expressed public opinion. In the eyes of very many Finns, 1941 was to be the legitimate revenge for 1939. Finnish public opinion has in the meantime discovered that it had committed a fatal mistake, and the Russians are certainly right in refusing to treat the Finnish war as a separate matter. War is indivisible, and Finland's fight against Russia inevitably merged with that of Germany.

But the fact still remains that the war in Finland was not an intrigue of a dictatorial clique. It was the people's democratic and patriotic sin. It is to be hoped that Russia, in its triumph, should be able to pay some attention to these peculiar psychological and political complications. It is vital that such Russian occupation of Finland as may be necessary for military reasons should not make the Finns feel that they have lost their political independence. Similarly, the change of Government ought not to be carried out in such a way as to destroy the Finnish democracy. Fortunately, nothing that the Russians have done or said so far seems to point to any intention on their part to repeat the sad and abortive experiment with the Kuusinen "Government" of 1939-1940, though the fear that it might be tried again has not been altogether dispelled from Finnish minds. The rewards of a fair settlement of the conflict can hardly be exaggerated. A separate peace between Russia and Finland would be Germany's greatest defeat since the collapse of Italian Fascism. It would encourage defections of German satellites everywhere and it would effectively counter Goebbels' Bolshevik bogey. A prolongation of the conflict, coupled with an unduly harsh treatment of the beaten Finns, would clearly be a heaven-sent gift to the Nazis. The political repercussions of Russia's attitude are almost certain to affect the military position too. It does not seem very likely that Hitler would be able to carry out in Finland the rapid military counter-moves that he was able to make in Italy. It will be extremely difficult for him to switch substantial forces to the Finnish front, if only because of his precarious communications with Finland. In this respect, the position of Finland is much more fortunate than the position of Italy was in the summer of 1943. The German forces in the north can probably be pretty easily isolated and put out of action. Perhaps the only last-minute assistance which Hitler may still hope to receive in Finland is a fresh exacerbation of Finnish political feeling.

### Guarding the Baltic?

Attempts to bring together the Polish and the Soviet Governments have not been given up. The recent exchange of letters between the Prime Minister and Marshal Stalin shows that informal British mediation has been going on despite the previous refusal of Moscow to accept any Allied "interference" in the Polish-Soviet conflict. The principal issue now is the Soviet insistence on the reconstruction of the Polish Government in London. *Pravda's* attack on the Polish Government last Saturday was very violent. The paper made a number of grave charges against the Polish military underground as well as against the Mikolajczyk Government. Presumably in connection with Mr Churchill's mediation, M. Mikolajczyk has now postponed his visit to the United States. The new and most important question now raised is the proposed partition of East Prussia. This new Russian proposal is believed to cover the annexation of part of East Prussia, with

As there is now a long waiting list for *The Economist*, subscribers who wish to renew their subscription are advised to do so before the date of expiry. If they fail to do so, their subscriptions will be automatically cancelled as soon as that date is passed, which will mean a gap of many months before the despatch of copies can be resumed.

Koenigsberg, by Russia and the annexation of the Masurian Lakes in Eastern Prussia as well as of Danzig and Pomerania, with Stettin, by Poland. Russia is said to claim Koenigsberg as a naval base for the Red Fleet to enable it to guard the Baltic Sea. Should this plan be accepted by the Allies, this would imply that a more comprehensive policy towards Germany, apart from the Soviet-Polish dispute, had been roughly agreed between the Allies; and that the policy was one of dismemberment or partition. This is an issue of paramount importance, vital for future peace or war. It requires the fullest public discussion. No arguments of "assistance to the enemy" or of military secrecy can possibly be involved. There is an odd contrast here between the state of public opinion now and in the first year of the war. "War aims" and "peace aims" were favourite subjects of political writers in the months of the "phony war" when, not only victory, but also the most grievous setbacks, were still ahead. Now, in 1944, when victory is at least in sight and when diplomatic arrangements for peace must have reached some more advanced stage, public opinion is enjoined to keep an inscrutable silence about what we are fighting for, and may have to fight for again.

### Absentee Members

Last week was the third occasion on which the House of Commons Disqualification (Temporary Provisions) Act has come up for re-enactment. It is a good barometer of the state of the Government's relations with Parliament. It was first passed at a time when there was considerable criticism of the way the Government was conducting the country's war effort, and the promise of a Select Committee to investigate the whole position of office-holders under the Crown was needed to diminish the Commons' dislikes. A year later, after the military disasters of the Far East, there was considerable criticism of the Government's conduct of the war, and though the Act was renewed without any difficulty, the debate on the Select Committee's Report showed that Members had not modified their distaste. Last year, at the time of the North African victories, the Bill passed almost without notice. This year, however, Parliament is becoming increasingly critical of the Government's peace effort, and the second reading was not carried without a division—which the Government won by 91 votes to 10. That the measure was originally justifiable, and even necessary, can hardly be denied. In those days it was a case of mobilising the most suitable people for every important post, and the disfranchisement of constituencies when Members were, as a result, sent abroad was an argument that carried little weight at a time when the national danger was paramount. But now, as that shrewd Parliamentarian, Mr Maxton, pointed out,

not only have external things become less pressing than they were, but . . . internal things, the definite work of this House, is becoming more and more important.

He may be wrong in saying that the war situation is less pressing, but he is certainly right in declaring that fateful and far-reaching decisions will have to be made during the next term of the Act. Mr Bevan's charge that the Government is corrupting the House of Commons through the Act is absurdly untrue. The number of certificates that can be granted under it is limited to 25, and only 21 have been issued—two in respect of one Member—and 13 of the Members concerned are available for their House of Commons work. The attitude of the Commons during the debate—and indeed throughout the war—shows that they are in no danger of becoming a Parliament of placemen. But though the principle which underlay the original provision in the Act of Settlement—that Parliament's control of the Executive must be upheld—has not been endangered, the principle that certain offices are incompatible with membership of Parliament should now be reaffirmed. It is time for the Members concerned to decide whether they wish to be politicians or to follow a diplomatic—or other Governmental—career, and for the Government to show, cause why, though it may be in the public interest for these Members to be appointed to the posts in question, it is also in the public interest for them to retain their seats in the House of Commons.

### Electoral Reform

Mr Speaker has chosen 32 members, 29 M.P.s and three peers, to make up his Conference on Electoral Reform. Colonel Clifton Brown sought party guidance in making his

choices, and Parliament has accepted his decision without criticism. To some outsiders—who are also electors—it may perhaps seem somewhat unfortunate that the selection should have been contrived to give the Conservative Party a majority over all the rest, Labour, Liberal, and Independents combined; for the recommendations of the Conference on constituencies, the franchise and elections will obviously be intended to cover at least the next generation of politics, during which the fortunes of all parties will ebb and flow much. It is especially important that the redistribution of seats should be proposed solely on grounds of principle without any reference whatsoever to the present balance of representation. To some others it may seem strange—as it did in 1918 when five peers were appointed to the last Speaker's Conference—that members of the unrepresentative and unenfranchised Upper House should be invited to take part in discussions so close to the peculiar preserves and privileges of their jealous neighbours. Yet, the precedent is firm. Such a Conference without the counsel of Lord Margesson, who handled the electoral reins so decisively for so long, might in any event have seemed vastly incomplete; and the only other doubt that can arise in the mind of the most sceptical observer is again a minor one—whether, with the representation of peers accepted, Lord Ammon, whose seat in the Commons has hardly yet had time to cool, was—for all his obviously very great personal suitability—the most logical choice for one out of a mere three.

### The Path to Parliament

The work of the Speaker's Conference has been slightly and significantly widened since the intention to set it up was first announced. It will include, not only the expenses of candidates at elections, but also the expenses of Members when elected. In this part of its discussions, the Conference will touch the heart of the present political dilemma. For a considerable time there has been a distrust, not of the Parliamentary and party system, but of professional politicians and the rigging of electoral choices by party arrangements. These arrangements which determine, usually from central offices, what men shall go forward as local candidates are largely based upon monetary considerations. A Conservative has usually to provide a considerable sum for expenses, cash down before election, and year by year after. On the Labour side, it works the other way; men who have served trade unions or party organisations well, and so have some kind of pension claim, backed by seniority, are appropriate choices to receive Parliamentary salaries from the State—made up perhaps by other payments from party funds. Whatever else the trend of dissatisfaction with official candidates at wartime by-elections may mean, it does reflect a long-standing impatience with candidates selected on these grounds; and it does not yet reflect any tide in the direction of Labour, which, politically, is under the same cloud as the Conservatives. The Speaker's Conference will have nothing whatsoever to do with party behaviour. But it will be within its power to advise upon changes in the conditions of a parliamentary career which would make it easier for able and popular candidates to be brought forward by the parties, without overriding attention to considerations of finance. One principle, the limitation of expenses by law, is already applied to elections; there is no reason why it should not be made much more strict, and applied much more widely, to rule out the kind of local benefactions which are a common way of keeping seats warm, even when won. But if the road to Parliament is to be made democratically free for men of ability, there is another principle which must be very carefully considered and, probably, accepted; that is, the payment by the State of a fixed maximum sum towards the expenses of both candidates and Members. Only in this way can the present situation be ended in which the bulk of MPs are men with money, party hacks or hangers-on. It is from MPs that Cabinets are chosen, and so long as the standard is kept so low, the revulsion from parties and politicians will continue—with perhaps the most unfortunate consequences.

### Local Choice

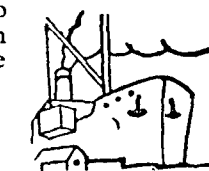
Meanwhile, the right of local voters, apart from personal and party ties, to choose their own representatives, without feudal or caucus dictation is being tested again

at West Derbyshire. By the time these words are read the result there will be known; whatever it may be, the votes cast for Mr White will be as much a vote for local freedom of choice as for this or that policy or party. It is very hard to see why, in the present situation, the parties do not defer to this obviously deep local desire to have a say in picking the actual individuals who seek to speak for them in Parliament. The Communist Party has a plan by which a local constituency committee would vet the candidate officially put forward by the Government parties; the plan belongs, of course, to the period, until quite recently, when the Communist Party was quite unswervingly on the side of Coalition and the electoral truce, and seems to bear some slight resemblance in technique to the choice of local representative by "show of hands" proposed by the French Communists for the first provisional stage in the liberation of France. Plainly, everything would depend on how and by whom the local constituency meeting was called. Much better, if some temporary device of this kind is required to overcome the chronically unrepresentative character of almost all representatives, would be some adaptation of the system of party "primaries" used in the United States—as was suggested in *The Economist* in September, 1942. By this means the local members and supporters of each party would choose their local candidate by popular vote. It would be perfectly simple to entitle every voter to one vote, but only one, in a party primary, as well as in the subsequent election; and it is not suggested, if the other deadening weights on British party politics can be lifted, that the system need be retained sufficiently long for it to acquire the defects with which its advantages are alloyed in America.

### Bloodless Decision

Tuesday's Commons discussion on Clause 6 of the Education Bill ended, surprisingly, in its passage without a division. Mr Butler deserves very high praise for having kept intact, in the main and so far, the principle that, in every district, one authority should be responsible for all types of education—nursery, primary, secondary and further. His tactical mistake, perhaps, was to make certain concessions to Part III authorities in the Bill itself, instead of, now, at the Committee stage. The trouble is that a good principle of administration has to be applied to a far from perfect administrative structure. It would indeed be anomalous if provedly efficient, populous boroughs and urban districts had to surrender all their jurisdiction over schools to less competent counties; or if small, poor, inefficient counties were now to become all-powerful simply because of historical accident. But, in spite of all the tumult and the shouting, these are really not the issues. Admittedly, all the present county councils and county borough councils are not uniformly the best of all educational authorities in the best of all possible administrative worlds. But this point has been vastly exaggerated for interested reasons. The provision in the Bill for the delegation of all school powers, including secondary, to county districts is an extension, not a lessening, of existing powers. The number of boroughs and urban districts, not county boroughs, which have a case to make is,

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in fact, very small; and, given good will at the Board, which is certain, and tolerance in the counties, which is desirable, the Bill can in practice be worked to the satisfaction of everyone, without the wrecking of its central idea—the unification of costs and policy over wide areas to cover all kinds of schooling.

### Indian Alternatives

Lord Wavell's speech to the Indian Legislature on Thursday of this week was an occasion of no little importance, and might well have been dramatic. It was the Viceroy's first public statement of policy since he took office. He spoke, first, as a soldier. He surveyed the war outlook on India's frontiers, India's own contribution and problems of supply. He stated the unanimous wish of Britain to see India self-governing, prosperous and strategically secure. He listed three obstacles to the swift achievement of Indian self-government: the over-riding need to beat Japan and Germany; the duty of Britain, in any settlement, to guarantee the interests of those Indians who have assisted in the war, the soldiers, the ordinary people, the Indian States and the minorities; and, biggest of all, the continued absence, since the Cripps offer was refused, of any positive willingness on the part of leading Indian politicians to co-operate in working out what India wants, and will peacefully accept. In short, Lord Wavell felt obliged to repeat the older speeches of lesser men; the only hint of fresh policy was a straightforward appeal to Congress members to accompany their demand for the release of their leaders from detention with some practical proposals for Indian agreement. At least, the issue has been narrowed to a single point. Many Indians, in Congress and outside, claim that Congress co-operation would now automatically follow the release of the leaders. Lord Wavell, and behind him the British Government, say that some assurance of co-operation must precede release. The Indian reply is that to ask this is, in effect, to ask Mr Gandhi and his colleagues to convict themselves out of their own mouths; and that, released, they would do of their own accord, if only for political reasons, what they would not do under compulsion. It is now for Parliament and British public opinion to decide which is the better way: to take the risk of release in the hope that the new mood of Indians, disillusioned by the over-bargaining of 1942, would at once press their leaders to go forward in order to keep their lead; or to play the waiting game, and rely upon slow attrition to bring up new leaders or new policies, pointing towards co-operation. So long as Lord Wavell, a soldier, has the choice, he probably has no alternative—and so his chance of political greatness ebbs.

### Pay-As-You-Earn

The second reading of the Bill to extend pay-as-you-earn to all Schedule E employments was passed in the House of Commons on Thursday of last week, and the Committee stage is to be taken on Thursday of this week, so that comment is inevitably a stage behind. In the second reading debate, controversy was raised only by the treatment of the temporary civil servant. The Chancellor of the Exchequer took the astonishing line that there was a real grievance, but that he could do nothing about it. He "had sought long and earnestly" for a solution, but had had to give up the attempt. He gave no reason other than the familiar one of "administrative difficulty" (which was said, until very recently, to prevent any form of pay-as-you-earn), and the impediment is probably the customary attitude of the Inland Revenue in preferring that ninety-and-nine should suffer unjustly rather than that one should, however unexpectedly, get more than his deserts. Nor unnaturally, this attitude failed to convince the House. Mr Eccles suggested, on the spot, two alternative ways of dealing with the question, and every private member who spoke urged the Chancellor to think again. This, it is to be hoped, he has now done. Mr W. J. Brown attempted to extend the argument to the permanent civil servant, who, indeed, has an analogous grievance, though on a very much smaller scale and referring, on the average, to a much more remote period; but he failed to convince the House, and was, as usual, obstructed by his own immoderation of language. Some members of the Services also have a grievance, which should be put right. But the outstanding, the flagrant, the intolerable injustice is that which the Chan-

cellor, by his own confession, proposes to inflict on the temporary civil servant.

### Dual Government in Italy?

The Government of Marshal Badoglio has now taken over the administration of Southern Italy from Amgot. The line between the area still under Amgot and that under Marshal Badoglio runs from Salerno to Bari. Ten million Italians are now under entirely Italian rule. The decision of Amgot to withdraw into the immediate military zone north of Salerno and Bari seems certainly expedient, and probably right. But it does not solve, nor could it solve, the problem of Italian government. This remains more acute than ever. The conference of democrats at Bari does not so far seem to have impressed the head of the Italian Government by its appeals against the predominance of Fascist personnel in the new Administration. The opposition parties now appear to have gone a step farther—if some reports are to be trusted—and threatened to set up a Government of their own—how, and of whom, is not stated. Perhaps the "warning" is simply intended to strengthen democratic pressure on Marshal Badoglio. Rivalry between two Italian Governments would be very harmful so close to critical fighting. Nor, surely, is it likely that either Signor Croce or Count Sforza, both moderate and conservative liberals, really aspire to a rôle similar to that of General Tito in Yugoslavia. Yet, the crisis in Italian administration—and the dearth and disease of Southern Italy—are undeniable; and Marshal Badoglio cannot even attempt to better things without the widest aid. Even so, it is still doubtful whether any political *dénouement* in Italy can happen before the capture of Rome by the Allies, now promised by Mr Churchill himself.

### Reconstruction

Last week's Commons debate on the powers of the Minister of Reconstruction was at times another good example of the wrong-headed way in which problems of this sort tend to be approached by many MPs. The Deputy Prime Minister was without doubt right to resist the demand that Lord Woolton should have a large departmental staff to duplicate or take over the reconstruction work of almost every other Ministry. The obvious fact is that reconstruction, now in the planning and policy-making stage, will be the routine day-to-day work of all departments when the war is over; it is departmental work in preparation, and the departments must prepare it. Far more sensible and relevant than calls for a super-Ministry was the demand for decisions and action. On the face of it, there is nothing wrong with the machinery. Lord Woolton has a small expert staff and, he has said, the full backing of the Prime Minister, while, in the various departments and at the War Cabinet Offices, the Government has specialists busy at work on reconstruction programmes. The only question is—and it is a crucial one—what is it that Lord Woolton has been given Mr Churchill's backing to do? Optimistically, it was believed before Christmas that his job was to induce or even compel departments, Ministries, even Cabinet committees, to make up their minds; to insist upon every important question being brought as near as possible, and as quickly as possible, to the form of a draft Bill. The popular notion of Lord Woolton's job was the right one: he was "going to make them get a move on." This, so far, he has not done, unless crowds of rich surprises are waiting to appear suddenly, all at once—and even if this is true, the critics will want to see the proof before relaxing. For the moment, it seems that, on the whole, power to act and decide is still withheld, and Lord Woolton himself runs the risk, no doubt undeservedly, of being described as a founder-member of the New Fabianism.

### Employment Policy

After several speeches saying again the obvious things in general about the transition from war to peace, the Minister of Reconstruction had a chance in the Lords on Tuesday to say something more specific. His theme was full employment, the duty of the Government to see that con-

tinuing employment is provided for all those willing and able to work. Unhappily, he still had no news to give. First, he said the Government would build emergency houses; then, that work would have to be found for men as they came out of the Services; and, finally, that it would be imperative to prevent post-war activity from collapsing as soon as immediate replacement was done—it would be necessary to have public works, central and local, ready whenever employment threatened to fall off. Lord Woolton cannot perhaps "scoop" his own White Paper on this subject, which is months ahead. But already, it seems likely, from certain sombre notes in official speeches and statements, that the "radical" idea of planning for full employment over a long period by a policy of deliberate expansion in all branches of economic activity is being treated as if it were mere unprofessional amateur dream-making. This would, indeed, be the Great Surrender. It would mean that, by a different route, the Gadarene descent of 25 years ago would bear a fair chance of being repeated, probably with much worse social and political consequences. At any rate, it is quite fallacious to say, or imply, that the first and exclusive task of the moment is to find jobs for demobilised men. Such jobs will be as easy to find as they were in 1918-19, when all but a small fraction of between three and four million ex-Service men found work. But how long did the work last? That is the point. A demobilisation policy which is not part of a full employment policy—that is, which does not set out to provide lasting jobs continuously—will invite untold disasters.

### The Size of the Market

Lord Woolton's approval of an expansionist policy might seem to be mere commonplace. In actual fact, the adoption of an expansionist policy involves a far-reaching change in outlook, not merely in Whitehall, but also in the world of business. It involves the elimination of monopolistic practices and a drive for the adoption of new processes and better methods in production as a means of raising productivity and the national pool of goods and services. There are still industrialists who explain the success of American industry in combining high wages with low costs in the production of modern amenities, such as motor cars, wireless sets, typewriters, vacuum cleaners, refrigerators, by reference to the difference in the size of the populations of Britain and the United States. This explanation—excuse would be a better word—is based on two fallacious assumptions which should be discarded if there is to be a broad advance in the British standard of living after the war. The first of these two fallacies is that the size of the market for consumer goods depends on the size of the population. The size of the market is not measured by the population, but by the proportion that can afford to buy the modern amenities. In the United States the proportion is much bigger because the goods are produced at lower cost, despite higher wages. Population, it is true, sets an upper limit to the *potential* market; but the size of the *actual* market for goods and services is largely determined by industry itself. The second fallacious assumption is that the population of Britain is too small for the achievement of costs comparable to those of America's mass production industries. It is fallacious because it assumes that the optimum unit of production is too large for this country. The optimum unit of production is fairly large, but it is ridiculous to suggest that it is too large for this country. After all, the population of the United Kingdom numbers 48,000,000. True, that of the United States exceeds 130,000,000; but the modern amenities that sell more cheaply across the Atlantic are produced, not in one plant, but in a series of plants. The second fallacy, in fact, is derived from the first.

### Water Policy

On Thursday of last week, Mr Willink, the Minister of Health, promised, simultaneously, a new Bill and a new White Paper, without any noticeable notice being taken. He pledged himself to produce a Bill to give additional Exchequer assistance for the supply of piped water and sewerage facilities in rural districts, together with a White Paper stating a comprehensive water policy, including the ascertainment of all resources, presumably both under and over ground, as well as the control and co-ordination of their use and distribution. These steps are very necessary. The near danger of another of the grave droughts that come periodically upon this country still remains. The outlook for some country districts is bad; and, over and above the immediate prospect, there is still the outstanding problem of tapping all the nation's available water and bringing into

line the use made of it by the 2,000 or so water undertakers and water-takers. Even now, it seems that the pace of events may still outstrip the tempo of Government. There are several private Water Bills, of the old piecemeal unco-ordinated kind, due to come before Parliament soon, and Mr Willink could not say whether the Government will or will not have produced its water policy before the Bills appear. The Government's left hand, in this matter of water, may for a little longer still not know what its right hand is doing. Obviously, the provision of a sufficient supply of water to prevent thirst and disease—even if the threat comes only at intervals of seven or seventeen years—can be regarded as part of the first charges upon national resources. On the other hand, there is obviously a limit to this kind of argument. No Government can accept the view that a man or household is entitled to piped water and sewer engineering whether he may choose to dwell on the top of Snowdon, in the Outer Hebrides, or plumb in the middle of Exmoor. Like all matters of social reform and reconstruction, it is a question of priorities—or, in the economist's jargon, of marginal utility. Is it more worth while to spend this extra amount of money or resources on water supply in this or that part of the wilds than it is to devote it to, say, transport or schools or, housing or what you will, elsewhere? This, indeed, is one of the outstanding examples of the fact, so obvious that it is commonly forgotten, that policy, at least in matters economic, must always be a consistent whole. This argument does not, of course, affect the imperative need to prevent drought in the established communities at present threatened; and there is just a chance that this White Paper, which will be Mr Willink's second, may be the basis for a real advance in policy, within, say the next ten years, when all the local and private interests concerned have been tidied up.

### Penicillin Production

A Member of Parliament has scented a monopoly in the production of penicillin, and his Parliamentary questions on the subject have now been followed by a public statement from the companies concerned and by his own reply. Penicillin was a British discovery, but, very properly in view of its success as a bacteria killer, the British scientists concerned in it have collaborated in research with scientists in the United States. In that country production is now well ahead of what it is over here, and the substance of Mr David Robertson's charges is that Britain has fallen behind because a monopoly has been given to three or four companies which have not been able to produce 1 per cent of the demand. In his Parliamentary questions he has asked why the Ministry of Supply has refused to support the request of a representative of the International Chemical Company to visit the United States, since the company's associates in that country and Canada are the largest manufacturers of the drug. He has also asked for details of the new buildings being erected for the production of penicillin, elaborating this question in his public statement by pointing out that they are being built on to the existing premises of at least two of the companies, and will not be completed in time for the second front, whereas if production had been carried out in requisitioned premises it would now be well

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under way. To this latter question the Ministry of Supply refused to reply, pleading the public interest. On the former point, Mr Peat, Parliamentary Secretary, has stated that there was no need for Mr Gormley's visit because technical experts are already in the United States, and any information they obtain about processes and equipment will be made available to any manufacturers

who satisfy the Ministry of Supply that they are in a position to undertake the production of penicillin.

The alleged monopolists—the five big drug houses comprising the Therapeutic Research Corporation, together with Imperial Chemical Industries and Kemball, Bishop and Co.—have also issued a reply. They point out, first, that penicillin can at present only be manufactured by biological as distinct from chemical methods; in other words, that it has not yet been synthesised, which means that each batch has to be assayed if its standard of activity is to be guaranteed—it is not stated whether American and Canadian output is thus assayed. They point out, secondly, that also concerned in penicillin are the Medical Research Council, the Committee on Medical Research in the United States and the General Penicillin Committee of the Ministry of Supply, and that consequently "anything less like a monopoly has never been seen."

It is impossible to say how much substance there is in Mr Robertson's charges or whether the companies' final claim is justifiable. On their behalf, it may be stated that the existence of the official committees, on whom are the two scientists—Professors Fleming and Florey—with whose names the discovery of penicillin is associated, should mean that there is an adequate watchdog of the public interest. On the other hand, it cannot be forgotten that when the Therapeutic Research Corporation was set up, combination in marketing seemed to be as important an objective for it as collaboration in research. Moreover, the two technical experts now in the United States belong to Glaxo, Ltd., one of the TRC's constituent firms, and Imperial Chemical Industries. All in all, there certainly seems a case for the Ministry of Supply to answer in full.

#### French Colonial Dilemmas

The revival of political discussion at Algiers has inevitably brought up the problem of French colonial policy, which has been in abeyance since the failure of the reforms proposed by the Popular Front in 1936. The political calm which reigned among the Moslem populations of French North Africa between 1938 and 1942 now seems to have ended. Politically-minded sections of the native populations have grown more vocal, and the recent discussions on colonial policy in the Consultative Assembly took place against the background of sporadic disturbances in all the three North African dependencies of France. That the problem should have come to the fore now is by no means surprising. When all the problems of the future of France are coming under review the status of *La France d'outremer* can hardly be left out, and this is realised by Arabs as well as by Frenchmen. The discussion has so far tended to be in vague and abstract terms. But the underlying dilemma is pretty clear. The traditional French policy of "assimilation" seems to have come to a deadlock. It was based on the assumption that the Moslems in most of the dependencies were potential Frenchmen, but had to be "assimilated" in order to become real Frenchmen. The gulf between precept and fact was wide. The Moslems of overseas France were French subjects, but not citizens. They possessed no voting rights.

Access to administrative posts was barred. General de Gaulle recently tried to overcome this by granting citizenship to the educated Moslem "élites." The concession does not seem to have met with any satisfactory response. The demand for its extension to groups wider than the *élites* has been raised both by Arabs and by the French Left. Simultaneously, economic claims have been made, such as the equalisation of wages for Moslems and Frenchmen; reform of the French tariff policy; and wider autonomy for the dependencies in their trade with foreign countries. Some of these demands—equalisation of wages—have been partially granted. Others cannot even be considered before the general political framework of France is reset. Most Frenchmen waver between "indirect rule" and "assimilation," or try to mix both, not always most happily. M. Pleven, the Commissioner for Colonies, has put forward a scheme of an Imperial Federation with a Federal Assembly, representing all the dependencies, functioning beside the Chamber of Deputies. The scheme does not, however, provide for the establishment of any legislative bodies elected by the dependencies. M. Pleven explains that, in future, the dependencies ought not to have any seats in the Chamber of Deputies. But he has not defined the powers of the new Federal Assembly. In the Algiers debates the scheme met with strong criticism; and it does, in fact, seem to combine the least good features of the alternative solutions. "No assimilation, no French citizenship"—says M. Pleven. Almost in the same breath he says: "No autonomy," which means nothing except in the context of the old policy of "assimilation." Confusion is probably inevitable at this early stage.

#### Nazi Europe

An article on page 231 looks at the state of Europe on the eve of invasion. This is also the first concern of the Nazis themselves. What can they do to rally support round them when attack from the West follows retreat in the East? In recent months they have learned that the old-style racial and anti-semitic ranting is a boomerang as soon as military successes cease, that success in propaganda—however "professional" or "scientific" or "organised"—depends entirely in the last resort on success in battle. As Nazi fortunes have faded, national resistance in the occupied countries has grown; even quislings and collaborators have had second thoughts; the satellites seek ways to peace and, as the collapse of Italy showed last year, the network of Nazi control is not enough to hold them. Can the grip be tightened while the war is being lost? The new measures which the Nazis are using to attempt this are the old, old ones—with, perhaps, a new twist. The organisation of Germans abroad has been overhauled; they supplement the Gestapo—no longer all-powerful—and in South-Eastern Europe constitute "political hedgehogs." Then, side by side with the familiar "tourists," there are the natives of the occupied and satellite countries themselves. Up and down Europe fascist groups, many in number but minute in membership, still look to Germany—they have no other choice—and have become newly active in politics in Hungary, Finland, France and other countries. The third way has also been refurbished lately. This is the recruitment of volunteers from European countries for the S.S. and national detachments under German officers; these, too, seem lately to have grown in numbers. Some are at stations in the West, and others have been mentioned in German communiqués. But all this propaganda and pretence of "comradeship in arms" is a sham. The purpose is to show Europe—to Europe, including Germany, and to the Allies—rallying to defend "European totalitarianism" to the last. Backed by sufficient force, the sham might for a time be kept up. Allied victories will blast it into nothingness and the scattered, unhappy, uprooted handfuls of desperate or misled men will disperse into a chaos beside which this neat Nazi propaganda picture is ridiculous.

#### Shorter Note

Questions were asked in the House of Commons last week about the effect of the copper cut on employment in the Northern Rhodesia copper belt. Replying on behalf of the Colonial Secretary, Mr Emrys-Evans stated the matter was to be discussed between the Northern Rhodesia Government—which will also represent the African workers—the managements of the companies, the Mineworkers' Union—which represents the European workers—and the staff associations. He also said that there was no reason to expect unemployment to arise from the cut, but gave no details about the measures to be taken to absorb the displaced labour.

## AMERICAN SURVEY

### Only Fear Itself

(From Our Washington Correspondent)

December 27th  
"WHAT are we all going to do now?" The question was asked at a meeting of a county business and professional women's club. Part of that particular county serves as a bedroom for wartime Washington; part of it is agricultural land whose owners are more conscious of their state than of the nation's capital. Since petrol rationing, meetings have been few and far between, and a roll-call had to be taken to bring the group up to date on their new occupations. As it was starting someone interjected: "When you tell us what you're doing now, say what you think the world is going to be like after the war."

Of the thirty or so women present, not everyone did more than state her present job. But of those who said something specific about the future, none anticipated it as other than a hard time. Mostly, they did not think of the hard time in strictly personal terms, though two or three staff members of Washington war agencies commented on the search for a new opening, which they expected to be an immediate post-armistice event in the organisations now charged with consumer controls. Mostly, their concern was with the fortunes of the people with whom they deal from day to day. The county juvenile worker's concern was with the youngsters whom she sees and pursues daily. She remarked that the war may be bringing discipline to boys and girls who had been graduated or been about to graduate from high school and were more or less at a loose end when hostilities started, but that the generations immediately following them are going to include far too many uprooted, untended youngsters who will have a hard time fitting in. She had cases to back up what she said.

The phrase "fitting in" was picked up by a music teacher with sons in service; how can the gap be bridged between the experience through which they are now going and the experience, during the same time, of the civilians at home in the communities to which those boys will return? How can the mutual ignorance be compensated without complacency on the one hand and scorn on the other? The mother's concern about the awkward sensitivity of returning service men was repeated with emphasis by a woman who had been a nurse in France last time and who is working in a veterans' hospital to-day. The county welfare worker saw it from the standpoint of the homes the men left behind them, the young families that are hardly started before they are broken up—"If you run into someone whose face is familiar but whose name you can't place, it's a safe question these days to say 'How's the baby?'" she commented.

A Government lawyer, who handled compensation cases for land taken for military uses, illustrated present anxieties from a letter written by a pair of Texas parents whose farm is now an airfield:

My husband and I had fought with everything people have to fight to secure for our children a chance at an education and had them ready so they could ride a steer through college, but since the Government has got through with us our children will do well to drag a cotton sack through high school.

The wife of a local doctor now serving overseas was apprehensive about the future of medicine, about the absorption of former practices by doctors who have not gone into service, and—here she repeated the line at present being sponsored in mass circulation by the American Medical Association—the threat to all doctors contained in such proposals to socialise medicine as the current Wagner Bill.

Two teachers had just come from a meeting whose agenda included some difficult questions about racial facilities in the schools.

#### Local Leaders

The meeting was a cross-section of the American middle class. None of the members has a job that is very important;

all of them have some effect on the fabric of community life, through the county services, private and public, and the lower professional civil service at the federal level. They are the group from which local leadership comes, particularly during a time when a fair proportion of the men of the vicinity are away. They are the group whose sense of uncertainty and insecurity would increase with the continuance of inflation; the concern they expressed at the meeting, calm enough that night, might take on a shrillness then.

The important fact about their very matter-of-fact preoccupations with the world after war's end was that, of the entire company, no one saw the days ahead as a time to get something better going, difficult though that process may be; the shape of things to come was uniformly seen as a dislocation of what had been before.

The mood of these typical people from a typical county may be an index of the price the country is paying for leaving everything ahead undefined. The enthusiastic illusion that the world can and will be made fit for heroes to live it would indeed be as dangerous after this armistice as after the last. But neither is it an asset to go backwards into the future. Is it not about time for the post-war world to hear a Presidential inaugural speech that, among other things, would point with assurance to the fact that "the only thing we have to fear is fear itself"?



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#### CONDENSED STATEMENT OF CONDITION At the close of business, December 31, 1943

| ASSETS                                                     |                         |
|------------------------------------------------------------|-------------------------|
| Cash on Hand, and in Federal Reserve Bank                  | \$107,948,335.52        |
| Exchanges, Collections and Other Cash Items                | 67,673,551.09           |
| United States Government Obligations—Direct and Guaranteed | 381,441,910.32          |
| Other Bonds and Securities                                 | 23,001,161.92           |
| Loans and Discounts                                        | 158,771,343.20          |
| Interest Receivable, Accounts Receivable and Other Assets  | 2,011,867.74            |
| Customers' Liability for Acceptances                       | 70,177.09               |
| Real Estate Bonds and Mortgages                            | 2,494,053.92            |
| Equities in Real Estate                                    | 526,869.96              |
|                                                            | <u>\$743,939,270.76</u> |
| LIABILITIES                                                |                         |
| Deposits                                                   | \$648,701,337.45        |
| Outstanding and Certified Checks                           | 40,507,109.46           |
| Dividend Payable January 3, 1944                           | 525,000.00              |
| Accounts Payable, Reserve for Taxes and Other Liabilities  | 2,932,387.25            |
| Acceptances                                                | 70,177.09               |
| Capital                                                    | 15,000,000.00           |
| Surplus                                                    | 30,000,000.00           |
| Undivided Profits                                          | 6,203,259.51            |
|                                                            | <u>\$743,939,270.76</u> |

United States Government obligations and other securities carried at \$101,958,379.90 in the above statement are pledged to secure United States Government deposits of \$93,194,261.48 and other public and trust deposits and for other purposes required by law.

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## American Notes

### Pipeline Reactions

A departure from established practice, such as the building of the Arabian pipeline represents, inevitably invited comment from all sides. The more so because the policy of Government action taken in partnership with private companies has now been extended to a storm-centre of world affairs, and is no longer a matter of purely domestic interest. While comment outside the United States is inclined to withhold criticism or approval until more is known of inter-Allied discussions on Middle East oil reserves, the Administration has been attacked at home on a multitude of widely differing platforms. The "Liberal" element leans toward a denunciation of the project as a further step in the cartelisation of the oil industry, stressing the status of the Government as a privileged buyer rather than as controlling operator of the pipeline. On the other hand, conservative opinion views with some apprehension the degree of Government intervention in private enterprise which is involved in the agreement concluded between the Petroleum Reserves Corporation and the oil companies in the Gulf area. More irresponsible comment, such as that which suggests the project was inspired by anti-British ambitions, is likely to die down as Administration assurances sink in that the only design is to secure adequate reserves against a dwindling home supply and against military and naval commitments outside the Western Hemisphere. Meanwhile, questions to Mr Stettinius about the likelihood of an agreement on Middle Eastern oil reserves between Britain, the United States, and Soviet Russia brought the promise of an overall statement by the State Department. Despite the President's disclaimer, it can hardly be claimed that no political questions are involved. It is, for example, inevitably being asked whether the whole arrangement involves a naval commitment to keep the Mediterranean open.

### Bankhead Bill

The attempt of Congress to stop the Government subsidising consumer prices for food after June this year will most probably meet with the use of the Presidential right of veto. Mr Roosevelt has conferred with the leaders of the House and the Senate and with Mr Rayburn, the Speaker of the House of Representatives, and it is generally inferred that this means he will veto the Bankhead Bill. The Senate's action in passing the Bill, by a majority of 43 to 28, must be viewed in conjunction with other efforts to attack Administration price and wage controls. Although the President may feel strong enough to stand against the Bankhead Bill, it is improbable that he will be able to resist the passage of the Tax Bill as well. This Bill, which denies the Administration three-quarters of the additional taxation for which it asked, may yet, it has been pointed out, provide half the necessary sum, through the clauses providing for the re-negotiation of contracts, which will save the Government some \$3 billion. Nevertheless, to permit an insufficiency of taxation to meet the demands of war-time administration, side by side with a refusal to keep the prices of consumer goods down to a reasonable level, is to ignore every essential lesson of war economy and to imperil not only the security of future Administrations, but the whole economic balance of the nation. The President has many times made this clear in the strongest terms, and he would certainly be consistent in vetoing both Bills. But if he succeeded in killing this Tax Bill he might not get another.

### Lend-Lease Repayment

The repayment of Lend-Lease aid is a topic of steady discussion in American public opinion. A recent tendency is to advocate repayment in kind, and, in particular, in raw materials. It is generally believed that the forthcoming Report of the Truman Committee on the oil industry will recommend British repayment of Lease-Lend oil in kind. Whether, in face of a shortening of home supplies and a big jump in postwar demand, this will meet with the support of the industry is not yet clear. The *Journal of Commerce* is apparently following the same line in suggesting that the United States finance the reconstruction of world trade through the grant of credits repayable in raw materials. It is fairly clear now that there is little support for any use of money in the settlement of outstanding inter-Government

debts, and it is widely held that only Russia will be expected to repay in gold, platinum, or other precious metals. It would be wise to remember, in advocating repayment in materials, that, if the net balance due to the United States on Lend-Lease account stands at a very high level, there are considerable dangers inherent in such a scheme, unless carefully regulated and planned well ahead. The old story of Ruhr coal sent to France in reparation of the 1914-18 war holds a very apt moral. Nor does the mere substitution of materials for money get over the basic difficulty. If the materials are those that America would have bought in any event, to regard them as Lend-Lease repayment merely means that the supplying countries are, to that extent, short of dollars they could otherwise have used to pay for American exports. There is some talk, in which Vice-President Wallace has joined, of special strategic stockpiles. But this is very far yet from being a practical project.

### Talk v. Silence

While it is almost universally believed that if Mr Roosevelt consents to run for a fourth term, there will be little difficulty in deciding the Democratic nomination, the Republican field is already being shown round the paddock and the main lines of choice can be discerned. Mr Wendell Willkie has, with the appointment of a campaign organiser, formally announced his intention of running. Against his more personal appeal, his demand for national unity, an overhaul of corporation taxation, and for whole-hearted international co-operation—in short, against his flood of talk—there is the appeal to the tradition of the Republican party, coming, in different ways, from Governor Dewey and Governor Bricker. Mr Willkie's candidature is dependent for support on popular belief in his personal leadership; there is little attempt here to win through on the party line. Governor Bricker, whose Lincoln-day speech did not meet with much general approval, seems to be attempting a return to the "old principles" of the GOP rather than fight the Democrats on the more specific issues of the day. His views on foreign policy are still obstinately ambiguous, and the pro-Administration press has not hesitated to pour contempt on the "ideal leader of the horse and buggy Republican Party" and the "honest Harding." Governor Dewey, whose prestige in professional political circles is high, is also in the lists, and is using the old bogey of Federal dictatorship and New Deal bureaucracy to win support against war-time measures usurping State rights, a question which was brought to prominence with the subject of the soldier vote. But in the main Mr Dewey's tactic is silence. Meanwhile, the primary elections will begin next month, and before the Republican convention late in June, there is some time for new candidates to put in an appearance and for new issues to be raised on which the final Republican platform will be made. In any case, as in 1920, the Republican strength lies more in the psychological desire for a change of party, than in the personal attributes of any particular candidate for their nomination. There lies the danger.

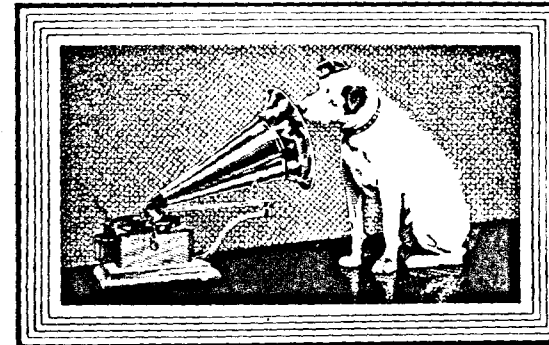
### Shorter Notes

Mr Wallace, the Vice-President, may not himself be a candidate for re-election this year, but he is doing useful spade-work for the party. His recent endorsement of the fight against freight-rate discrimination against the South was received with great enthusiasm by a recent conference of Southern Governors. The abolition of this long-standing grievance would, it is alleged, end the "colonial" dependence of the South on the East and North and allow it to compete on more equal terms in the national market for manufactured goods, rather than restricting it to primary products.

The Senate and the House of Representatives have passed a Bill to grant Service personnel mustering-out pay, amounting to a maximum payment of \$300 for service of any length overseas or in Alaska, \$200 for service of sixty days or over in the United States, and \$100 for these honourably discharged with less than sixty days' service.

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## NEWS of WHITE HORSE

*Supplies of White Horse were growing old when this war was young*

If you have wondered how it is that you can still get White Horse Whisky from time to time, and how it is that the quality and flavour of this famous whisky were never better than to-day in this fifth year of the war, here is the answer in one word . . . age.

All the flavour, fullness and smoothness of the White Horse you have known in the past is in the White Horse you may buy to-day. For to-day's White Horse is itself a whisky of the past. In the early days of the war it was already growing old. It has been ageing ever since.

It was the stocks of maturing whisky, laid down in years gone by with a prudent eye on the future, which provided the great blend that is White Horse to-day. And our unrelaxing, provident care of the whisky still maturing is your assurance that this famous Scotch will remain as always — whisky fine as a fine liqueur.

## HISTORY, CURRENCY, AND PROPHECY

Before the War, when quality was what we cared to make it — we at Rowntrees made it high. You will remember Black Magic — Chocolate Crisp — Aero Milk Chocolate. These were typical of the standard at which all our production was fixed.

During the War, quality can be only what we are able to make it. Nevertheless, we find, somewhat to our surprise, that in spite of Hobson's choice in the matter of ingredients, we are able to make Chocolate and Clear Gums which the people who eat them are kind enough to call excellent. Even so, owing to Zoning we can sell them only in certain parts of the country, mainly in the North and East.

After the War, when at length the quality of our products again comes completely under our own control, we shall make our post-war products to our pre-war standards. Unhurriedly, as the right materials come into the country, we shall again produce Black Magic, Chocolate Crisp and the others — and sell them from Penzance to the Pentland Firth. And that's a promise.

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"When  
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tobacco  
smokes hot —

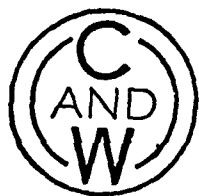


take my advice  
and cool it down with Grand Cut"

## Grand Cut

2 oz. for 5/-

Obviously a pipe of GRAND CUT alone  
smokes even cooler and more slowly



# CABLE AND WIRELESS

LIMITED

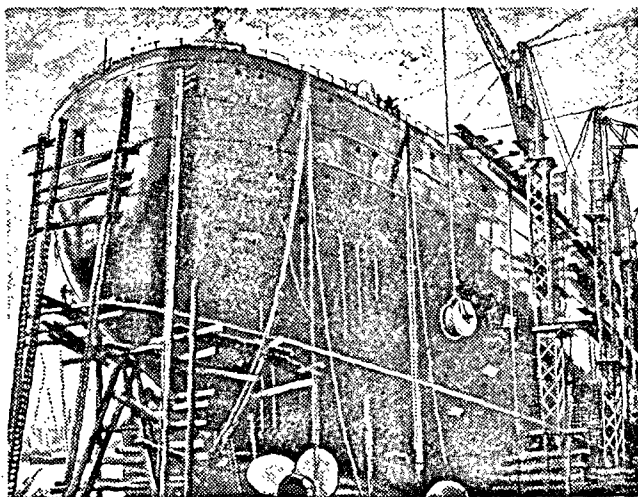
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opening over 45 ex-  
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Before the war, G.E.C. electrical equipment was installed on ships for every class of service. Many important vessels, including turbo-electric luxury liners, electrical self-discharging cargo vessels and diesel-electric tugs and ferries, were completely equipped by the G.E.C.—the largest British electrical manufacturing organization in the Empire. During the war there has probably not been a British ship of war or cargo vessel built without some G.E.C. electrical equipment.

The G.E.C. serves every essential industry in a similar way and the magnitude of such a task has necessitated a complete reversal from peace-time production to war priorities. Changes in design and technique have been constant, and these will have far reaching effects in the future.

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## ELECTRIFICATION SCHEMES

G.E.C. Electrification Schemes have been applied to all industries, including: Aircraft Factories; Chemical Works; Collieries; Food Factories; Gold Mines; Iron, Steel and Copper Works; Locomotive and Railway Carriage and Wagon Works; Motor Car Works; Ships and Shipyards; Textile Mills, etc., etc.

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# THE WORLD OVERSEAS

## Post-War Ulster

[FROM OUR BELFAST CORRESPONDENT]

February 10th

THE King's Speech at the opening of a new session of the Northern Ireland Parliament, on February 1st, emphasised the increasing preoccupation of the Government—and, indeed, of the country at large—with post-war planning. The Speech struck an optimistic note with regard to the progress of the war effort, and referred to "the continued progress made towards the maximum mobilisation of the industrial resources of Northern Ireland for the prosecution of the war, resulting in a substantial increase in the production of ships, aircraft, munitions and textiles." It was also stated, however, that "the transition from war to peace conditions will create intricate problems affecting the entire community," and a substantial part of the Speech dealt with the steps being taken by the Government in regard to the framing of post-war policy.

For a number of years before the outbreak of war the level of unemployment in Northern Ireland had been much higher than in Great Britain. Conditions were indeed rather akin to those in the special areas, and the encouragement of new industries was being actively pursued. For a period of at least twelve months after the outbreak of war, a high level of unemployment continued in Northern Ireland. In September, 1940, there were 73,591 persons unemployed—an increase of over 10,000 compared with just before the outbreak of war. During the past three years, however, there has been a steady growth in the volume of war work placed in Northern Ireland. In addition, employment has been helped by the great amount of constructional work that has taken place in the building of aerodromes, defence works and air raid shelters. By October, 1943, the number of unemployed workers over 18 had fallen to 11,305.

Ulster industry rests upon three main bases—agriculture, shipbuilding and engineering, and the linen and textile trades. All three were depressed before the war. It is apparent that the cessation of hostilities will affect seriously the volume of employment in shipbuilding, aeroplane construction and some branches of engineering. The need for broadening the basis of Ulster industry is evident, and it is the desire of the Government to do everything possible to establish new industries. The absence of either coal or raw materials—other than those derived from agriculture—has meant that industry in Northern Ireland has normally had to import both its fuel and its primary material. In these circumstances, the provision of cheap electricity is a matter of first importance. A big increase in generating capacity has occurred during the war, and discussions are proceeding between the Government and the Electricity Department of the Belfast Corporation with regard to the development of electricity supplies after the war on the most economic basis. The spread of industry can also be facilitated by an improvement in transport organisation. Both industry and agriculture are largely dependent upon imported raw materials. Both find their principal market in Great Britain. Both require a cheap and efficient transport service. The main obstacle in the way of achieving this lies in the existing duplication of road and rail services. The rapid development of road services in the inter-war years—and the great volume of short-distance traffic in Northern Ireland was particularly favourable to the development of road services—had resulted in a redundancy of goods transport facilities before the war. The question has been the subject of an interim report by the Agricultural Enquiry Committee at present sitting under Lord Justice Babington. The Committee foresees the possible breakdown of public transport after the war, unless steps are taken to co-ordinate the existing transport undertakings, and recommends the amalgamation of road and rail services under a new Transport Board appointed by the Government.

In the case of agriculture—which is by far the most important single industry—the wartime expansion of production has been enormous. Questions regarding the future of the industry are being examined by the Babington Committee. Certain wartime developments are, however, en-

couraging for the future. A great increase in mechanisation has taken place, while there have also been important developments in milk production and marketing. For the first time, a uniform price for milk is being paid throughout the whole country, and this has encouraged production in the outlying areas. Recently published figures show that annual sales off farms have increased from 40 to 55 million gallons since before the war, while sales for liquid consumption in Northern Ireland have risen from 15 to 29 million gallons a year. The extension of mechanisation and the development of a greatly increased market for milk should prove two highly important assets to the agricultural industry after the war.

The prospects of the linen industry depend largely upon the supply of the raw material. During the war, flax production has been increased to almost 100,000 acres, compared with just over 20,000 acres before the war. This has been done through the payment of satisfactory guaranteed prices by the Government. The flax is largely used for direct war requirements such as aeroplane fabric, parachute harness and webbing. Before the war the great bulk of the flax used by the Ulster linen trade was imported, and the maintenance of home production will depend upon the ability of the trade to offer prices that are attractive to farmers. In particular, some means of eliminating the widespread fluctuations in prices from year to year that occurred before the war will be necessary. These fluctuations were a constant source of worry to farmers, and contributed largely to the steady decline in acreage that had been taking place for many years prior to 1939. Meanwhile an expert Committee is conducting an investigation into the post-war prospects of the linen industry.

## A Building Boom?

One industry in which considerable employment will be afforded for several years after the war is building. Belfast suffered severely in the air raids of 1941, while house-building has been at a standstill since the war. It was stated recently that, whereas 172,588 houses had been completed in Great Britain since the war, the number in Northern Ireland was only 626. An interim scheme for the erection of 750 houses in Belfast has now been approved by the Government, subject to the necessary materials being available. It is proposed to give a subsidy of £390 per house.

Finally, reference may be made to the development of public health services, which have been the subject of a recent report by a Select Committee of the House of Commons. The Committee states,

It is clearly evident that, viewing the situation as a whole, the public health services generally in Northern Ireland are inferior to the comparable services in England and Scotland.

The Committee finds this to be partly due to the multiplicity of bodies dealing with public health in Northern Ireland—Rural District Councils, Urban District Councils, County Councils and Boards of Guardians all share responsibility. The recommendations of the Committee relate largely to questions of administration. The establishment of a Ministry of Health, to be responsible for all health services, is recommended.

## Spanish Trade and Finances

[BY A CORRESPONDENT]

February 15th

DURING 1941 and 1942, the volume of Spain's exports remained unchanged at 1,870,000 tons, which is less than one-third of the volume of exports during the last normal year of 1935. It would be wrong to take this comparison as a precise indication of Spain's inability to gain real economic recovery. Yet more than three-quarters of Spain's foreign trade is carried on with continental countries whose demand for imported goods is very great. It can be assumed, therefore, that the unsatisfactory state of agricul-



tural production and the Falange's policy of autarky, together with the general disruption of foreign trade by the war, kept Spain's exports and imports at a very low level. By value foreign trade, excluding trade with Spanish colonies, was as follows:—

|                       | Million gold pesetas |         |
|-----------------------|----------------------|---------|
|                       | Imports              | Exports |
| 1935 .....            | 879.7                | 588.2   |
| 1939 (9 months) ..... | 317.7                | 207.7   |
| 1940 .....            | 527.7                | 294.8   |
| 1941 .....            | 438.9                | 403.9   |
| 1942 .....            | 480.1                | 492.6   |
| 1943 (6 months) ..... | 358.8                | 412.2   |

These figures show that the policy of autarky has been successful in so far as it has reduced the large import surplus which was characteristic of Spain's foreign trade. During 1942, and again during the first six months of 1943, there was actually an export surplus. But the increase in value from 1941 to 1942 was accompanied by a decrease in the volume of imports and a stabilisation of the volume of exports. During the same period average export and import prices increased considerably, and this tendency continued during 1943.

Since 1941 Germany has taken the leading place in Spain's foreign trade, and during the first six months of 1943 Germany's share in Spanish imports and exports amounted to 24.3 per cent and 39.2 per cent respectively. As regards imports, Argentina, the United States, Brazil, Switzerland and Great Britain came after Germany; in exports, the order was Germany, Switzerland, Great Britain, Italy, the United States. During 1941 Germany ran up a large clearing debt; but in 1942 it doubled its exports to Spain and reduced its imports by 15 per cent. During the first half of 1943 German exports and imports continued to increase and were almost twice as large by value as in the first six months of 1942. Germany's trade policy towards neutral countries, which consisted of making a great attempt to supply their demands, was particularly marked in its foreign trade with Spain. German machinery and chemicals were exchanged against Spanish foodstuffs and, above all, valuable metals. It can be assumed that mining machinery and railway rolling stock formed an important part of German exports.

Great Britain's share in exports and imports varied considerably. Imports from Spain fell from 89.8 million gold pesetas in 1940 to 40 millions in 1941 and rose to 71 millions in 1942. Exports to Spain during the same years were 18.8 millions, 21.1 millions and 30 millions. United States exports to Spain fell from 38 million gold pesetas in 1941 to 16 millions in 1942. Germany's share is no doubt impressive, but it is not so overwhelming as it is with other continental countries. Spain is not landlocked, but is still relatively free to trade with overseas countries, particularly Argentina, the main supplier of wheat and maize.

A considerable effort has been made to restore Spain's merchant fleet. Fairly large building programmes have been carried out, and official figures state that the total merchant fleet, amounting to a million tons, is as large as it was in 1935. At present Spain's foreign trade is of considerable importance for Germany's strained supply situation. But this should not lead to an exaggeration of the general importance of Spain's foreign trade, whose total imports and exports in 1935 amounted to roughly 1 per cent of total world trade. This suggests that it should be relatively easy to squeeze Germany out.

## Germany at War

### Coal and Steel

LARGE potential resources of coal, iron ore and manganese have been lost to Germany's war industry by the retreat from the Donetz and the Ukraine. Not long ago German hopes ran high of integrating the entire continental coal and steel industry from France and Belgium in the west to the Donetz in the east. The centre would have been Upper Silesia, formed out of German, Polish and Czechoslovak territory.

Already, before the retreat, Upper Silesia was being supplied with Krivoi-Rog iron ore and N'kopol manganese, but exploitation of Russian resources still did not cover any substantial part of the total supplies available to

### Financial Policy

It cannot be doubted that Franco's Government has tried to stabilise Spain's financial situation, although the period of acute financial difficulties has by no means passed. The methods of price, finance and exchange control have been demonstrated in most countries, and only an extremely weak Government would be unable to effect some stabilisation at present. The price indices suggest that, since the autumn of 1942 internal prices have been relatively stable at roughly more than 300 per cent of the 1935 price level. It is, however, difficult to obtain an accurate picture of price movements since the end of the civil war. For several years the black market, with its exorbitant prices, was the only market in Spain. Compared with black market conditions, price reductions have been considerable. Unfortunately, it is impossible to measure the standard of living because of the lack of adequate statistics on wages and earnings. Summary estimates suggest an increase in the nominal national income from 31,600 million pesetas in 1935 to 41,900 millions in 1942, which, measured by the increase in prices, means a substantial decrease in real income. An estimate of national expenditure in 1942 shows that 66 per cent of the total is spent on foodstuffs. This is a high percentage and indicates general poverty.

General financial reforms were long overdue in Spain, and it appears that the new regime has so far succeeded in centralising the system of taxation by abolishing provincial taxation. A considerable percentage of revenue is still derived from indirect taxation. Recently a tax on wolfram was added. The excess profits tax, introduced in 1940, was abolished at the beginning of 1944, and instead a surtax on high incomes gradually increased the basic income tax from 7.5 per cent to 44 per cent. Tax revenue was as follows:—

|            | Million pesetas |                  |
|------------|-----------------|------------------|
|            | 1940 .....      | 1942 .....       |
| 1940 ..... | 5,380           | 8,170            |
| 1941 ..... | 6,930           | 7,520 (9 months) |

The ordinary budget estimates balance revenue and expenditure for 1944 at 10,300 million pesetas, against 9,400 millions in 1943. The extraordinary budget amounts to 2,600 millions. The deficit will be covered by the issue of Treasury bonds and by a Government loan. The interest on this new loan, amounting to 1,000 million pesetas, is tax free. The total national debt, which stood at 21,300 million pesetas in 1935, rose to 29,071 millions at the end of 1943, according to a statement made by Gomez Gorordo, director of the Department of the National Debt.

The gold holdings of the central bank, which had decreased to 462 million pesetas at the end of 1941, against 2,202 millions in 1936, reached 927 millions in October, 1943. The reason for this is that the bank took over the gold from the exchange equalisation fund. Notes in circulation remained fairly stable during 1942 and stood at 15,609 million pesetas in October, 1943.

The most characteristic feature of the new economy is the large state capital expenditure on industrialisation programmes. The road-building programme has, however, been largely sacrificed in favour of the renewal and repair of railways. At one time Spanish circles believed that railways could be neglected to the advantage of modern motor and air transport. Residential building amounts to roughly 10 per cent of the annual demand for new houses, and the much-advertised comprehensive social insurance policy is for the most part still a paper programme.

German industry. German railways in the Ukraine were dependent on German or Polish coal. The iron and steel-making capacity of the Donetz basin may have sufficed for field repair purposes, and Donetz coal was being used to produce a very small supply of electric power.

Retreat from the Ukraine throws Germany back on the resources available after the fall of France. The German and other continental coal and steel capacity has been worked for war purposes for more than four years, and the present state of these industries is not comparable now with their state during the last year before the war.

The first fact that emerges from the evidence available—no statistics are published—is an almost exact repetition of what happened in the last war. This is the considerable increase in the output of brown coal, which is easily mined.

Production is almost completely mechanised and most of the coal is mined in open-cast workings by means of giant dredgers. In the Ruhr area, apart from the interruption caused by bombing, coal production has been largely maintained during the war. Output in Upper Silesia has been increased—but is certainly short of the announced goal of 100 million tons a year. In both the Ruhr area and Upper Silesia production is mainly a manpower problem, which has been tackled by the employment of large numbers of foreign workers and prisoners of war.

German miners, like other "heavy" workers, are in a privileged position. Their food ration is almost three times the ration of normal consumers. Large wage bonuses are paid and, formally at least, benefits from social insurance have been improved. Occasionally the full light of propaganda publicity has been turned upon the miners. Some have been decorated; others have been given priority at health resorts; in general, they have been put at the top of the totalitarian hierarchy of industrial workers.

### Concentration and Economies

Actual working conditions in coal mines, however, have grown worse. From propaganda it would appear that during the war a new technical revolution had been achieved, at least in the Ruhr area and some parts of Upper Silesia. Full mechanisation of mining by the use of combined coal-cutters and loaders has, however, remained largely experimental. These machines, called "Iron Henries" in the Ruhr area and "Armoured Joans" in Upper Silesia, have produced a remarkable increase in output, but their number is still small. Even if they could be generally used—which is not possible because of varying geological conditions—the manufacture of these machines in quantity would be impossible in wartime. It is mainly concentration on the most favourable coal seams in combination with the mechanisation of underground transport and the almost universal use of pneumatic drills and cutting machines that has increased the output per man shift.

Compared with Great Britain and the United States, Germany needs much more coal for her substitute industries. This demand has so far been met by a considerable restriction in the use of household coal. More low-grade brown coal is diverted to households. Peat is used wherever possible. High-grade coking coal no longer goes to the towns, but is diverted to steel making. Coke from the carbonisation of brown coal is delivered for household use. There is no longer any pretence that coal output can be further increased. Household coal is extremely scarce, and all industrial coal consumers are under strict economy regulations.

Coal mining is a relatively simple industry compared with the production of iron and steel. In coal mining, difficulties can be overcome by employing masses of unskilled workers, but in steel-making much depends on the right kind of raw materials, the state of repair of the plant, the skill of workers and engineers and research work. Supplies of German low-grade ores and French minette ores are abundant. Imports of Swedish iron ore fell gradually from 13.7 million tons in 1939 to 8.6 million tons in 1942 and perhaps 9 million tons in 1943. In future, Swedish iron ore will be divided between the Ruhr area and Upper Silesia. The only sources of high-grade iron ore are in Austria. The production of pig-iron from low-grade iron ore requires greater quantities of coke, and coking capacity is limited.

With the declining supplies of scrap, Germany has been forced to change over from Siemens steel (open hearth steel) to Thomas steel (basic Bessemer steel). In other words, high-grade steel has been replaced by steel of inferior quality. German metallurgists claim that the new basic Bessemer steel has in many respects the same properties as open hearth steel. The fact remains that Germany expends proportionately much more labour and resources in producing a given quantity of steel than before.

In fact, steel making has become wasteful. The ruthless scrapping of machinery for building up new stocks of scrap, ordered in 1942, cannot be repeated. Possible supplies of high-grade manganese ore are now very restricted indeed, though there are supplies of low-grade manganese ore of an average metal content amounting to 12 per cent. More labour and more elaborate processes are needed if these ores are to be used. Furnace slag has been treated for some time to gain manganese and vanadium; but the process seems still to be in an experimental stage.

Growing difficulties in the production of steel, mainly apparent in a decline of quality, find their expression in frequent changes in the control of the industry. The former German steel cartel which was largely used for integrating the French, Belgian and Luxembourg steel industry, exists only in name. The new controlling body is the *Reichsvereinigung Eisen*. The allocation of iron and steel to manufacturers is based on the "iron cheque" system, and gradually all civilian industry, including the manufacture of agricultural machinery, has almost entirely been deprived of supplies. All steel output goes into the manufacture of weapons, munitions and other war materials. If it is assumed that this total production of Germany and occupied countries is still in the neighbourhood of 40 million tons armament production must be considerable.

This rough estimate is not comparable with the steel output in Allied countries, where proportionately more steel is used for shipbuilding, for the oil industry and for civilian industries. Nails and simple iron and steel household goods are almost unobtainable in Germany. A short time ago all stocks of building iron were requisitioned. The supply of heavy rails for railways has been suspended. Structural steel has been replaced by substitutes.

Propaganda naturally asserts that large-scale bombing has not seriously reduced the output of coal and steel. It seems to be a fact that the coal-mining industry has not suffered much permanently; but there has undoubtedly been considerable damage to iron and steel plants. But plants have been repaired, and unused capacity has been put in operation in Central Germany, Upper Silesia, France and Belgium.

The inexorable deterioration of Germany's coal and iron industry is not an unbroken process. Difficulties in the coal industry are compensated by the mining of brown coal. Concentrated research activities in processing low-grade ores and in metallurgy somewhat arrest the decline. Shock production can break bottlenecks for a time, and the absolute command of the economic administration seems still effective. Private ownership has become nominal, and all changes are dictated by production or transport necessities.

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# THE BUSINESS WORLD

## Long-Term Housing Policy

SINCE housing will inevitably play an important rôle after the war, both as a means of raising the standard of living and of providing employment, an imaginative and clearly-defined housing policy is an essential ingredient of post-war social and economic policy. To begin with, as was suggested in an article on the nature and size of the housing problem in *The Economist* on February 5th, a sharp distinction should be drawn between the immediate needs of making good arrears of repairs and of relieving overcrowding, and the long-term task of improving the standard of housing. There should be two housing programmes, a short-term one and a long-term one. The ingredients of the one were described briefly last week; it remains to consider the kind of policy best calculated to raise the general standard of housing within the limits of available resources.

The completion of the short-term programme means that every family (which may mean a single person) wishing for individual accommodation has a separate dwelling within its means. Thereafter, the only demand for additional houses (that is, other than for replacement) will be that which will arise from the growth in the number of families and from their geographical redistribution. But by the time the short-term programme is completed, the increase in the number of families may have virtually ceased; while the demand arising from population movements is likely to be comparatively small. In other words, the problem of improving the standard of housing will be essentially one of replacing existing houses. As was shown in the first article, spontaneous replacement has been very small during the inter-war years, amounting to less than 30,000 a year. It may possibly rise in the future, either as a result of a fall in the real cost of construction or because of a rise in the national income; but no conceivable increase can be relied on to achieve the aim of a progressive improvement in the standard of housing, because the houses that need replacing most, that is a large proportion of those inhabited by the poorer section of the community, are least likely to be replaced spontaneously. Hence, replacement will have to be induced—that is, it will be largely the Government's responsibility. The real issue in the formulation of long-term housing policy is the rate of induced replacement over a period of 25 to 30 years and the means of carrying it out.

From a social point of view it would be desirable to fix the rate of replacement at as high a level as possible. But houses have no exclusive claim on the national resources. The need for an improvement in the standard of nutrition is no less important; moreover, there are many other amenities, besides better houses, that people would like to enjoy. Again, the re-equipment of industry and transport must have a large claim on the national resources. A replacement rate of 135,000 houses a year would renew the stock of houses in 100 years; a rate of 270,000 would renew it in 50 years. Since the majority of houses are structurally still sound at the end of a life of well over 50 years, the desirable rate of replacement might be fixed somewhere between these two limits; the lower figure might be regarded as the minimum rate and the higher one as the maximum. It might be argued that if, through a substantial fall in construction costs or a rise in real incomes or both, the rate of spontaneous replacement were to show a substantial increase, the rate of induced replacement could be somewhat reduced. Much of the increased construction would probably take the form of new middle-class houses on free sites, not of demolition, and the rents of the houses rendered vacant would fall and enable poorer families to occupy them. To build for the sake of building would obviously be wasteful if there is a supply of structurally sound houses rendered vacant because their tenants or owners prefer to move into new ones. In the past, and especially in large towns, whole districts have descended from a comparatively high to a low rent category; their inhabitants moved out and a lower income category moved in. But the supply of "discarded"

structurally sound houses likely to become available should not be over-estimated; a large proportion of them might, in any case, be unsuitable for the poorer families or too costly to run.

The next question is whether the rate of replacement should be more or less the same year after year, combining a steady improvement in housing with stable employment in the building industry, or whether investment in building should be used as a "stabiliser" of employment. This question can only be answered by comparing the various outlets for Government, or Government-induced, investment at a time when total investment tends to fall below the level of savings, thus threatening a waste of resources through unemployment. There can be no doubt, on any such comparison, that investment in houses must rank high on the list of outlets. Quite apart from the fact that the improvement in housing standards is in itself desirable, investment in housing has two advantages as an economic stabiliser. First, the rate of building can be expanded more rapidly than the production of most other things; since many of its operations can be performed by workers without special skill, the building industry can rapidly absorb unemployed workers from other industries, without a prolonged period of training. There are, of course, limits to the dilution of the labour force of the building industry as there are to the rate at which the ancillary industries can expand their output. But these limits are probably wide enough to permit a substantial expansion in investment in housing at comparatively short notice. Secondly, investment in houses, unlike investment in most other industries, can be widely diffused geographically, or, if need be, can be diverted to given areas threatened by unemployment. The case for using the building industry as a stabiliser of employment is a strong one. It should be possible to fix a minimum rate of building over a long period, providing stable employment for a moderately-sized building industry which, in war-time parlance, might be termed the "garrison." This "garrison" industry should be large enough to handle the average volume of spontaneous demand for houses plus the long-term induced programme on a minimum, or at least low, basis. Whenever cyclical unemployment threatens in other industries, this garrison should be temporarily expanded, as the regular army is increased by the calling-up of the reserve of "territorials" in time of war. Replacement at a rate above the minimum should thus be regarded as one of the things the community can do when, and if, it is threatened with idleness of resources. The argument against this use of the building industry is an argument in favour of the kind of rigidity which can have no place in a progressive economy.

Finally, it is not enough for the Government to induce the erection of a minimum number of houses each year, subject to a higher rate of construction, when employment shows a decline in other industries. The new houses should be within the means of those for whom they are intended. If they are not, they will remain empty. It would clearly be wrong to move families into new quarters if these are more costly; this would mean compelling them to spend a bigger proportion of their incomes on housing, leaving them less to spend on food and other things. Induced replacement is only justified if new accommodation can be provided at substantially the same price as existing accommodation or at a differential that would not act as a serious obstacle to spontaneous movement out of sub-standard houses into new houses. Some of the devices necessary to achieve this end are the same as those that will be needed for the fulfilment of the short-term programme. Everything should be done to encourage the reduction in the real cost of housing, whether by using more efficient methods in the construction of existing types or by the use of new materials and processes. Hitherto the building industry has been one of the most conservative of all industries; it has made little

use of the new industrial technique, and costs, in terms of labour and materials, have remained high, both for the structure of houses and for modern amenities, such as refrigerators, heating systems, kitchens and bathrooms. Fortunately, there is a growing realisation of this need, reflected in recent reports from architects and builders, and in the initiative taken by the Ministry of Works in encouraging new methods. Moreover, in view of the importance of the rate of interest as an element in the rent of a house, finance might be made available for the "induced" part of the replacement programme through both local authorities and building societies at gilt-edged rates. The annual interest charge on a £500 house at 5 per cent is £25, and at 3 per

cent £15; the difference in the weekly rent is therefore nearly 4s., a substantial one for poor families. Lastly, if the drive for a reduction in building costs and low interest rates still puts the new houses beyond the reach of the poorest families, a subsidy would be necessary. This might take the form of special allowances to those who need them rather than that of a general building subsidy, which does not discriminate between the incomes of the tenants, and has a habit of not percolating through to them. There is, however, a limit to any subsidy; in short, it is through a reduction in costs that a progressive and substantial improvement in housing standards—as in the general standard of living—must be mainly sought.

## Wool: An Example

THE instability of the prices of raw materials has been as much of a curse to primary producing countries as the instability of employment has been to manufacturing countries. Successful full-employment policies in manufacturing countries may do much to mitigate fluctuations in the demand for primary products, and, hence, in their prices. But the abolition of the trade cycle is not yet an accomplished fact, if it can ever be accomplished. Consequently, there is a strong body of opinion in favour of tackling the problem of primary products at the primary products end by means of price stabilisation schemes. The publication of an objective analysis of the raw wool trade by one of the leading firms in the trade\* is a timely illustration of the problem.

About half of the world's production of apparel wool is grown in the British Empire—that is, in Australia, New Zealand and South Africa—while a sixth is produced in Argentina and Uruguay. The remainder is grown in importing countries, chiefly the United States. Seasonal variations in supplies have been comparatively small during the inter-war years—they did not exceed 10 per cent from one season to another in respect of the aggregate clips of the five large exporting countries. In contrast to many other primary products, there were never any huge accumulations of unsold wool at the end of the season; the clips were cleared almost entirely during each season, those of Australia, New Zealand and South Africa mainly by public auctions at central marketing points, and those of Argentina and Uruguay mainly by private contract in the central markets of Buenos Aires and Montevideo. The long-term trend of consumption has been steadily upwards, assisted no doubt by the method of marketing the clips for what they will fetch; this is reflected in a rise of 65 per cent in the combined output of the five exporting countries between the five seasons 1920-21 to 1924-25 and the similar period 1937-38 to 1941-42. The short-term trend of consumption, on the other hand, has varied, like that of other commodities, for reasons beyond the control of the wool-grower or of the retailer of woollen goods. Prices have fluctuated widely, not only from year to year, but during each year. In the following table the first column shows the fluctuations of prices that occurred, on the average of the period, within every year (that is, on the average, the lowest price for 64/67's raw wool recorded in any year was 20 per cent below the highest). The second column shows the lowest price recorded in the whole period as a percentage of the highest recorded in the whole period:—

VARIATIONS IN RAW MATERIAL PRICES

|                       | Average Annual Variation, 1921-38 % | Lowest Price, 1921-38, as % of Highest Price % |
|-----------------------|-------------------------------------|------------------------------------------------|
| Wool:—                |                                     |                                                |
| 64/67's raw wool..... | 20                                  | 22                                             |
| 64's tops.....        | 24                                  | 25                                             |
| Copper.....           | 26                                  | 27                                             |
| Tin.....              | 28                                  | 31                                             |
| Cotton.....           | 31                                  | 17                                             |
| Meat.....             | 22                                  | 36                                             |
| Rubber.....           | 47                                  | 3                                              |
| Butter.....           | 23                                  | 32                                             |
| Wheat.....            | 30                                  | 29                                             |

The salient features of these figures are not merely the range of price variations within each year and over the whole period, but, most significantly, the similarity in the range of

\* "Wool: A Review of the Past as an aid to the Study of the Future." Prepared and presented by New Zealand Loan and Mercantile Agency Company, Ltd., 17 St Helen's Place, Bishopsgate, London, E.C. 3.

the movements between wool and most other raw materials. The problem of wool is, in fact, an excellent illustration of the problem of primary products generally.

How important a rôle wool plays in the national economies of the five main exporting countries is illustrated by the next table, which shows the value of their wool exports in absolute amounts, as well as a percentage of total exports:—

EXPORTS OF RAW WOOL

|                         | Exports<br>of<br>Wool                |      | Wool as a<br>Proportion of<br>Total Exports |      |
|-------------------------|--------------------------------------|------|---------------------------------------------|------|
|                         | 1937                                 | 1938 | 1937                                        | 1938 |
|                         | (in millions of<br>local currencies) |      | %                                           | %    |
| Australia (£).....      | 47                                   | 43   | 34                                          | 36   |
| New Zealand (£).....    | 19                                   | 12   | 29                                          | 21   |
| South Africa (£).....   | 13                                   | 9    | 34                                          | 34   |
| Argentina (paper pesos) | 171                                  | 154  | 7                                           | 11   |
| Uruguay (pesos).....    | 45                                   | 42   | 46                                          | 44   |

Variations in prices from year to year of the magnitude shown in the first table have the effect of seriously disturbing the economies of the big exporting countries. But in this respect, too, wool does not stand alone. There are many other primary products, such as rubber, copper and wheat, which form a large proportion of the exports of some of the countries producing them. There are differences on the side of supply in that the production of some commodities can be more readily adjusted than that of others; again some raw materials are subject to more violent changes in demand than others. But they all suffer from a serious instability of prices. Hence, there is much to be said for applying any remedies that are to hand to a whole range of primary products.

The New Zealand Loan and Mercantile Agency Company, Ltd., does not profess to know the solution to the problem of price instability. It merely states the alternatives of a return to a free market and price stabilisation by some such form of bulk purchasing arrangement as has been in operation since the outbreak of war. There is one overriding principle, however, that should be observed in any scheme for price stabilisation—that is, the average "stabilised" price over a period of good and bad years should be no higher than the average price that would have been reached on a free market. Stabilisation, to be beneficial, should not be used as a means to obstruct long-term changes in prices due to changes in costs and demand. This is fully recognised by the authors of the pamphlet under review. They make it clear that, whether prices are to be regulated or not, the long-term demand for wool will depend largely on its attrac-



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tiveness and price compared with those of other textile fibres. To this end, they strongly emphasise the need for intensive research and enterprise to cheapen the production of wool, to reduce conversion costs, and to develop new markets.

Finally, the problem of wool, as of other primary products, is not merely a social and economic but also a political one. Past attempts to stabilise the prices of individual commodities—such as the tin and rubber schemes—by unilateral

action on the part of producers or even of the Governments of producers, have been strongly resented in consuming countries, however well they were intentioned and however moderately they were applied. Any future attempt to even out fluctuations in the prices of primary products—this would inevitably involve some control over supplies—should therefore be truly international—that is, they should be initiated and controlled by the Governments of both producing and consuming countries.

## Business Notes

### Window Dressing

The recent bankers' speeches, with their emphasis on the liquidity of the banking position, have revived the debate on the vexed question of window dressing. If the banks are so abnormally liquid, why persist in the pretence of showing a higher cash ratio on making-up days than obtains on the average working day? One bank repeated its claim that its own published cash ratio is in no way window dressed. Other clearing banks are known not to indulge in calling loans from the market on their making-up days. But the majority continue to do so and are quite impenitent about the matter. Their main argument is that a bank which is prepared to let its cash position fluctuate within considerable margins is likely to be much more helpful to the market and to fit much better into the rather informal pattern of the British credit structure than one which adheres strictly to a 10 per cent cash ratio. The answer would be wholly convincing if these banks did not attempt on one day of the month to work up their ratios to an unrepresentative figure. The subterfuge, now that the justification for it, namely that it provided a useful test of the money market's liquidity, has disappeared, destroys much of the validity of this argument. The position as a whole, however, is showing signs of improvement. The window dressing revealed by the end of 1943 balance sheets was comparatively modest, and no greater than that which occurred in preparation for the November 1943 statements. In November, the published cash ratio of the clearing banks was 10.43 per cent, against a true ratio of 7.7 per cent. For December, the comparable figures were 10.47 per cent and 7.8 per cent. The published ratio for January was 10.5 per cent or actually higher than the figure revealed by the end-of-year balance sheets. The 10 per cent tradition still holds sway, but the efforts to work up the cash ratio well beyond this figure at the annual balance sheet dates are losing some of their vigour. This is a step in the right direction and may be followed by others in the course of the year.

### The Case for Oil Refineries

In an address before the Society of Chemical Industry in Manchester on February 4th, Dr Kind, managing director of Manchester Oil Refineries, Ltd., made an impressive plea for the establishment of a large-scale oil refining industry in this country. In his view, recent technical improvements in oil refining have made the big centres of consumption rather than the oilfields the right location for a modern refining industry. The quality of the refined product derived from crude oil and the proportions in which they are required can be adjusted in modern plants within wide limits; hence the argument that the import of oil in its crude form instead of in the form of finished products in the proportions in which they are required would involve waste no longer holds good. Moreover, a new chemical industry, based on materials set free in the refining of oils has come into being. This industry, which is largely complementary to the chemical industry based on the by-products of coal carbonisation, is likely to become of in-

creasing importance. But while the raw materials of the coal-based chemical industry—crude benzol and tar—are liquid and can easily be transported, those of the oil-based industry—hydrocarbon "bricks"—are gaseous and cannot be conveniently moved. If Britain is to enter the new chemical industry, the establishment of modern oil refineries is therefore essential. Dr Kind illustrated his case by calculations, based on the supposition that 10 million tons—the pre-war consumption of petroleum products was 12 million tons—of petroleum products were produced in this country from crude oil in modern plants. First, there would be a saving of about £2 a ton—a total of £20 million—in foreign exchange, on the assumptions that prices will be slightly higher and that a larger proportion of the more expensive products is required. Secondly, the refineries would yield about 1,000,000 tons of hydrocarbon "bricks"; in their final form as finished plastics, synthetic rubber, fibres, solvents and other chemical products, these would have an average value of at least £75 a ton—a total of £75 million—a price that is below current and pre-war figures. Dr Kind assumes that these products if not manufactured in this country, would have to be imported. By adding £5 million in respect of exports of refined products and of refining plant, Dr Kind concluded that, within five or ten years, a British refining industry of the size envisaged could benefit the balance of payments to the extent of £100 million a year. These calculations are of course hypothetical; but they illustrate the importance of the problem. The case for British oil refineries should be judged in the light of the technical facts. Dr Kind's contention that Britain should concentrate on industries of high productivity, and especially on those requiring great skill and a large proportion of scientifically trained staffs in operation and research, is unanswerable.

### Magnesium Production

The second report of the Select Committee on National Expenditure in 1944 investigates the production of magnesium and magnesia in the United Kingdom. Before the war, this country relied almost entirely on imported magnesium, mainly from Germany, and it was not until April, 1940, that the Government realised there was not sufficient magnesium to meet the need for aircraft, and for incendiary bombs. With improvements in research, the magnesium content of incendiary bombs has been reduced, and production in the United States and Canada has been so expanded that the total capacity is now in excess of demand. Production in this country has, in consequence, been curtailed. The report quotes British production costs for six months up to September 30, 1943. While one plant was able to produce at a cost of about 1s. 6d. a pound, another factory had an average cost of 3s. 11d. a pound, and had incurred a total expenditure of £850,000—most of which was "sheer loss so far as the taxpayer was concerned." This factory has been closed down, and the Committee comments that it should "never have been built on its present scale." High costs are also reported in the production of magnesia—the raw material of magnesium. The capital cost of one firm had risen to £1,600,000 from an estimate of £300,000, and production costs, expected to be £5 10s. per ton, were actually £24 12s. 5d. The Select Committee recommends that this plant should be closed down.

The report raises sharply the question of the competitive ability of British producers. The present official price for magnesium metal in this country ranges from 1s. 6d.

to 2s. 6d. per lb. according to quantity, while the selling price in the United States—which is not subsidised—is 20.1/2 cents (say 1s.) per lb. for large quantities, with slight additions for small lots. A precise comparison between costs and prices is, of course, impossible without full details of the composition of the cost figures. It is possible and, in fact, seems likely that the higher ranges of British costs, as quoted by the Select Committee, refer to magnesium alloys as well as magnesium ingot. It is not stated how far allocations for research and development as well as for plant depreciation enter the costs submitted by British magnesium producers. Nevertheless, the unfavourable comparison between British production costs and the present United States selling price is significant, especially as North America now produces magnesium far in excess of any possible civilian demand in the immediate post-war period. The United States output in 1943 alone was nearly ten times as large as the entire world output in 1939. It may be desirable, for strategic reasons, to maintain the production of magnesium in this country after the war; on the other hand, it would be highly undesirable to compel British industry to buy at high cost what may become one of the major industrial raw materials. Clearly the problem of costs, in which electricity is a large item, needs further investigation.

### A Canpac Dividend

After two disappointments, the holders of Canadian Pacific ordinary stock are at last to receive a dividend. The payment is 50 cents, the first since \$1.25 was distributed in respect of 1931. The \$25 shares, which fell to \$3½ during 1939, commenced to recover as soon as preparations for war brought an expanding demand for Canadian goods; but the board has been determined not to recommence distributions on the equity capital until prior charges had been reduced to what were considered reasonable proportions, or at least to the neighbourhood of the level ruling at the time of the previous dividend payment, that is \$22 million. According to the latest figures available, and they are a full year old, the reduction from the peak is some \$2,425,000 to \$22,955,500. The year 1943 brought a significant increase in net railway earnings, but no further figures are as yet available. The inference from the dividend is, however, plain; the board now considers its fixed charge debt to be not unreasonably high, and is, accordingly, prepared to pay out a moderate proportion of any cash it may have in hand. The idea that the payment would in no circumstances be large is now generally accepted, and the price which had touched \$18 last year was 16½ on the eve of the announcement. On the news it fell to 16½, at which the yield is some £3 3s. per cent.

### London Gas Payments

Very broadly speaking, the fortunes of gas companies during the war have been determined by two factors, the attention which the areas they serve have been given by the Luftwaffe and the social strata from which the bulk of the inhabitants of the areas are drawn. Densely populated districts are most attractive to the bomber, and the spread of damage is most difficult to prevent in such areas. Against this, the population finds it less easy to move away while their houses are reasonably intact. So far as gas stocks with a wide market are concerned, this has meant that the London companies have suffered most heavily and that there has been a wide diversity of experience between the four main concerns which share a large part of that area and the surrounding districts. In the absence of accounts, the only basis for any conclusions are the dividend statements. Those of the Gas Light and Coke Company and the South Metropolitan last week show that, more than two and a half years after the end of systematic bombing, the dividend-paying capacity of these two concerns was largely restored. The following table gives dividends of the past six years and the disparity of experience is striking.

|                       | 1938 | 1939 | 1940 | 1941 | 1942 | 1943 |
|-----------------------|------|------|------|------|------|------|
| Commercial Gas...     | 4.5  | 3.0  | 1.5  | Nil  | Nil  | Nil  |
| Gas Light & Coke...   | 5.6  | 4.5  | 2.25 | Nil  | 1.0  | 4.0  |
| South Metropolitan... | 5.5  | 4.5  | 2.0  | Nil  | 1.0  | 3.0  |
| South Suburban...     | 6.0  | 4.5  | 3.0  | 4.0  | 4.0  | 5.0  |

With the exception of the Gas Light and Coke Company, quotations now are some 15 to 20 per cent below the mean price for 1938. At that time the yields on the four stocks ranged from about 5.1 to 5.45 per cent. Now they are anything from nil for Commercial Gas to virtually 5 per cent for South Suburban. According to the figures of *The Actuaries' Investment Index*, the yield of a wider selection of gas stocks averaged about 5½ per cent during 1938. Over the past year it has been 3.11, but the very low figure is largely accidental, being due to the inclusion of concerns like Commercial Gas, which have been exceptionally hard hit. Some of the London prices clearly discount a considerable further recovery, but, in the absence of statistics, it is difficult to say how far these hopes are justified.

### Gresham Insurance Offer

An offer has been made by the Legal and General Assurance Society to purchase the shares of the Gresham Fire and Accident Insurance Society, the "running mate" of the Gresham Life, the entire share capital of which was acquired by the Legal and General in 1933. The Legal and General possesses already an important stake in the Gresham Fire—indirectly through the Gresham Life, which owns all the management shares and some of the ordinary shares, and directly through a substantial holding of ordinaries—and has, in fact, assumed administrative and underwriting control of the Society. It has now secured from the Gresham Life an option to acquire its entire holding of 150,000 fully-paid management shares of the Gresham Fire at a price of £2 10s. per share and is making a formal offer to purchase all the ordinary shares on the same terms, namely £2 10s. for each £1 fully-paid share and £1 5s. for each share, 10s. paid; the numbers of these two classes of share issued are respectively 50,000 and 200,000. The purchase excludes any dividend to be paid for 1943, which will belong to the present shareholders. The prices offered compare with market quotations of 35s. and 18s. respectively and the Legal and General chairman states that they are alone justified by the economies and advantages which may be expected to follow an effective fusion of the fire and accident accounts of the two societies.

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If the Gresham Fire remains as a separate identity, the annual charge against profits required to establish its staff pension reserve on an adequate basis appears to preclude any increase in the present dividend of 6 per cent—producing just under 2½ per cent gross at the prices offered—for some years to come. The offer, which the directors consider to be in the interests of all concerned, is conditional upon acceptance by holders of not less than 90 per cent in nominal value of the shares affected, and will close on March 17th or such later date as the directors may determine. It is stated that the interests of the staff “will be fully protected by the fact that the responsibility of the Gresham Fire for pensions will be assumed by the Legal and General if as a result of this offer it acquires the whole of the share capital of the Gresham Fire.”

### Rhodesian Copper Results

With the exception of the full accounts of Roan Antelope, the results of all the principal concerns associated with copper mining in Rhodesia are now available, showing that the earnings of all four operating companies increased. Despite this, Mufulira and Roan Antelope, both under the chairmanship of Mr A. Chester Beatty, passed their dividends, with the result that Rhodesian Selection Trust, whose main interest is in Mufulira, was forced to do the same. Rhokana, however, raised its dividend from 15 to 25 per cent, and the holding company, Rhodesian Anglo American, distributed 6½ per cent against 3½ per cent. The fourth operating concern, Nchanga Consolidated, enters the dividend earning list for the first time and uses a very substantial balance to wipe out the old debit. The cut in the Government's purchases which is to be spread over the current year will only affect this company to the extent that the projected expansion will be abandoned for the time being. The reason given by Mr Chester Beatty for the non-payment of a dividend in the case of Mufulira is shortage of ready money, a chronic state with this company so far as can be judged from the published figures. Possibly the same reason applies in the case of Roan Antelope. It is not apparent from the figures provided that Rhokana is in much better case, but the whole matter depends on the actual dates at which the provisions under taxation reserve fall due to be met and the extent to which the companies can rely on disposing of their stocks of copper at the end of the war. This is, of course, a factor which enters into the computation of the liquidity of all concerns working on a large scale for the authorities. If their stocks are to be purchased at existing prices, their positions will in most cases be extremely liquid. On any other supposition, they may be very short of funds. Is there any reason to suppose that the copper companies will be worse off than other concerns? If so, it should be clearly stated. Mr Chester Beatty is preoccupied with the question of stocks, for he foresees a considerable and possibly protracted slump in the demand for newly mined metal after the war, owing to Government stocks of virgin copper and accumulations of scrap and secondary metal. These will easily be sold if the price is low enough, and the Rhodesian mines are among the lowest cost producers in the world; but it may well be that there will be a period during which

output will run very much below recent levels. In these circumstances conservation of resources seems to be the better policy.

### Miners' "Personal" Bonus

The future of the output bonus scheme has been somewhat obscured by the recent uncertainty about the adjustment of the anomalies under the National Tribunal's weekly minimum wage award in the coal mining industry. In its fourth and final report the Greene Board of Investigation recommended previously the substitution of an individual pit scheme for the district scheme, and estimated its cost at £3½ millions, against about £600,000 per annum under the existing scheme. Subject to the appointment of the regional controllers as the reviewing authorities, and to an undertaking by the industry to accept their decisions as final and binding, the Ministries of Labour and Fuel agreed to make the change and to bear its cost if the employers and workmen were also favourable to the adoption of the proposal. The Miners' Federation agreed to the change; the Mining Association, however, adhered to its original opinion that a pit scheme would lead to difficulties and grievances which would be detrimental to output. As an alternative incentive it suggested an amendment of the 1s. per shift attendance bonus which had been operative since June, 1941, by the granting of an extra 2s. 6d. for attendances on Fridays and Saturdays, making a total bonus of 10s. 6d. for a full week's work. During recent discussions one or two variants of this proposal have been considered, and on February 9th last the colliery owners and the workmen's representatives reached an agreement, subject to the approval of the Minister of Fuel and Power, on the basis of the payment of a personal bonus of 2s. 6d. for the fifth shift worked, another 2s. 6d. for the sixth shift worked, and a further 1s. for additional shifts worked in the week. It is intended that these new bonuses shall be paid in respect of time actually worked and not of time paid for; that they shall not be affected by the recent overtime and week-end awards of the National Reference Tribunal; and that they are to be payable in addition to the existing 1s. attendance bonus and to payments under the district output bonus scheme. Moreover, short Saturday shifts and week-day shifts for which the guaranteed wage under the Essential Work Order is payable, are to count as full qualifying shifts under the new scheme. In the case of juveniles, the rates are to be the usual proportions of the adult rates. The cost of the 1s. per shift attendance bonus has been averaging between 9d. and 1s. per ton, representing approximately £8 to £9 millions per annum, and by the supplementary "personal" bonus now contemplated this cost may quite possibly be increased to well over £10 millions per annum. The scheme, however, has not yet received the approval of the Ministry of Fuel and Power.

### Swedish Credit Policy

The latest annual report of the Svenska Handelsbanken to reach this country throws interesting light on the credit policy by which Sweden has endeavoured to insulate herself from the inflationary impact of the belligerent world around her. The main potential of inflation in Sweden has been the volume of foreign—especially German—purchases, the inability to import goods to a corresponding extent, the consequent increase in the gold and foreign exchange reserve of the country, and the volume of additional currency and credit built up, largely by external expenditure and backed not by additional goods, but by these metallic and paper assets of the Riksbank. To counter these inflationary forces the authorities in Sweden have adopted all the correct orthodox devices, plus a few of questionable orthodoxy, but undoubted efficacy. The main task has been that of mopping up redundant purchasing power. In the first place, the Government has borrowed above its current needs, and has done so by raising the price of its borrowing slightly above the market rates current when the new operations were launched. The Riksbank has requisitioned some Kr. 500 millions of Treasury bills from the National Debt Office and has used these as a fund for feeding open-market sales of securities. Government expenditure has been reduced wherever possible, and by postponing Government payments under supply contracts forced loans have, in effect, been extracted from the contractors concerned. The sale of Government securities outside the banks has been encouraged and, as a stimulus to the canalisation of a larger flow of savings to the Govern-

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OF COURSE you remember, in those far-off days before the war, the glare and dazzle of on-coming car headlights. You also remember the way you closed your eyes, kept the wheel as steady as you could, and hoped for the best.

All that is over. When this war is finished, headlight glare will be a thing of the past. Polaroid will allow you to stare into approaching headlights as the eagle is said to stare unblinking into the mid-day sun.

Polaroid has made other miracles possible—for example, the projection of three-dimensional cinema pictures in full colour, anti-glare sun glasses, non-glare reading lamps and a multiplicity of optical instruments.

Polaroid is made possible by the use of iodine. It is but one instance in a great field of development. New uses for iodine are constantly being found in medicine, agriculture and industry. So many new facts have been brought to light in the last hundred years that it has been necessary to set up an organisation to disseminate this knowledge. This organisation is the IODINE EDUCATIONAL BUREAU. It was formed in 1938. The services of this Bureau are available free to any industrial or commercial undertaking with an iodine problem.

**Iodine Educational Bureau**  
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## AND WHEN THE WAR IS WON?



Back to "go-as-you-please"



.... or all pull together?

Team work is winning the war. Men and women of the United Nations all over the world are thinking, working and fighting as members of one family with one common goal... a just and durable peace. But peace cannot endure in a world marred by starvation, misery and disease. There must be prosperity, "one and indivisible"... prosperity secured by sustained industrial team work after the war is won.

What has been done in war can be done in peace. When reconstruction begins it will be the privilege of democratic world-industry to co-operate in the great project of "setting up house" for this "world family of democratic nations"... so that, in the words of Lord Woolton, "We may all work together in industrial harmony in this task of moving from the destruction of our enemies to the construction of our domestic life and international trade."

★ ★ ★

This Statement is issued in support of the principle of continued industrial collaboration between the United Nations after the war. Announcements by the International Nickel Company of Canada, having the same purpose, are appearing in Canada and the U.S.A.

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ment, the National Debt Office has created a new type of savings account, on which  $3\frac{1}{2}$  per cent interest is paid provided the deposit remains undisturbed for at least six years; if it is withdrawn before that period has expired the holder gets no interest and is charged 2 per cent of the amount withdrawn.

### Another Premium Loan

The most interesting of the unorthodox anti-inflationary devices has been the issue of a Government Premium loan. The total interest cost of the loan to the Government is 3.3 per cent. Of this, 2.1 per cent is paid by way of interest and the balance is distributed as prizes for which periodical drawings are made. The initial amount of this loan was Kr. 150 million, but such was the public response to it that this total was doubled. The popularity of the issue may be gauged by the fact that since the lists were closed the Kr. 50 bonds of the loan have risen to a premium. The second part of the loan was actually issued at the price of Kr. 52. The response to the loan was such that the National Debt Office had to institute a rationing scheme which prevented a single subscriber buying up a whole series of Kr. 100,000.

### Bank Note Rates

Exchange controls, even in their war-time rigour, have not banished all free exchange dealings. Among the more interesting survivors of the dwindling species are the rates quoted for bank notes in the Swiss market. The accompanying table shows the highest and lowest quotations for dollar and sterling notes in 1942 and a fuller list of quotations for February and November, 1943. The official rates are given as a measure of the deviation of these rates. In

RATES FOR BANK NOTES IN ZURICH  
(in Swiss francs)

|                                | Official Rate | 1942  |      | 1943  |       | Sterling Cross Rate |
|--------------------------------|---------------|-------|------|-------|-------|---------------------|
|                                |               | High  | Low  | Feb.  | Nov.  |                     |
| U.S. Dollar                    | 4.30          | 3.80  | 2.20 | 3.55  | 3.05  | 3.21                |
| U.S. (High Denomination Notes) |               |       |      | 3.87  | 3.29  | 2.98                |
| Sterling                       | 17.30         | 13.00 | 6.00 | 12.40 | 9.80  | 570                 |
| French Fcs. (per 100 Fc.)      | 6.10          | ...   | ...  | 1.72  | 1.72  | 570                 |
| Reichsmark (per 100 RM)        | 172.50        | ...   | ...  | 15    | 12.25 | 80.00               |
| Belgian Fcs. (per 100)         | 70.00         | ...   | ...  | 3.50  | 4.50  | 217.00              |
| Gulden (per 100)               | 230           | ...   | ...  | 55    | 22.50 | 43.50               |
| Lire (per 100)                 | 22.67         | ...   | ...  | 2.20  | 1.72  | 570                 |

the final column the sterling cross rates indicated by the November, 1943, quotations have been calculated. Although the Swiss is probably the widest of the remaining free exchange markets, undue importance should not be attached to the quotations which it makes. Nevertheless, the indications it provides are of significance as being the outcome of a freely moving market and thus reflecting an unbiased consensus of opinion. The bank note rates diverge considerably from the official rates, because, in all cases shown in the table, the notes cannot be freely sent to their country of origin and there be converted into national currency, which in its turn can be reconverted into Swiss francs. In most cases the influence of a double smuggle must be allowed for in the rates. Most of the buying of sterling and dollar notes is probably being made for investment purposes. The buyer in the case of sterling notes takes a view on the future exchange value of sterling and on the relaxation of the restrictions which now prevent the entry of Bank of England notes into the country. To the extent that notes up to a maximum of £10 may be brought into this country, the free market may feed an entirely legitimate demand. This is, for example, the case in the New York market, where sterling notes are available at a rate of about \$3.10.

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### Woolworths Redivivus

Both the full accounts for 1943, analysed on page 254, and the accompanying statement of the chairman, Mr W. L. Stephenson, confirm the impression given in *The Economist* of January 29th that Woolworths have weathered well their current difficulties and can look with confidence to the future. Gross trading profit, at £5,595,339, is lower by about £500,000, but this fall is more than offset by a large reduction in the amount needed for current taxation. The company, however, obtained a large refund of EPT which will not recur in 1944, and in view of this fact a provision of £300,000 has been wisely made towards 1944 taxation. Thus, because of the cut of 10 points in the total dividend for the year to 40 per cent, the usual allocation of £250,000 to the buildings reserve can be afforded, the carry forward increased, and the taxation position strengthened. With a shortage of merchandise such that a whole month's quota will sell in one hour, it is inevitable that trading profit should be lower; but the nadir of supplies has probably now been reached, and, if this is so, a minimum dividend of 40 per cent, together with an improvement rather than a deterioration in the liquid position, can hardly be considered a bad wartime record. The company itself is clearly preparing for the post-war market. To this end, stock on hand has already been reduced by about £1,500,000, so as to avoid entering the peace burdened with wartime products, while cash in hand, in readiness to produce goods of higher quality, has been increased by almost £2,500,000, including the current appropriation. A reserve of £1,600,000 has been accumulated towards the building and re-equipment of the stores, which will begin as soon as circumstances permit. Considerable post-war activity is thus being taken for granted, and the chairman is able to assure employees in the Services that there will be ample room, and indeed need, for their energies. Woolworths have taken every precaution to shine in the same way after the war as before it in the chain-store firmament. The extent of their success will depend largely on a reasonable equality in the distribution of income and a plentiful and varied supply of suitable goods.

### Building Good Houses

The building industry shows signs of setting its house in order in preparation for heavy post-war demands. An important problem is how to establish a standard of quality which shall be at once a criterion and a guarantee of good building. The recommendations made by the National Federation of Building Trades' Employers follow the lines of voluntary registration already exemplified in the National House Builders' Registration Council. The Council contained, before the war, about 1,200 members, but those included the majority of the larger firms. The National Federation wishes the industry to continue to legislate for itself, but this would be done by means of a new registration Council, permissive in character and established by Statute in the same way as the Architects' Council. Such a Council would include contractors as well as speculative builders, and would issue certificates of quality based not on particular products, as is done by the National Council, but on the general standard of work. In other words, it would offer a general guarantee that the work of a particular undertaking was good, which would be based in the first place upon its past record, but it would not lay down technical specifications to be followed. It is maintained that it would in any case be impossible to tie a firm working on contract to particular ways of building, and for those consumers who sought a guarantee that their house itself was built to a recognised standard, there would remain in existence the National Council, which would act as a smaller, more specialised, and complementary scheme to the new registration Council. Meanwhile employees are as anxious as employers for precautions against jerry-building, but, healthily, they have greater doubts about whether the industry should be a law unto itself. The National Federation of Building Operatives, in a recent pamphlet, urge that a scheme of registration should be introduced under the direct auspices of the Ministry of Health. There can be no doubt that the participation of the Government in some form or other would be essential, and any statement on technical specifications should have the benefit of the knowledge accumulated by the Ministry of Works. It is equally important that the function of any comprehensive scheme of registration should be merely to judge

the quality of any and every firm which presents itself, and not either to restrict entry into the trade, to restrain competition, or to establish some kind of quasi-monopoly.

### Transferred Workers' Allowances

The Ministry of Labour has issued a leaflet setting out the various allowances which are available to transferred industrial workers. Transfers are taking place on an increasing scale, and they are a potential source of discontent; so it is desirable to know exactly what the transferred worker is entitled to. He (or she) receives a free travelling warrant to the new area, together with a travelling allowance of 5s. for a journey of not less than four hours, and 10s. for a journey of more than 4 hours. A man, unless he is entitled to a lodging allowance, may receive a "settling-in" grant of 24s. 6d., to assist him to meet the special difficulties that may arise from taking up a job in a new area; a woman or girl can receive a similar grant of 10s. on arrival, followed by payments of 15s., 20s., 15s., and 10s. for the first four weeks of her employment. A worker who needs money to tide him over the first week until wages are paid can borrow up to £1 from the Ministry. A married worker is entitled to receive a lodging allowance at the rate of 24s. 6d. a week, but an unmarried worker can only receive one if he shows that he maintains at least one dependant. A worker can apply for assistance to meet household removal expenses, and the fares of dependants joining him in the new area will be met. When his dependants have joined him, he will no longer be eligible for lodging allowance, but he can claim an allowance up to 24s. 6d. a week for continued commitments in the old area, such as rent, rates, mortgage interest, storage of furniture. Workers can also apply for cheap travel facilities to visit their homes, and for special assistance in cases of illness or domestic emergency. The sum total of the facilities available is thus considerable.

### BOAC Expansion

The returns for the British Overseas Airways Corporation, summarised in the accompanying table, reflect a substantial growth of traffic between 1942 and 1943. The fleet at the disposal of BOAC now broadly equals the combined pre-war fleets of its constituents, Imperial Airways and British Airways, and it includes a number of modern British and American aircraft, such as the "Avro York" and the "Mosquito," and the "Douglas Dakota." It also had 10 Short Sunderland III flying-boats at the end of last year. The number of miles flown last year was about 50 per cent, and the ton mileage more than 100 per cent, greater than before the war.

|                          | 1942       | 1943       | Percentage Change 1942/1943 |
|--------------------------|------------|------------|-----------------------------|
| Passenger ton-miles      | 9,154,409  | 11,252,868 | +22.9                       |
| Mail ton-miles           | 3,318,250  | 3,094,235  | -6.8                        |
| Freight ton-miles        | 4,760,398  | 7,886,809  | +65.7                       |
| Total traffic ton-miles  | 17,233,057 | 22,232,912 | +29.0                       |
| Total miles flown        | 9,967,379  | 12,481,485 | +25.2                       |
| Total passengers carried | 49,847     | 65,667     | +31.7                       |
| Mail carried (in tons)   | 1,093      | 1,271      | +16.3                       |
| Freight (in tons)        | 2,139      | 13,975     | +55.8                       |

BOAC operates two Atlantic services—that is, the North Atlantic Return Ferry and a flying-boat service between the United Kingdom and Baltimore, in the United States. There are services from this country to West Africa and to Egypt, two trans-African services, a long-distance service from Durban to Calcutta, and others. Its total traffic, however, is still small, both absolutely and in relation to post-war possibilities.

### Rates of Hire for Tramps

Increases in the rates of hire for requisitioned tramp ships of 5,000 tons deadweight and over have been agreed between the Chamber of Shipping and the Ministry of War Transport; they are to apply from October 1, 1943. The last increase took effect on February 1, 1943. As before, the higher rates are designed to cover increases in the operating costs of shipowners and do not alter the basic principle of requisition payments. This principle is that, on the average, the rates should reimburse shipowners for the running costs for which



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# Plain words on FACTORY COAL

## Immediate measures

### THE POSITION

At this moment, when we are preparing for new military operations on a vast scale, demands are being made on transport and on coal output that are without precedent in history. *Come what may, those demands have to be met.* Industry is directly concerned. There has been an inevitable decline in the Industrial coal supply position and any day may bring a further decline.

### INDUSTRY'S PROBLEM

Already factories have had their coal allocation cut by 10%. There can be no guarantee that even the reduced allocations will be delivered regularly, and there will be increasing difficulties with transport.

No one in industry can fail to see the significance of these facts. *Only the immediate personal attention of factory management can safeguard the position.* Drastic steps will have to be taken within the plant to reduce daily coal consumption still further.

### IMMEDIATE STEPS TO BE TAKEN BY MANAGEMENT

This is a time for individual effort — and for plain speaking. Call together your departmental heads. Leave them no room for doubt regarding the gravity of the situation. Give them full authority to use every expedient in cutting down *at once* — at every point of usage — the consumption of coal, steam, oil, electricity and gas. Tell them to be ruthless with waste, no matter how trivial it may seem. Industry without coal is *powerless*, and you are asked to see that everyone in your charge realises this fact and begins a new and more rigid regime of fuel saving. **COAL MUST BE SAVED — AND SAVED NOW.**

Every fresh economy NOW is a vital step against a further decline in the supply of coal to the factories. Every wagon cleared in quicker time eases the increasing transport difficulties.

they are responsible (mainly crews' wages, stores, upkeep and marine insurance premiums at the pre-war rates) and allow a profit of 10 per cent per annum on the ships' capital values, of which 5 per cent is for depreciation. Though it is worked out in different ways, the same principle applies to all classes of privately-owned shipping. The detailed requisition arrangement set out in the "Memorandum on Wartime Financial Arrangements between His Majesty's Government and British Shipowners" (Cmd. 6218), published in August, 1940, still holds good. The White Paper stated that

the rates of hire may be reviewed by either side at any time, and in particular if the circumstances change so materially as to create a new situation so far as rates of hire are concerned. The object of the review, whenever it takes place, will be to ascertain whether the rates require alteration by reason of changes in the level of the costs of ship operation, but it will be open to each of the parties to re-examine, if they so desire, any of the matters covered in the discussions from which the present rates have emerged.

So far as deep-sea tramp ships are concerned, the rates, which began at 5s. 7d. per ton per month for the "basic" vessel of 8,000 tons deadweight and over, have gone up since March 1, 1940, in six stages, at some of which various changes in their composition were introduced. The latest schedule of rates covers the same items as the previous schedule. For the majority of sizes of ships into which the schedule is divided the increase amounts to 4d. per ton per month—about 3-4 per cent. For the first time, however, separate rates have been introduced for vessels between 8,000 and 9,500 tons deadweight, which are now subdivided into five tonnage categories; the rates range from 7s. 11d. for the largest vessels to 8s. 3d. per ton for ships of 8,000 tons. Though the full schedule provides for eleven other variations according to size, the great majority of deep-sea tramps actually fall within the range covered by the innovation, which will ensure greater equity between ship and ship, since all tramp ships of 8,000 tons and over have to bear practically the same operating costs. Thus the largest benefits from the new rates will be gained by vessels of between 8,000 and 8,500 tons; for some of these they will mean an increase of about 7½ per cent. The current rate for ships taken over by the Ministry of War Transport on "bareboat" basis, the Government paying management fees and all operating costs, is 1s. 10d. per ton per month for large tramps.

### Deeper Darkness

The decision of the board of the San Paulo (Brazilian) Railway Co. to discontinue publication of its weekly figures of gross traffic receipts is regrettable. The reason given—that in view of the changes in costs the gross figures may be misleading—is far from adequate. It has never been the case that gross traffic figures were an index of distributable profits and no one of the slightest experience ever supposed that they were. In normal times that would be a reason for demanding the publication of net traffic month by month, as is done by the Canadian lines and as has been done at various times by other concerns. It may be admitted that, in view of the arbitrary actions of the local Government, it might not be worth while to attempt the task of a monthly assessment of net figures, but that is no reason for withdrawing the modicum of information provided by the gross intake. Apart from the fact that it is indicative of a number of other things, it is a not unimportant factor in determining probable net results. The withdrawal of such information is either the result of a desire to avoid trouble and expense, or it rests on the assumption that total ignorance is better than imperfect knowledge. Since it will always be difficult, if not impossible, to know the whole of the facts relating to any matter of ordinary complexity, this is an argument for the total suppression of statistics and has been used to that end with dire effect in many fields. One of the matters in which this country has lagged most behind its competitors is the provision of adequate tools, and the shortfall is even greater in the case of mental work than of manual. The San Paulo blackout may be a small matter, but the principle of the need for more information must be established.

### Correction

In a Note on coal on page 218 of *The Economist* of February 12th it was stated that the Coal Charges Order Fund was then fed by a levy of 5s. a ton on every ton of saleable coal; in fact, the levy has been at the rate of 8s. per ton since the beginning of this month.

## Shorter Notes

The number of people registered at unemployment exchanges as unemployed on January 17th was 79,037, an increase of 5,101 since October 18, 1943. A table giving detailed figures of unemployment at October 18, 1943, and January 17, 1944, appears on page 256.

In a Note on page 113 in *The Economist* of January 22nd it was stated that the United States Customs Court had decided against the inclusion of British purchase tax in the assessment of import duties on goods from the United Kingdom. The decision, however, was not final; in fact, the Government of the United States has filed an appeal against it. The issue, therefore, is still undecided.

Much against the expectations of the market, the Southern and the LNER are paying higher dividends on their marginal stocks for 1943 than for 1942. The Southern is paying 2 per cent on the deferred, compared with 1½ per cent for 1942. The net revenue for 1943 is returned at £6,999,186 and compares with £6,913,514 for 1942. In the case of the LNER, the dividend on the second preference stock has been raised from 2½ to 2¾ per cent, although the net revenue is shown to have fallen from £10,700,599 in 1942 to £10,655,441 in 1943. The increased payment is partly explained by bringing into the accounts for 1943 a profit of £135,419 on realisation of investments.

## Company Results

### Imperial Tobacco.

|                                   | Years to October 31, |            |            |
|-----------------------------------|----------------------|------------|------------|
|                                   | 1941                 | 1942       | 1943       |
| Profit after depreciation and EPT | 7,981,241†           | 15,150,338 | 15,562,242 |
| Fees                              | 10,000               | 10,000     | 10,000     |
| Income tax                        | 7,599,002            | 7,775,000  | 7,775,000  |
| Preference dividends†             | 452,209              | 433,206    | 434,982    |
| Ordinary shares (tax free):—      |                      |            |            |
| Earned                            | 7,119,032            | 7,108,130  | 7,342,260  |
| Paid                              | 6,573,534            | 6,573,534  | 6,573,534  |
| Earned %                          | 18.9                 | 18.9       | 19.6       |
| Paid %                            | 17½                  | 17½        | 17½        |
| Staff fund                        | 500,000              | 500,000    | 500,000    |
| General reserve                   | 1,666,436            | 1,701,032  | 1,869,758  |
| Carry forward                     |                      |            |            |

|                         |             |            |            |
|-------------------------|-------------|------------|------------|
| Net fixed assets        | 5,119,981   | 4,851,400  | 4,530,821  |
| Net inter-company items | 15,155,036  | 7,088,284  | 14,331,426 |
| Net liquid assets       | 31,621,498* | 43,736,500 | 44,193,756 |

|                          |            |            |            |
|--------------------------|------------|------------|------------|
| Gross liquid assets      | 66,166,499 | 86,323,223 | 88,474,000 |
| Stock in trade           | 28,527,715 | 43,823,155 | 50,835,869 |
| Tax reserve certificates | ...        | 7,000,000  | ...        |

† Net of income tax. † Gross for 1941, net for 1942 and 1943.  
\* Previous to the reform of the balance sheet, various reserves were included under current liabilities; the 1941 figure for net liquid assets is, consequently, disproportionately low compared with the following years.

The ordinary shares of £1, at 158s. 1½d., yield £2 4s. 3d. per cent tax free.

### F. W. Woolworth.

|                           | Years to December 31, |           |            |
|---------------------------|-----------------------|-----------|------------|
|                           | 1941                  | 1942      | 1943       |
| Profit                    | 6,872,721             | 6,093,640 | 6,595,339  |
| Depreciation              | 361,973               | 365,435   | 369,693    |
| War damage contribution   | 105,988               | 28,383    | 21,991     |
| Taxation                  | 3,597,206             | 3,295,656 | 13,057,595 |
| Preference dividend (net) | 150,000               | 150,000   | 150,000    |
| Staff fund                | 110,000               | 110,000   | 110,000    |
| Ordinary stock:—          |                       |           |            |
| Earned                    | 2,587,554             | 2,143,886 | 1,906,080  |
| Paid (net)                | 2,062,500             | 1,875,000 | 1,500,000  |
| Earned %                  | 69.0                  | 57.2      | 50.8       |
| Paid %                    | 55                    | 50        | 40         |
| Buildings reserve         | 250,000               | 250,000   | 250,000    |
| Carry forward             | 7,057,795             | 7,076,781 | 7,252,840  |

|                          |            |            |            |
|--------------------------|------------|------------|------------|
| Net fixed assets         | 12,562,331 | 12,330,718 | 12,025,813 |
| Net liquid assets        | 8,055,464  | 8,395,063  | 9,307,028  |
| Gross liquid assets      | 15,716,848 | 15,410,232 | 16,271,155 |
| Stocks on hand           | 4,910,589  | 4,797,191  | 3,228,633  |
| Cash                     | 6,834,480  | 4,862,981  | 7,352,419  |
| Tax reserve certificates | ...        | 4,000,000  | 4,018,250  |

† Includes provision of £300,000 towards 1944 taxation. See note on page 252.

The 5½ units of ordinary stock, standing at 59s. 1½d., yield £3 7s. 10d. per cent.

## COMPANY MEETINGS

### GENERAL MORTGAGE BANK OF PALESTINE, LIMITED

#### CONVERSION OF OUTSTANDING DEBENTURES

#### STRONG CASH POSITION

The twenty-second annual general meeting of the General Mortgage Bank of Palestine, Limited, was held on the 6th instant at the bank's offices at Tel-Aviv.

Mr S. Hoofien, M.B.E. (the chairman), in putting the directors' report and accounts for the year 1943 before the meeting, said: The main feature of last year's business was the successful conversion of the bank's outstanding debentures. The amount involved was about £2,000,000, of which nearly a quarter of a million 6 per cent. debentures have been converted into 5 per cent. and nearly 1½ million 5 per cent. debentures have been converted to 4 per cent. It was found desirable to carry through the transaction in stages, and it has been successfully completed on the local market. The large cash balance held by the bank enabled it to dispense with the services of underwriters. The 1943 balance-sheet does not reflect the full results of the conversion, as the last stage was completed only in January.

Borrowers have been notified that as from July 1, 1944, interest charges on outstanding loans will be reduced; and the bank is, of course, able to accept new business at lower rates of interest. However, so long as the enforced cessation of building activity continues, the directors do not expect that new business is likely to counterbalance the repayments resulting from the unusually liquid position of many customers.

Attention had already been drawn last year to the large cash balance held by the bank, and during the year under review it has further grown. It now stands at over £650,000. This large balance constitutes a heavy burden on the profit and loss account, but it enables the bank to look with confidence into the future and provide the possibility of availing itself of the first opportunity that will present itself after the war for the extension of its business.

#### POST-WAR HOUSING

The importance of making timely preparations for post-war popular housing is gaining general recognition, and the directors at a recent meeting decided to commit the bank to a modest participation in the capital of a Housing Association which hopes to be among the first in this field of work. They have likewise undertaken to participate with a similar amount in the capital of a mortgage company which will specialise in second mortgages on dwelling houses.

House property in Palestine, Mr Hoofien continued, has suffered no damage from enemy action during the year under review.

Payments are coming in with great regularity and arrears have again been lower than last year. No interest in arrears, as shareholders will remember from previous reports, is taken to profit, but nearly all arrears put to reserve in last year's accounts have been collected in the course of the year.

The reduced amount of outstanding loans and the large cash balance carried have somewhat influenced the net balance of profit. Dividends on the preference and ordinary shares are maintained at the same level as in the last eight years, viz., 6½ per cent. and 7½ per cent. respectively; but the allocation to the reserve account is £10,000 (bringing it up to £140,000), as against £15,000 last year.

The report and accounts were unanimously adopted.

## BRITISH-AMERICAN TOBACCO COMPANY, LIMITED

### SATISFACTORY RESULTS

#### SIR HUGO CUNLIFFE-OWEN ON POST-WAR PROBLEMS

The forty-first annual general meeting of British-American Tobacco Company, Limited, was held, on the 14th instant, in London.

Sir Hugo Cunliffe-Owen (the chairman), who presided, in the course of his speech, said:

The accounts show a net profit for the year, after deducting all charges and expenses for management, etc., and providing for taxation, of £3,321,735, an increase of £256,387 over the net profit for the previous year. Last year we carried forward a balance of £2,442,729. To this must be added the profits for the year as previously mentioned, £3,321,735, less the dividend on the 5 per cent. preference stock of £225,000; on the 6 per cent. second preference stock of £360,000 and the two interim dividends paid during the year on the ordinary stock amounting to £1,979,813, leaving a disposable balance of £3,199,651.

Out of this amount the directors recommend the distribution on March 31st next of a final dividend (free of United Kingdom income-tax) on the issued ordinary stock of 6d. per £1 of stock amounting to £593,944, and the allocation of £100,000 to "Employees Benevolent Fund," leaving £2,505,707 to be carried forward.

In view of the difficult conditions prevailing in practically every country in the world, I trust you will consider the results for the year to be satisfactory.

The favourable results are largely due to the good management and efficiency of the boards of directors of the subsidiary and associated companies, and I am sure you will join with me in congratulating them on the successful results they have achieved, frequently in the face of very real difficulty.

Conditions are likely to remain as difficult as ever during the present year, and our business will continue, no doubt, to be subject to the restrictions necessitated by contemporary conditions.

#### THE FUTURE

As regards the future, the prosperity of the company is dependent on the sensible solution of the political, economic and social problems which are rightly exercising the minds of all thinking people.

It seems to me that the most vital necessity in post-war reconstruction is the stable background of an enduring peace. Therefore, I say that after this war is over there should be a suitable form of national service for every boy and girl, regardless of rank, for the period of one year. Such a nucleus of trained man- and woman-power, with an efficient Navy and Air Force, and small up-to-date modern army, would prove a good insurance. This must be coupled and run along with an allied international policy designed to maintain peace.

#### QUESTION OF CONTROL

Then we have to repair the damage done to our economic structure. In order to get this in train, we must have an orderly and gradual demobilisation from the armed forces. In my view it is important that the Government should give priority to the key men required for industry. To follow, for reasons of sentiment, a "first in, first out" policy may well be to the real disadvantage of those members of the forces on whose behalf such policy is being pressed.

In order to ensure a smooth transfer from a war to a peace economy, many controls, will, no doubt, be essential for some time after the war. Furthermore, it is essential that the Government hereafter should take the necessary action to maintain full employment. Measures can and should be

taken by the State to encourage capital expenditure on appropriate occasions and there is a sound case for a scientific wages policy.

Within this framework, there must be a system which produces the highest industrial efficiency aiming to secure minimum cost by maximum output, a system which will provide exports at competitive prices sufficient to pay not only for essential imports but for other imports which make for a decent standard of living, and a system built on a full understanding between capital, management and labour.

#### PLEA FOR INDIVIDUAL ENTERPRISE

My personal belief is that this cannot be, in the long run, under any system of Government ownership or control. Such a system must necessarily be co-ordinated centrally, and with all the good will in the world, this must result in the slowing down of the machine. Moreover, the political consequences, rather than sound commercial principles, would tend to be considered in relation to every major decision. A private individual can make his all on the success of an invention or an idea in which he has faith, notwithstanding that his faith is not shared by others. Often he may be successful, to the great benefit of the nation and himself.

I discard, as inimical to the future prosperity of the country, both nationalisation and public ownership on a wide scale—at any rate, until such time as humanity has reached the limits of material progress, which surely is not yet.

There must be a system of taxation which will encourage individual initiative and allow it to gather the fruit of its enterprise—even if the fruit were to be taken away in death duties in a couple of generations or so. Control for the sake of control, high taxation and, in particular, excess profits tax, bureaucratic interference, the principle that success is a form of crime to be punished by transfer to State ownership, are some of the things to be avoided. In short, we must get back in fact as well as in name the democratic liberties for which we have sacrificed so much.

#### NEED FOR INTERNATIONAL CO-OPERATION

We are interested in all measures designed to increase the purchasing power of the peoples of the world, and I would stress the importance of co-operation and consultation between the United Nations to this end and, in particular towards stabilisation of exchanges, which is essential to healthy international trade. It cannot be too often repeated, so that the truth in this regard is constantly kept before the public, that, unless the country's export trade is greatly increased to make up for the loss of the country's foreign investments, the improvements in conditions and the maintenance of, or improvement in, the average standard of living in this country, which everyone wishes to see after the war, are quite impossible of attainment.

I now beg formally to move the adoption of the report and balance-sheet for the year ended September 30, 1943, including the payment on March 31st next of a final dividend (free of United Kingdom income-tax) on the issued ordinary stock of 6d. per £1 of stock.

I may also mention that the directors have declared for the year 1943-44 an interim dividend of 10d. per £1 stock (free of United Kingdom income-tax) also payable on March 31st next, so that the ordinary stockholders will receive on that date 1s. 4d. per £1 stock.

The report and accounts were unanimously adopted.



# RADIO RENTALS, LIMITED

## RECORD PROFIT

The seventh annual general meeting of Radio Rentals, Limited, was held, on the 6th instant, in London, Mr H. F. Hunt (the chairman) presiding.

The chairman, in the course of his speech, said:

This year our trading profit is shown at the figure of £112,658, as compared with £76,590 last year. After providing for taxation we are left with a substantial higher distributable profit of £23,116, as compared with £13,400 last

year. This very considerable difference results largely from agreement having been reached with the tax authorities.

Your board, in recommending that the total dividend for the year on the ordinary shares should be raised to 20 per cent., are proposing to distribute less than one half of the year's profits available for the ordinary shareholders, carrying the balance forward with the rest of our undistributed surplus, now amounting to £44,027.

The accounts show the company to be in a strong financial position. On the balance-sheet the special cash deposit account of £100,000 may be noted. Your board are fully alive to the necessity of obtaining new stock, and contracts for the supply of

new radio sets are already being negotiated.

The resolutions with regard to an increase in the company's authorised share capital and the borrowing power of the directors are part of our planning for the post-war years. We do not propose to issue any of the shares at present, but have every confidence that in the early post-war period we shall be able to employ with success additional funds thereby obtainable.

The report and accounts were unanimously adopted and resolutions were passed increasing the capital from £250,000 to £350,000 by the creation of 400,000 further ordinary shares of 5s. each and sanctioning the extension of the borrowing powers of the directors.

# RECORDS and STATISTICS

## INDUSTRY AND TRADE

**Austerity Suit Coupons.**—The President of the Board of Trade is now to replace in full the loss of coupons which retailers will suffer as a result of the down pointing of austerity suits from 26 to 20 coupons. It was first announced that no replacements would be made; and, secondly, that applications in cases of hardship would be considered. The decision to replace in full is the fairest one that could be made. It will be some time before non-austerity ready-made suits will be available for sale. It is announced that some austerity suits will be bought by the Government for post-war European relief.

**Cotton Exports.**—According to Board of Trade returns published this week exports of cotton cloth from the United Kingdom in the fourth quarter of 1943 were smaller than in any previous three months since the outbreak of war, the total being 80,899,000 square yards, against 102,881,000 square yards in the third quarter and 114,810,000 square yards in the fourth quarter of 1942. Total shipments in 1943 were 374,323,000 square yards, compared with 484,230,000 square yards in 1942 and 1,393,038,000 square yards in 1939. Exports of yarn in the fourth quarter of 1943 were 4,840,000 lb., against 4,896,000 lb. in the third quarter and 4,499,000 lb. in the last three months of 1942. During 1943 shipments were 19,196,000 lb., compared with 18,738,000 lb. in 1942 and 113,604,700 lb. in 1939. No cloth allocations were issued by the Cotton Board for the three months ended December 31st, and this factor may account for the small total. There should be some improvement in shipments during the current quarter, since at the end of December the Cotton Board provided merchants with allocations for the first three months of 1944.

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

|                      | Feb. 10, 1944  | Feb. 11, 1944 | Feb. 14, 1944 | Feb. 15, 1944 | Feb. 16, 1944 |
|----------------------|----------------|---------------|---------------|---------------|---------------|
| Crops .....          | 123.1          | 123.1         | 123.1         | 123.1         | 123.1         |
| Raw materials .....  | 185.5          | 185.5         | 185.5         | 185.5         | 185.5         |
| Complete Index ..... | 151.1          | 151.1         | 151.1         | 151.1         | 151.1         |
|                      | Mar. 31, 1937* | Aug. 30, 1939 | Feb. 16, 1943 | Jan. 17, 1944 | Feb. 9, 1944  |
| Crops .....          | 147.9          | 92.2          | 115.7         | 123.0         | 123.1         |
| Raw materials .....  | 207.3          | 122.9         | 172.7         | 185.5         | 185.5         |
| Complete Index ..... | 175.1          | 106.4         | 141.4         | 151.1         | 151.1         |

\* Highest level reached during 1932-37 recovery.

## INDICES OF WHOLESALE TRADE IN TEXTILES IN GREAT BRITAIN (1937=100)

|                 | Stocks (end year & month) | Home Trade | Total | % Change from a Year Ago |
|-----------------|---------------------------|------------|-------|--------------------------|
| 1937 .....      | 100                       | 100        | 100   | + 1.0                    |
| 1938 .....      | 94                        | 94         | 93    | - 7.0                    |
| 1939 .....      | 86                        | 105        | 103   | + 10.7                   |
| 1940 .....      | 93                        | 118        | 116   | + 12.6                   |
| 1941 .....      | 93                        | 96         | 99    | + 14.7                   |
| 1942 .....      | 95                        | 104        | ...   | ...                      |
| 1943 .....      | 104                       | 96         | ...   | ...                      |
| 1942, Nov. .... | 80                        | 121        | 117   | + 6.4                    |
| " Dec. ....     | 95                        | 81         | 80    | + 14.3                   |
| 1943, Nov. .... | 93                        | 110        | 108   | - 7.7                    |
| " Dec. ....     | 104                       | 78         | 78    | - 2.5                    |

Indices calculated by Wholesale Textile Association in collaboration with Bank of England.

Purchase Tax is not included; figures are therefore comparable throughout.

\* Publication of Indices of Export Sales suspended in September, 1942.

Source: Board of Trade Journal.

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

|                        | Mar. 31, 1937* | Aug. 30, 1939 | Feb. 9, 1943 | Jan. 25, 1944 | Feb. 8, 1944 |
|------------------------|----------------|---------------|--------------|---------------|--------------|
| Cereals and Meat ..... | 93.0           | 66.9          | 109.0        | 108.7         | 108.8        |
| Other Foods .....      | 70.4           | 61.1          | 107.3        | 107.3         | 107.3        |
| Textiles .....         | 74.2           | 54.3          | 92.1         | 92.5          | 92.5         |
| Minerals .....         | 113.2          | 95.4          | 135.9        | 136.9         | 140.1        |
| Miscellaneous .....    | 87.0           | 77.6          | 124.1        | 128.9         | 129.0        |
| Complete Index .....   | 87.2           | 70.3          | 113.3        | 114.5         | 115.1        |
| 1913=100 .....         | 119.9          | 90.8          | 155.9        | 157.6         | 158.3        |

\* Highest level reached during 1932-37 recovery.

## REGISTERED UNEMPLOYMENT IN GREAT BRITAIN

|               | Wholly Unemployed | Temporarily Stopped | Persons Normally in Casual Employment |
|---------------|-------------------|---------------------|---------------------------------------|
| Oct. 18, 1943 |                   |                     |                                       |
| Men .....     | 40,042            | 446                 | 900                                   |
| Boys .....    | 8,416             | 3                   | 2                                     |
| Women .....   | 15,546            | 280                 | 48                                    |
| Girls .....   | 8,249             | 3                   | 1                                     |
| Total .....   | 72,253            | 732                 | 951                                   |
| Jan 17, 1944  |                   |                     |                                       |
| Men .....     | 40,491            | 442                 | 918                                   |
| Boys .....    | 9,442             | —                   | 1                                     |
| Women .....   | 17,736            | 900                 | 26                                    |
| Girls .....   | 9,005             | 75                  | 1                                     |
| Total .....   | 76,674            | 1,417               | 946                                   |

## FINANCE AND BANKING

**THE MONEY MARKET.**—The position in the money market has been comfortable this week. The impact of revenue payments has lost some of its previous force and the early February dividend payments have come to the help of the market. Although the banks had to pay £70,000,000 against Treasury Deposit receipts, or £20,000,000 more than the effective maturities, they have been sufficiently well supplied with funds to buy a fair volume of bills from the market. At no time during the week, therefore, has the market needed any special assistance. The easing of the position is reflected in the Bank return which shows bankers' deposits at £167,411,000, an increase of £5,430,000 on the week. As against this, Public deposits have fallen by £2,573,000 and Government securities have risen by £2,680,000, these two movements providing the bulk of the counterpart to the rise in bank cash.

**MONEY RATES, LONDON.**—The following rates remained unchanged between Feb. 11th and Feb. 17th:—

Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days, 1½%; 3 months, 1½%; 4 months, 1½%; 6 months, 1½%; 12 months, 1½%; Treasury Bills: 2 months, 1½%; 3 months, 1½%; Day-to-day money, 1½%; Short Loans, 1½%. Bank deposit rates, 4%. Discount deposit at call, ½%; at notice, 1%.

**Exchange Rates.**—The following rates fixed by the Bank of England remained unchanged between Feb. 11th and Feb. 17th. (Figures in brackets are par of exchange).

United States. \$ (4-86½) 4-02½-03½; mail transfers 4-02½-03½. Canada. \$ (4-86½) 4-43-47; mail transfers 4-43-47. Switzerland. Francs (25-22½) 17-30-40. French Empire. Francs 1937-2000. Syria. p. 8-81-85. Sweden. Krona (18-139) T.T. 16-85-89. Dutch West Indies. Florin (12-11) 7-58-62.

(Continued on page 258)

## GOVERNMENT RETURNS

For the week ended Feb. 12, 1944, total ordinary revenue was £94,243,000, against ordinary expenditure of £110,909,000, and issues to sinking funds of £235,000. Thus, including sinking fund allocations of £11,662,000, the deficit accrued since April 1st is £2,419,746,000 against £2,488,431,000 for the corresponding period a year ago.

## ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

| Revenue                              | Estimate 1943-44 | April 1 to Feb. 13, 1943 | April 1 to Feb. 12, 1944 | Week ended Feb. 13, 1943 | Week ended Feb. 12, 1944 |
|--------------------------------------|------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| ORDINARY REVENUE                     |                  |                          |                          |                          |                          |
| Income Tax .....                     | 117,500          | 733,880                  | 926,214                  | 54,060                   | 56,786                   |
| Sur-tax .....                        | 80,000           | 54,419                   | 57,262                   | 4,580                    | 6,070                    |
| Estate, etc. ....                    | 100,000          | 80,009                   | 84,187                   | 1,591                    | 2,440                    |
| Stamps .....                         | 17,000           | 11,630                   | 15,140                   | ...                      | ...                      |
| N.D.C. ....                          | 500,000          | 25,299                   | 27,035                   | 498                      | 984                      |
| E.P.T. ....                          | 1,000            | 296,564                  | 413,858                  | 5,903                    | 9,415                    |
| Other Ind. Rev. ....                 | 1,000            | 640                      | 658                      | 10                       | 160                      |
| Total Ind. Rev. ....                 | 187,300          | 1,202,441                | 1,524,354                | 66,642                   | 75,855                   |
| Customs .....                        | 525,320          | 398,404                  | 477,231                  | 11,112                   | 12,645                   |
| Excise .....                         | 450,180          | 375,200                  | 420,500                  | 4,700                    | 4,545                    |
| Total Customs & Excise .....         | 975,500          | 773,604                  | 897,731                  | 15,812                   | 17,190                   |
| Motor Duties .....                   | 25,000           | 27,227                   | 26,751                   | 102                      | 135                      |
| Canadian Govt. Contribution .....    | ...              | 224,719                  | ...                      | ...                      | ...                      |
| P.O. (Net Receipts) .....            | 400              | 12,350                   | ...                      | 250                      | ...                      |
| Wireless Licences .....              | 4,700            | 3,830                    | 3,940                    | ...                      | ...                      |
| Crown Lands .....                    | 800              | 870                      | 950                      | ...                      | ...                      |
| Receipts from Sundry Loans .....     | 4,100            | 3,315                    | 6,366                    | 91                       | 63                       |
| Miscell. Receipts .....              | 24,000           | 83,941                   | 67,437                   | 132                      | 1,000                    |
| Total Ord. Rev. ....                 | 2,907,500        | 2,332,297                | 2,527,528                | 83,028                   | 94,243                   |
| SELF-BALANCING P.O. & Brdcastg. .... | 110,632          | 90,400                   | 97,650                   | 2,000                    | 2,500                    |
| Total .....                          | 3,018,132        | 2,422,697                | 2,625,178                | 85,028                   | 96,743                   |

| Expenditure                          | Estimate 1943-44 | April 1 to Feb. 13, 1943 | April 1 to Feb. 12, 1944 | Week ended Feb. 13, 1943 | Week ended Feb. 12, 1944 |
|--------------------------------------|------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| ORDINARY EXPENDITURE                 |                  |                          |                          |                          |                          |
| Int. & Man. of Nat. Debt .....       | 375,000          | 270,347                  | 307,993                  | 965                      | ...                      |
| Payments to N. Ireland .....         | 9,500            | 6,962                    | 6,775                    | ...                      | ...                      |
| Other Cons. Fund Services .....      | 7,500            | 7,071                    | 6,881                    | ...                      | ...                      |
| Total .....                          | 392,000          | 284,381                  | 321,649                  | 965                      | ...                      |
| Supply Services .....                | 5,467,511        | 4,525,460                | 4,613,963                | 105,500                  | 110,909                  |
| Total Ord. Exp. ....                 | 5,859,511        | 4,809,841                | 4,935,612                | 106,465                  | 110,909                  |
| SELF-BALANCING P.O. & Brdcastg. .... | 110,632          | 90,400                   | 97,650                   | 2,000                    | 2,500                    |
| Total .....                          | 5,969,143        | 4,900,241                | 5,033,262                | 108,465                  | 113,409                  |

| Week ended        | N.S.C.  | 3% Defence Bonds | 3% Savings Bonds | 2½% War Bonds 1952-54 |
|-------------------|---------|------------------|------------------|-----------------------|
| Dec. 7 .....      | 4,683   | 1,697            | 4,134            | 4,490                 |
| " 14 .....        | 4,115   | 1,555            | 3,482            | 13,913                |
| " 21 .....        | 3,537   | 1,362            | 3,770            | 5,493                 |
| " 28 .....        | 3,320   | 997              | 2,785            | 3,977                 |
| Jan. 4 .....      | 5,126   | 1,618            | 5,658            | 10,285                |
| " 11 .....        | 5,348   | 2,442            | 5,623            | 11,666                |
| " 18 .....        | 7,768   | 2,073            | 5,200            | 9,430                 |
| " 25 .....        | 5,422   | 1,976            | 4,961            | 3,040                 |
| Feb. 1 .....      | 5,255   | 1,923            | 5,779            | 7,384                 |
| " 8 .....         | 5,311   | 1,950            | 5,125            | 7,565                 |
| " 15 .....        | ...     | ...              | 5,119            | 5,243                 |
| Totals to date .. | 102,471 | 661,414          | 1,464,128        | 222,917               |

A change has been made in the method of showing in excess of Post Office Expenditure over Post Office Revenue. Such excess is now included as ordinary expenditure (under "Total Supply Services") instead of being shown, as up to July 24 inclusive, as a deduction from ordinary revenue.

After decreasing Exchequer balances by £230,599 to £3,168,067, the other operations for the week (no longer shown separately) raised the gross National Debt by £12,472,325 to £19,255 million.

| NET ISSUES (£ thousands) |       |
|--------------------------|-------|
| War Damage Act .....     | 899   |
| P.O. and Telegraph ..... | 200   |
| Total .....              | 1,099 |

| NET RECEIPTS (£ thousands)              |       |
|-----------------------------------------|-------|
| Defence Loans Act .....                 | 5,284 |
| Land Settlement (Facilities) Acts ..... | 13    |
| Total .....                             | 5,297 |

## BANK OF ENGLAND RETURNS

FEBRUARY 16, 1944

### ISSUE DEPARTMENT

|                              |                                                   |              |
|------------------------------|---------------------------------------------------|--------------|
| Notes Issued: £              | Govt. Debt .....                                  | 11,015,160   |
| In Circul. ....              | Other Govt. ....                                  | 1088,380,419 |
| In Bankg. De- partment ..... | Securities .....                                  | 593,738      |
|                              | Other Secs. ....                                  | 10,743       |
|                              | Silver Coin .....                                 | ...          |
|                              | Amt. of Fid. Issue .....                          | 1100,000,000 |
|                              | Gold Coin & Bullion (at 105s. per oz. fine) ..... | 241,718      |
|                              |                                                   | 1100,241,718 |

### BANKING DEPARTMENT

|                      |             |                            |             |
|----------------------|-------------|----------------------------|-------------|
| Props. Capital ..... | 14,553,000  | Govt. Secs. ....           | 205,472,151 |
| Res. ....            | 3,430,830   | Other Secs. ....           | ...         |
| Public Deps. ....    | 8,651,729   | Discounts & Advances ..... | 2,202,609   |
|                      |             | Securities .....           | 14,865,204  |
| Other Deps. ....     | 167,410,968 | Notes .....                | 17,067,815  |
| Bankers' .....       | 53,752,410  | Gold & Silver Coin .....   | 767,440     |
| Other Accts. ....    | 221,163,578 |                            | 247,798,937 |
|                      |             |                            | 247,798,937 |

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

## COMPARATIVE ANALYSIS

|                                      | 1943   | 1944   |
|--------------------------------------|--------|--------|
| Issue Dept.:                         |        |        |
| Notes in circulation .....           | 914.9  | 1073.5 |
| Notes in banking department .....    | 35.3   | 25.8   |
| Government debt and securities ..... | 949.2  | 1099.4 |
| Other securities .....               | 0.8    | 0.6    |
| Silver Coin .....                    | 0.0    | 0.0    |
| Gold, valued at s. per fine oz. .... | 168.00 | 168.00 |
| Deposits:                            |        |        |
| Public .....                         | 6.6    | 10.8   |
| Bankers' .....                       | 149.5  | 169.6  |
| Others .....                         | 59.4   | 53.4   |
| Total .....                          | 215.5  | 233.8  |
| Banking Dept. Secs.:                 |        |        |
| Government .....                     | 173.9  | 204.5  |
| Discounts, etc. ....                 | 4.1    | 4.3    |
| Other .....                          | 19.2   | 15.6   |
| Total .....                          | 197.2  | 224.4  |
| Banking depart. res. ....            | 36.2   | 27.4   |
| % .....                              | 18.3   | 11.7   |
| "Proportion" .....                   | 16.8   | 10.9   |

\* Government debt is £11,015,160; capital £14,553,000. Fiduciary issue raised from £1,050 million to £1,100 million on December 8, 1943.

## PROVINCIAL BANK CLEARINGS

|                   | Week Ended    | Aggregate from Jan. 1 to |
|-------------------|---------------|--------------------------|
|                   | Feb. 13, 1943 | Feb. 13, 1944            |
| Working days:—    | 6             | 37                       |
| Birmingham .....  | 2,408         | 1,597                    |
| Bradford .....    | 3,010         | 2,195                    |
| Bristol .....     | 696           | 666                      |
| Hull .....        | 833           | 518                      |
| Leeds .....       | 1,194         | 977                      |
| Leicester .....   | 1,030         | 800                      |
| Liverpool .....   | 4,317         | 5,623                    |
| Manchester .....  | 11,849        | 3,103                    |
| Newcastle .....   | 1,338         | 1,705                    |
| Nottingham .....  | 488           | 470                      |
| Sheffield .....   | 964           | 751                      |
| Southampton ..... | 134           | 134                      |
| 12 Towns .....    | 28,261        | 18,539                   |
| D. bilin. ....    | 8,523         | 8,105                    |

\* February 6, 1943, and February 5, 1944.

**Million rupees**

Million Swiss Frs.

Million \$'s

**Million escudos**

REICHSBANKUNITED KINGDOM: MONTHLY STATISTICS

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

| Prices,<br>Year 1944<br>Jan. 1 to Feb. 15 |      | Last two<br>Dividends |        |     | Name of Security               |      | Price,<br>Feb.<br>1944 | Price,<br>Feb.<br>15,<br>1944 | Yield,<br>Feb.<br>15,<br>1944 | 1943 |       | 1942 |         | 1941    |         | 1940 |     | 1939 |    |
|-------------------------------------------|------|-----------------------|--------|-----|--------------------------------|------|------------------------|-------------------------------|-------------------------------|------|-------|------|---------|---------|---------|------|-----|------|----|
| High                                      | Low  | (a)                   | (b)    | (c) |                                |      |                        |                               |                               |      |       |      |         |         |         |      |     |      |    |
| Railways                                  |      |                       |        |     |                                |      |                        |                               |                               |      |       |      |         |         |         |      |     |      |    |
| 47                                        | 40½  | Ni                    | Ni     |     | Antofagasta S. & C. Stk. Pf.   | 43   | 41                     | 1                             | 5                             | 105  | 40½   | 40½  | 110     | 43      | 43      | 2    | 0   | 91   |    |
| 14½                                       | 12   | Ni                    | Ni     |     | B.A. Gt. Sthn. Ord. Stk.       | 124  | 13½                    | Ni                            | Ni                            | 24½  | 22½   | 23½  | 20      | 20      | 20      | 43   | 43  | 3    | 9  |
| 58½                                       | 5    | +2 c                  | +2 c   |     | San Paulo Ord. Stk.            | 53   | 50                     | 4                             | 0                             | 105  | 101½  | 17½  | 6       | 6       | 6       | 43   | 43  | 3    | 9  |
| 9½                                        | 6½   | Ni                    | Ni     |     | U. Canavias S. & C. Stk. Pf.   | 8½   | 9½                     | Ni                            | Ni                            | 16½  | 15½   | 16½  | 2       | 2       | 2       | 43   | 43  | 2    | 0  |
| 16½                                       | 15½  | Ni                    | 2      | c   | Can. Pacific Com. \$25         | \$16 | \$16½                  | 3                             | 2                             | 0    | 36½   | 35½  | 2½      | 2½      | 2½      | 43   | 43  | 2    | 0  |
| 62½                                       | 60½  | 2½ b                  | 2      | a   | Great Western Ord. Stk.        | 61   | 61                     | 7                             | 7                             | 2    | 1½    | 1½   | 6       | 6       | 6       | 43   | 43  | 2    | 0  |
| 120½                                      | 115½ | 2½ b                  | 2½ a   |     | G.W. S. & C. Cons. Pref. Stk.  | 119½ | 119½                   | 4                             | 3                             | 8    | 19½   | 17½  | 3       | 3       | 3       | 43   | 43  | 2    | 0  |
| 62½                                       | 60½  | 2 b                   | 2      | a   | L.N.E.R. 4½ 1st Pref.          | 62   | 61½                    | 6                             | 10                            | 1    | 1½    | 1½   | 9       | 9       | 9       | 43   | 43  | 2    | 0  |
| 34½                                       | 31½  | 2½ b                  | 2½ b   |     | L.M.S. Ord. Stock              | 33½  | 31½                    | 8                             | 0                             | 0    | 29½   | 27½  | 6       | 6       | 6       | 43   | 43  | 2    | 0  |
| 63½                                       | 61   | 2½ b                  | 2      | b   | L.M.S. 4½ Pref. 1923           | 63   | 61½                    | 6                             | 10                            | 1    | 1½    | 1½   | 9       | 9       | 9       | 43   | 43  | 2    | 0  |
| 66½                                       | 64½  | 1½ b                  | 1½ b   |     | London Transport 'C' Stk.      | 66   | 66                     | 4                             | 10                            | 11   | 115½  | 108½ | 5       | 5       | 5       | 43   | 43  | 2    | 0  |
| 25½                                       | 24   | 1½ b                  | 1½ b   |     | Southern Def. Stock            | 21½  | 24½                    | 7                             | 4                             | 4    | 80½   | 76½  | 10      | 10      | 10      | 43   | 43  | 2    | 0  |
| 78½                                       | 75½  | 2½ b                  | 2½ b   |     | Southern 5½ Pref. Ord.         | 77½  | 78                     | 6                             | 8                             | 2    | 79½   | 74½  | 12½     | 12½     | 12½     | 43   | 43  | 2    | 0  |
| Banks and Discount                        |      |                       |        |     |                                |      |                        |                               |                               |      |       |      |         |         |         |      |     |      |    |
| 83½                                       | 80½  | 7½ a                  | 10     | b   | Alexanders £2, £1 pd.          | 83½  | 83½                    | 4                             | 4                             | 0    | 18½   | 16½  | 10      | 10      | 10      | 43   | 43  | 2    | 0  |
| 6½                                        | 6½   | 3½ b                  | 2½ a   |     | Bank of Australasia £1         | 6½   | 6½                     | 4                             | 8                             | 8    | 18½   | 16½  | 10      | 10      | 10      | 43   | 43  | 2    | 0  |
| 37½                                       | 35½  | 7½ b                  | 6      | b   | Bank of England Stock          | 37½  | 35½                    | 3                             | 10                            | 62½  | 60½   | 10   | 10      | 10      | 10      | 43   | 43  | 2    | 0  |
| 43½                                       | 43   | 7½ b                  | 6      | (c) | Bank of Montreal \$100         | 44½  | 44½                    | 3                             | 10                            | 64½  | 60½   | 10   | 10      | 10      | 10      | 43   | 43  | 2    | 0  |
| 30½                                       | 28½  | 4 b                   | 5      | a   | Bank of New Zealand £1         | 30½  | 30½                    | 3                             | 10                            | 64½  | 60½   | 10   | 10      | 10      | 10      | 43   | 43  | 2    | 0  |
| 60½                                       | 56½  | 3 a                   | 3½ b   |     | Barclays Bank 'B' £1           | 60½  | 59½                    | 2                             | 4                             | 0    | 11½   | 10½  | 110     | 110     | 110     | 43   | 43  | 2    | 0  |
| 10½                                       | 9½   | 2½ b                  | 2½ a   |     | Barclays (D.C. & O.) 'A' £1    | 5½   | 5½                     | 2                             | 4                             | 0    | 11½   | 10½  | 110     | 110     | 110     | 43   | 43  | 2    | 0  |
| 62½                                       | 60½  | 3 a                   | 3½ b   |     | Chartered of India £5          | 9½   | 9½                     | 2                             | 9                             | 3    | 81½   | 80½  | 8       | 8       | 8       | 43   | 43  | 2    | 0  |
| 92½                                       | 89½  | 6 a                   | 6      | b   | Lloyds 'A' £5, £1 paid         | 92½  | 92½                    | 3                             | 17                            | 6    | 80½   | 77½  | 4       | 4       | 4       | 43   | 43  | 2    | 0  |
| 62½                                       | 60½  | 3 a                   | 3½ b   |     | Midland £1, fully paid         | 62½  | 62½                    | 3                             | 6                             | 0    | 145½  | 137½ | 12½     | 12½     | 12½     | 43   | 43  | 2    | 0  |
| 91½                                       | 89½  | 8 a                   | 8      | a   | Nat. Div. £24, fully paid      | 91½  | 91½                    | 3                             | 16                            | 6    | 40½   | 39½  | 8       | 8       | 8       | 43   | 43  | 2    | 0  |
| 62½                                       | 60½  | 3 a                   | 3½ b   |     | Nat. Prov. £5, £1 paid         | 62½  | 62½                    | 3                             | 16                            | 6    | 40½   | 39½  | 8       | 8       | 8       | 43   | 43  | 2    | 0  |
| 79½                                       | 74½  | 7½ a                  | 7½ b   |     | Royal Bank of Scotland         | 49½  | 49½                    | 3                             | 8                             | 9    | 12½   | 16½  | 9       | 9       | 9       | 43   | 43  | 2    | 0  |
| 49½                                       | 48½  | 8½ a                  | 8½ a   |     | Stan. of S. Africa £20, £5 pd. | 16½  | 16½                    | 4                             | 5                             | 0    | 35½   | 32½  | 12½     | 12½     | 12½     | 43   | 43  | 2    | 0  |
| 16½                                       | 15½  | 5 a                   | 5      | b   | Union Discount £1              | 5½   | 5½                     | 3                             | 9                             | 0    | 78½   | 75½  | 21½     | 21½     | 21½     | 43   | 43  | 2    | 0  |
| 60½                                       | 54½  | 9 a                   | 9      | a   | Westminster £4, £1 paid        | 9½   | 9½                     | 3                             | 18                            | 0    | 39½   | 37½  | 5       | 5       | 5       | 43   | 43  | 2    | 0  |
| 93½                                       | 89½  | 3½ a                  | 3½ a   |     | Alliance £1, fully paid        | 28   | 28                     | 3                             | 2                             | 3    | \$38½ | \$36 | \$20.00 | \$20.00 | \$20.00 | 43   | 43  | 2    | 0  |
| 28½                                       | 27½  | 50 b                  | 40     | a   | Atlas £5, £1 paid              | 13½  | 13½                    | 3                             | 15                            | 0    | 37½   | 35½  | 5       | 5       | 5       | 43   | 43  | 2    | 0  |
| 1½                                        | 1½   | 6½ b                  | 4      | a   | Gen. Acctd. £1, 16 pd.         | 10½  | 10½                    | 3                             | 16                            | 0    | 69½   | 66½  | 10      | 10      | 10      | 43   | 43  | 2    | 0  |
| 27½                                       | 26½  | 10½ b                 | 10     | a   | Long & L. £5, £3 pd.           | 28½  | 28½                    | 3                             | 10                            | 10   | 5½    | 5½   | 5       | 5       | 5       | 43   | 43  | 2    | 0  |
| 13½                                       | 13½  | +20 b                 | +17½ a |     | Pearl £1, fully paid           | 13½  | 13½                    | 2                             | 15                            | 3    | 102½  | 99½  | 7½      | 7½      | 7½      | 43   | 43  | 2    | 0  |
| 16½                                       | 15½  | 6½ a                  | 6      | b   | Phoenix £1, fully paid         | 16   | 15½                    | 3                             | 15                            | 0    | 31½   | 29½  | 10      | 10      | 10      | 43   | 43  | 2    | 0  |
| 23½                                       | 21½  | +58 b                 | +58½ a |     | Prudential £1 'A'              | 22   | 21½                    | 2                             | 13                            | 9    | 33½   | 32½  | 3       | 3       | 3       | 43   | 43  | 2    | 0  |
| 8½                                        | 8½   | 19                    | 11     | a   | Royal Exchange £1              | 8½   | 8½                     | 3                             | 8                             | 6    | 68½   | 66½  | 3½      | 3½      | 3½      | 43   | 43  | 2    | 0  |
| 9½                                        | 8½   | 3½ b                  | 3½ a   |     | Royal £1, 12 6 paid            | 9    | 9½                     | 3                             | 11                            | 0    | 39½   | 36½  | 10      | 10      | 10      | 43   | 43  | 2    | 0  |
| Investment Trusts                         |      |                       |        |     |                                |      |                        |                               |                               |      |       |      |         |         |         |      |     |      |    |
| 229                                       | 222½ | 4 a                   | 6      | b   | Debenute Cp. Ord. Stock        | 225½ | 225½                   | 4                             | 8                             | 9    | 80½   | 77½  | 3½      | 3½      | 3½      | 43   | 43  | 2    | 0  |
| 228                                       | 224  | 7 b                   | 4      | a   | Investment Trst. Def. Stk.     | 225½ | 225½                   | 4                             | 17                            | 7    | 32½   | 31½  | (k)15½  | 7½      | 7½      | 43   | 43  | 2    | 0  |
| 209                                       | 206½ | 7 b                   | 3      | a   | Trustee Corp. Ord. Stk.        | 206½ | 206½                   | 4                             | 16                            | 10   | 59½   | 55½  | 10      | 10      | 10      | 43   | 43  | 2    | 0  |
| Breweries, &c.                            |      |                       |        |     |                                |      |                        |                               |                               |      |       |      |         |         |         |      |     |      |    |
| 168½                                      | 165½ | +5 a                  | +15 b  |     | Bass Ratchif Ord. £1           | 167½ | 167½                   | 2                             | 8                             | 0    | 59½   | 55½  | 35      | 45      | 45      | 57½  | 57½ | 5    | 12 |
| 89½                                       | 87½  | 10 b                  | 6½ a   |     | Distillers Co. Ord. £1         | 88½  | 89½                    | 3                             | 13                            | 0    | 50½   | 50½  | 12½     | 12½     | 12½     | 52½  | 52½ | 4    | 16 |
| 101½                                      | 98½  | 7 a                   | 11     | a   | Guinness (Arthur) Ord. £1      | 12½  | 12½                    | 4                             | 8                             | 6    | 18½   | 16   | 30      | 40      | 40      | 17½  | 17½ | 10   | 0  |
| 87½                                       | 86½  | 7 a                   | 15½ b  |     | Ind. & L. £5, £3 pd.           | 101½ | 101½                   | 4                             | 8                             | 6    | 35½   | 33½  | 8½      | 8½      | 8½      | 31½  | 31½ | 10   | 12 |
| 87½                                       | 86½  | 7 a                   | 13 b   |     | Ind. & L. £5, £3 pd.           | 96½  | 96½                    | 4                             | 8                             | 6    | 35½   | 33½  | 8½      | 8½      | 8½      | 31½  | 31½ | 10   | 12 |
| 81½                                       | 77½  | 18 c                  | 6 a    |     | Watney Combe & Dar. £1         | 79½  | 81½                    | 4                             | 8                             | 9    | 12½   | 10½  | 10      | 10      | 10      | 11½  | 11½ | 7    | 16 |
| Iron, Coal and Steel                      |      |                       |        |     |                                |      |                        |                               |                               |      |       |      |         |         |         |      |     |      |    |
| 50½                                       | 48½  | 7 b                   | 4      | a   | Babcock & Wilcox £1            | 49½  | 50½                    | 4                             | 8                             | 0    | 9½    | 8½   | 5½      | 2½      | 2½      | 43   | 43  | 2    | 0  |
| 50½                                       | 48½  | 3½ a                  | 11½ b  |     | Bolsover Colliery Ord. £1      | 39½  | 49½                    | 6                             | 8                             | 0    | 9½    | 8½   | 5½      | 2½      | 2½      | 43   | 43  | 2    | 0  |

## NEW YORK PRICES

| New York on | Feb.<br>9 | Feb.<br>10 | Feb.<br>11 | Feb.<br>12       | Feb.<br>14 | Feb.<br>15 | Feb.<br>16 |
|-------------|-----------|------------|------------|------------------|------------|------------|------------|
| Cables:—    | Cents     | Cents      | Cents      | Cents            | Cents      | Cents      | Cents      |
| London      | 402½      | 402½       | 402½       | 402½             | 402½       | 402½       | 402½       |
| Montreal    | 89.680    | 89.680     | 89.625     | 89.680           | 89.680     | 89.680     | 89.680     |
| Zurich      | 43.0      | 43.5       | 43.50      | 42.00            | 41.00      | 41.00      | 41.00      |
| B Aires     | 25.12*    | 25.12*     | 25.12*     | Market<br>closed | 25.12*     | 25.12*     | 25.12*     |
| Rio         | 5.16      | 5.16       | 5.16       | 5.16             | 5.16       | 5.16       | 5.16       |
| London      | 4.10      | 4.10       | 4.10       | 4.10             | 4.10       | 4.10       | 4.10       |
| Barcelona   | 9.20      | 9.20       | 9.20       | 9.20             | 9.20       | 9.20       | 9.20       |
| Stockholm   | 23.86     | 23.86      | 23.86      | 23.86            | 23.86      | 23.86      | 23.86      |

\* Official buying rate 29.78.      † Free rate.      ‡ Bid.

| Name                   | Weeks | Ending   | Gross Receipts for Week |             | * Aggregate Gross Receipts |              |
|------------------------|-------|----------|-------------------------|-------------|----------------------------|--------------|
|                        |       |          | 1944                    | + or -      | 1944                       | + or -       |
| B.A. and Pacific . . . | 33    | Feb. 12  | \$2,032,000             | + 142,000   | 54,477,000                 | + 2,493,000  |
| B.A. Gt. Southern . .  | 33    | " 12     | 3,722,000               | + 140,000   | 33,886,000                 | + 8,752,000  |
| B.A. Western . . . .   | 33    | " 12     | 1,065,000               | + 45,000    | 29,346,000                 | + 235,000    |
| Canadian Pacific . . . | 5     | " 7      | 5,376,000               | + 797,000   | 29,312,000                 | - 5,895,000  |
| do. Gross . . . . .    | 12†   | Dec. 31† | \$27,283,000            | + 2,760,000 | 297,107,000                | + 40,243,000 |
| do. Net . . . . .      | 12†   | " 31†    | \$5,018,000             | - 176,000   | 49,212,000                 | + 1,024,000  |
| Central Argentine . .  | 33    | Feb. 12  | 12,725,100              | + 263,350   | 79,394,300                 | + 7,591,350  |
| U. Ryrs. of Havana .   | 33    | " 12     | 75,581                  | + 22,704    | 1,592,143                  | + 84,414     |

† Receipts in Argentine pesos. † Months. (c) Year 1943.

| Close                     |      | Close |                     | Close                                |      | Close               |      |
|---------------------------|------|-------|---------------------|--------------------------------------|------|---------------------|------|
| Feb.                      | Feb. | Feb.  | Feb.                | Feb.                                 | Feb. | Feb.                | Feb. |
| <b>1. Railroads.</b>      |      |       |                     | <b>3. Commercial and Industrial.</b> |      |                     |      |
| Atlantic Coast ..         | 31   | 15    | Am. Smelting ..     | 37                                   | 15   | Int. Paper ..       | 13   |
| Can. Pacific ..           | 38   | 35    | Am. Viscose ..      | 32                                   | 15   | Luggitt Myrns ..    | 72   |
| Gen. N. Y. ..             | 28   | 29    | Anacosta ..         | 25                                   | 23   | N. Y. Distillers .. | 97   |
| N. Y. Central ..          | 17   | 17    | Beth Steel ..       | 58                                   | 59   | Nat. Steel ..       | 58   |
| Pennsylvania ..           | 27   | 28    | Briggs Mig. ..      | 27                                   | 28   | Phelps Dodge ..     | 21   |
| Southern ..               | 23   | 25    | Celanese of A. ..   | 38                                   | 38   | Proct. Gamble ..    | 54   |
|                           |      |       | Chrysler ..         | 79                                   | 80   | Sears Roebuck ..    | 84   |
|                           |      |       | Distillers-Seag. .. | 28                                   | 28   | Shell Union ..      | 24   |
|                           |      |       | Eastman Kdk. ..     | 157                                  | 160  | Std. Oil N. J. ..   | 51   |
|                           |      |       | Gen. Electric ..    | 35                                   | 35   | 20th Cen. Fox ..    | 22   |
|                           |      |       | Gen. Motors ..      | 53                                   | 54   | United Drug ..      | 12   |
|                           |      |       | Inland Steel ..     | 73                                   | 73   | U. S. Steel ..      | 52   |
|                           |      |       | Int. Harv. ..       | 70                                   | 71   | West-house E. ..    | 91   |
|                           |      |       | Int. Nickel ..      | 26                                   | 26   | Woolworth ..        | 38   |
|                           |      |       |                     |                                      |      |                     |      |
| <b>2. Utilities, etc.</b> |      |       |                     | * Ex. dividend                       |      |                     |      |
| Amer. Tel. ....           | 157  | 157   |                     |                                      |      |                     |      |
| Int. Telop. ....          | 13   | 13    |                     |                                      |      |                     |      |
| Pacific Light ..          | 42   | 42    |                     |                                      |      |                     |      |
| People's Gas ..           | 54   | 54    |                     |                                      |      |                     |      |
| S. Cal. Ed. ....          | 23   | 23    |                     |                                      |      |                     |      |
| W. Union Tel. ..          | 43   | 41    |                     |                                      |      |                     |      |



(Continued from page 258)

## INVESTMENT

## Stock Exchanges: London

## "FINANCIAL NEWS" INDICES

| 1944         | Total<br>Bargains<br>in S.E.<br>List | Corres.<br>Day<br>1943 | Security Indices   |                   |
|--------------|--------------------------------------|------------------------|--------------------|-------------------|
|              |                                      |                        | 30 Ord.<br>shares* | 20 Fixed<br>Int.† |
| Feb. 10..... | 5,433                                | 4,754                  | 103.8              | 135.0             |
| " 11.....    | 5,303                                | 4,963                  | 103.9              | 135.0             |
| " 14.....    | 6,293                                | 6,512                  | 104.0              | 135.1             |
| " 15.....    | 5,055                                | 5,611                  | 104.2              | 135.2             |
| " 16.....    | 5,366                                | 4,917                  | 104.2              | 135.2             |

\* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1944: highest, 104.2 (Feb. 16); lowest, 103.2 (Jan. 3). 20 Fixed Int., 1944: highest, 135.2 (Feb. 16); lowest, 134.0 (Jan. 3).

## New York

(WEEKLY AVERAGES) (1936-35=100)

|                     | 1943             |                    | Jan.<br>26,<br>1944 | Feb.<br>2,<br>1944 | Feb.<br>9,<br>1944 |
|---------------------|------------------|--------------------|---------------------|--------------------|--------------------|
|                     | Low<br>Jan.<br>6 | High<br>July<br>13 |                     |                    |                    |
| 37 Industrials..... | 81.1             | 133.5              | 95.8                | 96.1               | 95.1               |
| 32 Rails.....       | 72.6             | 99.9               | 92.2                | 94.7               | 93.2               |
| 40 Utilities.....   | 67.9             | 89.6               | 86.5                | 86.9               | 86.5               |
| 419 Stocks.....     | 78.5             | 100.9              | 94.1                | 94.6               | 93.6               |
| Av. yield %.....    | 5.36             | 4.35               | 4.74                | 4.74               | 4.70               |

\* Common Stocks. (a) Aug. 25.

STANDARD STATISTICS INDICES  
DAILY AVERAGE OF 50 COMMON STOCKS

| 1944        | Average | Transactions | 1944        | Average | Transactions |
|-------------|---------|--------------|-------------|---------|--------------|
| Feb. 4..... | 115.4   | 600,000      | Feb. 8..... | 113.8   | 608,000      |
| " 5.....    | 114.4   | 310,000*     | " 9.....    | 115.1   | 626,000      |
| " 7.....    | 114.7   | 573,000      | " 10.....   | 115.1   | 660,000      |

1943: High, 125.4 (July 14). Low, 99.3 (Jan. 2). \* Two-hour session

## Capital Issues

| Week ending<br>February 19, 1944                     | Nominal<br>Capital       | Con-<br>versions         | New<br>Money |
|------------------------------------------------------|--------------------------|--------------------------|--------------|
| Particulars of Government issues appear on page 257. |                          |                          |              |
| Year†                                                | Including<br>Conversions | Excluding<br>Conversions |              |
| 1944.....                                            | 135,832,971              | 125,540,315              |              |
| 1943.....                                            | 159,607,944              | 155,332,444              |              |

## Destination\* Nature of Borrowing\*

| Year†     | U.K.        | Brit. Emp.<br>ex. U.K. | Foreign<br>Countries | Deb.        | Pref.   | Ord.    |
|-----------|-------------|------------------------|----------------------|-------------|---------|---------|
| 1944..... | 125,422,065 | 118,250                | Nil                  | 124,954,565 | 488,750 | 97,000  |
| 1943..... | 154,544,844 | 787,600                | Nil                  | 154,057,739 | 478,595 | 796,110 |

\* Conversions Excluded. † Includes Government issues to February 8, 1944, only. Above figures include all new capital in which permission to deal has been granted.

**The Defaulters' Record.**—The first instalment of the seventeenth report of the Council of Foreign Bondholders, covering the developments of 1943, is now available. Following the wartime practice, the statistical sections will follow later. Last year brought no further default, but it did bring the notice of redemption of the principal Egyptian loans and the Brazilian debt settlement, the terms of which are set out in some detail. The Council lays stress upon the great attention paid to the encouragement of our export trade and the lack of general appreciation of the need to maintain and increase our invisible exports, including reasonable payments on our foreign investments.

# THE ECONOMIST

ESTABLISHED 1843

Vol. CXLVI No. 5244 REGISTERED AS A NEWSPAPER FEBRUARY 26, 1944 Entered as Second Class Mail Matter at the New York, N.Y., Post Office ONE SHILLING

|                              |     |                               |     |
|------------------------------|-----|-------------------------------|-----|
| Showing the Flag - - - - -   | 261 | Cost of Food - - - - -        | 265 |
| The Test of Poland - - - - - | 262 | The Northern Flank - - - - -  | 273 |
| Assumption B - - - - -       | 263 | Outlook for Tobacco - - - - - | 277 |

## NOTES OF THE WEEK - - - - - 267

Unconditional Surrender; Omnes v. Omnes; War Reports; Finland in Suspense; General Simovich's Mission; "Cautious Welcome"; The Voluntary Hospitals' View; More Power to Tojo; Economic Enlightenment; Planning Trade; Fair Deal for Farmers; Delegated Legislation; The Polish Underground; Divided House in Argentina; Turn of the Screw; The Use of Resources; Pay-as-You-Earn; The Siege of Haute-Savoie; De Mornais Nil; Shorter Notes.

## AMERICAN SURVEY - - - - - 272

Less War Work.

## THE WORLD OVERSEAS - - - - - 273

The Northern Flank; Malnutrition in Dublin; Russia at War.

THE ECONOMIST, BRETTENHAM HOUSE, LANCASTER PLACE, LONDON, W.C.2.

TELE. : TEMPLE BAR 3316. ANNUAL SUBSCRIPTION £3.

## THE BUSINESS WORLD

## BUSINESS NOTES - - - - - 278

Looted Gold; Feeding the Sparrows; Profits—No Change; Shipowners' Views; Railway Revenue and Distributions; Claim to Independence; Research in Industry; Coalowner's Sound Advice; Design in Industry; For Residents Only; Building Labour; The Cinema Empires; Chinese Exchange; Montreal Debt Agreement; Marine Insurance Company v. Grimmer South Africa's Budget; Company Results.

## COMPANY MEETINGS - - - - - 284

## RECORDS AND STATISTICS - - - - - 287

## THE CHARTERED BANK OF INDIA AUSTRALIA AND CHINA

(Incorporated by Royal Charter 1853)

CAPITAL (PAID UP) - £3,000,000

RESERVE FUND - £3,000,000

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Printed in Great Britain by ST. CLEMENTS PRESS, LTD., Portugal St., Kingsway, London, W.C.2. Published weekly by THE ECONOMIST NEWSPAPER, LTD., at Bretttenham House, Lancaster Place London, W.C.2—Saturday, February 19, 1944.

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## Showing the Flag

IN years to come Mr Churchill's periodic panoramas of the war will be remembered as milestones. His statement in the Commons on Tuesday was the first for several months, and gained in freshness and force thereby. No man has ever been so able to tell a crowded world tale so plainly and yet so vividly, so downrightly and yet so picturesquely and with so much inner meaning. Mr Churchill always answers the question persistently in men's minds: "Where stands the war?"

The aim of the tale he told this time was twofold: to deny false hopes of quick, smooth victory; and to counter doubts, wherever they may have appeared, about the British contribution to what has been, and will be, won. It seems that both he and President Roosevelt, with their advisers, have lately had qualms about complacency among their peoples. Whatever the mood in America, it must be questioned whether false hopes have really any footing here, in the fifth year of war; probably only the same tiny few who wrang their hands too soon in 1940 have shown the slightest inclination to ring bells too soon more recently. The people of this country are resigned to whatever length of battle may be still to come. They want peace more than anything else; but it can almost be said that peace has become a myth, a golden legend. Five years may have caused fatigue, but they have at least killed fickleness of spirit.

How needful it is, at this stage, to show the British flag and recount British war achievements. Mr Churchill, who talks ceaselessly with other countries on Britain's behalf, knows best. If there are doubts, among any Allies, about the British contribution to world salvation in every element of war-making, the Prime Minister's shrewd figures from the air and sea wars, which might have been multiplied by a host of other instances from more than fifty months of unbroken fighting, should have laid even their ghosts. There is a fantastic view, on the one hand, that Britain will not really be qualified to be a full Ally until the Second Front has been begun. There is, on the other, a view no less distorted—that the American share in Europe, now equal to the British both on land and in the air, and soon to be bigger in both, measures not so much America's great strength as Britain's weakness. Mr Churchill did well, without argument, to take his stand upon the record and the facts. This is no balance-sheet war, no occasion for sharing out laurels on a basis of weight and numbers. Britain did no sums of this sort in 1940. Then, as now, the only criterion could be, for those at war, "from each according to his capacity"; by this test of utmost effort Britain will not be badly judged.

What of the future? Mr Churchill laid awful stress upon the Allied air bombardment before invasion, and almost equal stress upon German strength. Invasion stays

the key to victory, the mortal blow. The task is still, while wearing down the enemy, to bring him to decisive battle. In the east, he is at grips with the advancing Russians and can neither shake off pursuit nor escape great losses. In Italy he has deliberately engaged many picked and precious men in a slow fire which, however delaying in time, eats away his resources. In the air, the battle is now directly between the attack, growing in weight, and his reserves of defence.

Yet the Second Front remains the one piece that can throw all the others into pattern. The leaders, fighters and people of this country know it no less than the Russians and perhaps more than the Americans. Time is on no one's side; it is "Now or Never," grim words but true. Every month added to Europe's agony will increase, in geometrical progression, the burden of rebuilding civilised life and work. Those who have pressed upon the Government the claims of postwar policy are not peace-mongers; but they know that the longer the war lasts, and the harder and grimmer its final stages, the more urgent, the more desperate, indeed, will be the need for ready plans and programmes as soon as first aid and recovery can begin. This is equally true of both home and

foreign policy. The criterion of action, here and abroad, must be, as Mr Churchill repeats, the aid it gives to winning the war; but the war will be won or lost, not in its final battles only, but in the first tests of peace. A policy which sees the war through but leaves Europe open to chance or catastrophe, economic or political, would be defeat. The diplomatic issues discussed in another article on this page give only one instance of the truth that, whether success in the field is near or far, to make right decisions at right moments is essential to avoid eventual and final failure.

So Mr Churchill can and will be given, beside the gratitude that is always his, a firm and heartening response. The people of this country are prepared, as they always have been, for the worst or the best that may befall. But, if only because of all the hard lessons they have learned since 1939, they are deeply aware of the need for speed in making an end of all this beastly business; and of the certain immediate need when it is over for bold, workable policies, fully prepared and decided. Britain knows well what Britain's part must be in the race, which is still on, with disaster; it is in this mood that it is good, at this stage, to show the flag.

## The Test of Poland

SINCE the turn of the military tide in Russia, one factor in the involved problem of Poland's eastern frontiers has not changed—the attitude of the Soviet Government. Officially and unofficially, it has been repeatedly stated that, while, as Marshal Stalin told Mr Churchill, Russia is

resolved upon the creation and maintenance of a strong, integral, independent Poland as one of the leading Powers in Europe,

the frontiers of 1940, with certain modifications, are regarded as final. To this the Russians have added the suggestion that the Poles should be compensated, in the north and west, with German territory.

The Poles have thus been faced with two possible alternatives: to refuse the Russian claims and adopt a policy of hostility and suspicion; or to accept a modification of their frontiers and work, say, on the Czech model for close understanding with Russia. The decision always has been and is incredibly difficult. The whole history of Russo-Polish relations is deplorable, and the most recent history of all, the Soviet occupation of 1939 and 1940, has left ineffaceable memories. But the need to choose remains; and, from the day of General Sikorski's visit to Russia late in 1941, after which he said:

The Poles have so far been known as a romantic people in policy. Now, however, we enter this sphere of real politics when only facts count and new facts must be created

down to the recent Polish agreement to negotiate on the eastern frontier question, a potentially strong and responsible element among the Poles has realised that, in the choice between Germany and Russia, Russia's friendship must unreservedly be preferred.

This attitude has not been shared by a powerful section among the Poles, particularly in the Polish Army. For them, compromise with Russia was and is unthinkable. Their political position was strong enough for them to exercise deep influence on Polish policy. The degree of freedom naturally accorded to the military forces made possible the public expression of their views. The result has been that the desire of one group of Poles to secure understanding with Russia has constantly been negated by the counter-pressure of the Russophobes.

Against this background, the efforts of the more moderate Polish statesmen to secure better relations with Russia have invariably come too late. Concessions which, if made six months or even three months earlier, might have created an entirely new situation—the agreement to negotiate over the eastern frontiers, for example, or

the latest instructions to the Polish Underground—have failed to arrest the drift towards unmendable disaster. At present, since the Polish Government, it seems, will now not accept the Curzon Line as the basis of negotiation, there is deadlock—as the Red Army presses into Poland.

It would be most unjust to lay at the door of the Poles sole responsibility for a crisis which threatens the foundations of future peace. Even if their leading military personalities have contradicted the conciliatory intentions of their statesmen, even if they have behaved ambiguously and uncertainly, they have had no help from their Russian ally. Only during the first dark and doubtful months of 1941 did the Russians really go halfway to meet the wiser Poles. Since the first military victories their attitude has become more unbending. Relations were suspended in 1943 with suspicious haste. The Polish offer in January to negotiate was dismissed on the pretext of a misreading of the Polish text. That the Russians had much cause to doubt the intentions of some Poles is only too true. But the contrast between Russia's great strength and small patience has been enough to create a counter-suspicion that claim to the Curzon Line might be only the first and not the last of the demands on Polish independence.

Happily, Mr Churchill tells us that this is not so. "I am convinced," he said, "that they [the declarations on Polish independence] represent the settled policy of the Soviet Union." There is thus still a chance of conciliation. The British Government can, perhaps, even at this last hour, make good the blunders and misunderstandings of the past months, blunders for which British policy, too, must bear a heavy, perhaps even a major, share of blame. In a sense, the choice before British foreign policy in the last two years has been the choice that confronts the Poles. If the Russian claims to Eastern Poland were thought to be unreasonable or to be in any case only a preliminary to further demands, then the British Government could logically have supported an ambiguous, even a hostile Polish policy, the policy, in a word, of the convinced Russophobes. But logically, too, the end of that policy would have been the acceptance of estrangement with Russia. If, on the other hand, the British Government knew a war with Russia to be impossible—which it did, and does—if it valued Soviet friendship and believed the Russian claim to be not only final but, in Mr Churchill's words, "reasonable and just," then it should have been made absolutely clear from the first that this was the British attitude and that British policy would be conducted in accordance with it.

What has, in fact, occurred? It is only to-day, at the

eleventh hour, that a clear statement of policy has been made. Previously, the Foreign Office's attitude was consistently ambiguous. The Poles were given vague assurances and urged to leave the matter for British mediation. This vagueness encouraged the Polish Russophobes to believe that, in reality, they had official British backing in their intransigence. The result has been that British mediation has hitherto been too ambiguous to secure any good will from the Russians and too disillusioning now to secure anything but obloquy and charges of betrayal from the Poles.

Once more a tragic failure in the long-term consideration of policy is pushing Britain into a crisis from which neither its interest nor its honour is likely to emerge unscathed. As in so many other departments of the war effort, it is only Mr Churchill's last-minute intervention that has secured a clear-cut decision. In this case the decision is justified, but the time and manner of its formulation are nothing short of disastrous. Perhaps no section of the Government service suffers so acutely from *laissez aller* and procrastination as does the Foreign Office. Nowhere are major decisions of policy so easily shelved and day-to-day tacking and shifting accepted as a substitute. In the protracted Russo-Polish crisis, policy which should have been the basis for action, particularly for action as delicate as mediation, has been announced long after all the decisive actions had been taken, empirically, under the pressure of day-to-day events. Only a drastic revision of the methods of conducting diplomacy and a reshuffle of the men responsible

for it can prevent a series of further crises in foreign affairs, each as damaging to British prestige. Mr Churchill is an admirable *deus ex machina*, but it is only the most bungled type of drama that requires such a *denouement* to close every act, even every scene.

Now that the British attitude is at last clear, it is possible that another attempt at mediation may be successful. The Russians can have no excuse for suspecting that the Western Allies are using the Poles as a smoke screen for an anti-Soviet plot. The Polish extremists cannot use the possibility of Anglo-American support as an excuse for refusing all further attempts at understanding. The British course is at last, thanks to Mr Churchill, clear—to persuade the Poles to accept the old Sikorski view that facts must be allowed to count in reaching a settlement; to make it clear to the Russians that, while their claim to frontier revision stands, the creation in Poland of rival Governments, or the reversion to arrests and deportations on the 1939 model, will undermine the foundations of friendship in the post-war world.

A divided and hostile world will be as disastrous for Russia as for the other United Nations. Only this week the Russian press has for the first time announced Russia's need for economic aid in the shape of long-term credits after the war. Such aid would naturally flow from a "prolonged, intimate and honourable association." But the association must in fact be prolonged, intimate and honourable. Mediation, frank and firm to both sides, should go on. Mr Churchill has shown that he can be frank. It is his turn now to be firm.

## Assumption B

SLOWLY and painfully the Government is being delivered of a policy on the proposals and the assumptions of the Beveridge Report. It has still to produce a White Paper showing how far its deliberations on a social insurance scheme, the main theme of the Beveridge Report, have gone; and though it has accepted Assumption C—the maintenance of employment—it has not yet formulated a policy for achieving it. But Assumption A—children's allowances—has been accepted in principle, though with modifications of the Beveridge proposals; and last week a White Paper (Cmd. 6502) was issued which embodies plans for a comprehensive health service, available and free for all members of the community—Assumption B.

The "national health service" which the Government proposes has been drawn up by the Ministry of Health and the Department of Health for Scotland, after discussions with the medical profession, including representatives of the voluntary hospitals, and the major

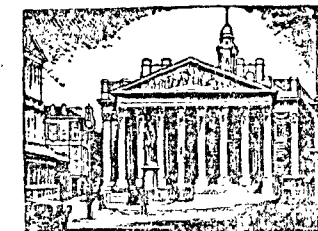
local authorities. But though, as a result, the scheme shows marks of a compromise, it is not a weak compromise based simply on something which would be acceptable to two opposing views. It is rather a compromise which genuinely hopes to preserve the good features of the existing health services and to make them available to all members of the community, irrespective of means. The basis of the White Paper's proposals is that

It is feasible to combine public responsibility and a full service with the essential elements of personal and professional freedom for the patient and the doctor and that

Organisation is needed to ensure that the service is there, that it is there for all, and that it is a good service; but organisation must be seen as the means, and never for one moment as the end.

To maintain these principles it is proposed that central responsibility should lie with the Minister, who

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is to be a real Minister of Health at last. Beside him but independent of him, there is to be created a statutory body called possibly the Central Health Services Council, which will be made up from the medical profession and from members of the hospital, nursing, dental, pharmaceutical services and so on. This body, it is said, will be independent of the Minister and will be consultative and advisory, not executive. Its function will be to give the expert view on technical matters, not to press professional interests; and it will be entitled to advise the Minister, not only on the matters he refers to it, but also on any question on which it feels it right to express an opinion. The Minister will be required to submit an annual report of its work, but there is one small, but very important, omission here. If the Council's independence of the Minister is to be assured and complete, it ought to have the right to publish its own statement on any occasion when its advice to the Minister has been rejected.

Also at the centre there is to be set up a Central Medical Board, which unlike the Council will have executive functions, though it will be subject to the general directions of the Minister. Its purpose is apparently to meet the objection of many doctors to being salaried officials of the state or—in their opinion, worse—of local authorities. Thus, it will be created mainly from the profession itself, though with some lay members, and will be in practice the employer of any general practitioner entering the new service, though the local authority will be joined in the contract when the doctor elects to work in a health centre. Its local boards will replace the present local insurance committees of the national health insurance scheme. It is here maybe that the danger of self-government for the medical profession enters in, and the Board could be so constituted and so uncontrolled as to bar progress in favour of vested interests. But there is no reason, as the scheme stands, why this should be permitted; and it can, and should, be made plain from the outset that the Board is the servant of the community alone.

#### Joint Boards

Locally, the new health service is to be based, as was to be expected, on the local authorities. But it has been recognised that many local authorities are too small, both in area and in resources, to have imposed upon them responsibility for all branches of the health service. It is, therefore, proposed that the existing county and county borough councils should combine in joint boards to operate over larger areas whose boundaries will be settled by the Minister.

The new joint boards will have the power, and the duty, of assessing the needs of their areas with regard to the health services as a whole. They will be the planning authority and will be required to submit to the Minister for his approval a plan for a comprehensive health service. They will also be responsible, not only for planning, but for administering a hospital service on which a new consultant and specialist service will be based. To a certain extent, they will be responsible for the administration of other services as well—for instance, the tuberculosis dispensaries and mental clinics, which are really offshoots of the hospital service—but in other cases, notably those belonging to the general practitioner service, such as maternity and child welfare clinics, and health centres where they are set up, the administrative responsibility will rest with the county and county borough councils.

This, in brief, is the organisation proposed by the White Paper "to ensure that the service is there." How far does

it maintain the Government's declared principle that public responsibility and a full service should be combined with personal and professional freedom for patient and doctor? So far as both are concerned, there is no compulsion on them to use the new service. A doctor may continue to practise privately, or to undertake a combination of public and private work, and members of the public may continue to see their doctors as fee-paying patients—and, whether they elect to do so or not, will still have the right to choose their doctor, and change him, subject to the fact that a doctor who undertakes to work wholly or partly in the public service will have a limitation imposed on the number of non-paying patients he can accept. Presumably, too, the patient like the doctor can be part public and part private, that is, can see his general practitioner privately but have his hospital and consultant facilities free—though this is not specifically stated in the White Paper. But when he elects to have these latter facilities free, he will not be allowed to exercise freedom of choice. People who wish to choose their own hospitals and consultants will have to do so by paying fees—thus the system of pay beds in voluntary hospitals will be maintained—or by voluntary insurance.

#### Professional Freedom

The doctor will continue to have much the same amount of professional freedom as he does at present. Where he undertakes to work in the public service, he will, it is true, have to observe the terms of his contract, as he does now under the panel system; but the contracting authority will be a body of his peers, and even where the county or county borough council is a party to the contract—as in the case of doctors working at health centres—he will not be subject to outside interference in the treatment of his patients. Moreover, the existence of the central advisory council, and of similar local councils whose views the joint authorities must consult before framing their area plans and which will also have the right to initiate advice, should ensure that the professional viewpoint is given full consideration. The only real hindrance on his freedom—apart from the limitation on the number of his patients—is that when he wishes to work, whether wholly or partly, within the public service, he will not be free to do so where he likes. A doctor engaged entirely in private practice will still be able to set up where he chooses; but a doctor remunerated from public funds will have to obtain the consent of the Central Medical Board before he takes up or takes over a "separate" practice, and the Board will consider whether the area is fully manned or over-manned before it gives its consent. Similarly, the Board will be the agency for appointments to a "grouped" practice such as a health centre. With the present shortage of medical manpower some such control over distribution seems inevitable.

However attractive the scheme may seem on paper it still remains to be considered whether it will work in practice. All this is machinery. The connection between it and the health insurance system is merely financial, and the White Paper is an explicit and final admission that the generation-old objective of National Health Insurance—to build up "a sufficient and comprehensive system of national treatment"—has entirely failed. This is a new start—back to 1911. Will the results prove any better? A great deal, for instance, will rest upon the joint boards, which will be responsible not only for administering the hospital and consultant services but for planning and estimating the needs of their areas for the health service as a whole. No amount of combination of authorities will make the scheme a success if their staffs are not adequate for the job, and it might have been far better to have grasped the nettle firmly and centralised the service completely rather than to place such heavy responsibilities on bodies which may turn out to have all the old weaknesses of local authorities without even the virtue of being directly elected. At the very least, the Minister should lay down minimum standards for the area plans in respect of, say, the number of hospital beds, the number of consultants and the number of health centres.

Minimum standards cannot, it is true, be laid down

until it is known what resources at present exist. A hospital survey of the needs of different areas is at present being carried out. The deficit of consultants and specialists will be estimated after the Goodenough Committee has reported on the medical schools, but even allowing for the fact that it is difficult to plan without a basis, the whole question of the consultant service—and of the future of the voluntary hospitals—seems to have been left regrettably vague. A Committee under Lord Teviot is investigating the supply of dentists, but the White Paper frankly recognises that it will be some years before a full dental service, and a full ophthalmic service, can be assured for the whole population.

Unfortunately, the shortages that will undoubtedly exist seem to have led the Ministry of Health to underestimate the cost of the service. Its budget of £132 million for England and Wales and £15.8 million for Scotland is well below the tentative estimate given in the Beveridge Report of £170 million for Great Britain. Of the £132 million for England and Wales, the expenditure of the new joint authorities would be £70 million, which would be met to the extent of £28.4 million by direct Exchequer grant, leaving £41.6 million to be met by the ratepayer under precept. The direct expenditure of the county and county borough councils is estimated at £22 million, towards which there would be direct grants or grants-in-aid of £15.6 million. The Exchequer grant to the voluntary hospitals in respect of the beds which they make available for the joint authority under the scheme is estimated at £10 million, and payments from central funds to general practitioners and chemists are put at £30 million, compared with £10.8 million under NHI in 1938. Thus, whereas the sum to be found by the ratepayer will rise from £40.3 million for the incomplete services provided in 1938-39 to £48 million, the proportion will fall from 74 per cent to 36.4 per cent. The taxpayer's contribution will rise from £14.2 million to £84 million, or from 26 per cent to 63.6 per cent; but if allowance is made for NHI in the earlier year and for the Beveridge proposals under the new scheme, of his contribution, £35.7 million (27 per cent) will be

accounted for by social insurance, against £11.2 million (20 per cent) in 1938-39.

The policy of placing the main cost of the new services on central funds rather than on the rates should be warmly welcomed. But this welcome must be qualified by the consideration that all these estimates are largely guesswork, and that the Ministry seems to have budgeted for what can be achieved within the first few years rather than for what is eventually desired.

This under-budgeting, if it is the case, will be bad tactics for another reason. So long as private arrangements are still permitted—as they should be—there will be an inevitable tendency for people to think that they will get better treatment by staying out of the new service than by coming in, just as at present many compulsorily insured people still prefer to pay a doctor privately than to go on a panel. This tendency can only be countered if the public service is made attractive enough to encourage the good doctors to enter it, and this in its turn means that there must be no niggardliness in settling their remuneration. Emphasis is laid in the White Paper on "proper" remuneration and on the need to recognise "extra qualifications and extra energy and interest," matters which are to be discussed with the profession itself. This is all to the good, but with the example of the Burnham scale for teachers before them, doctors can hardly be blamed if they suspend judgment until the Ministry comes down to actual figures. If the terms proposed are such that the best doctors, including consultants, will be better off under private practice than in the new service, all this planning will come to naught and the health services will remain incomprehensive and anything but available to all. Wise spending, not false economy, is necessary to ensure that the national service is so attractive that private arrangements will wither away.

For a second time in a generation all the political and professional controversies that surround the science and art of medicine, and impede its social use for the benefit of everybody, have been turned over and rearranged in a fresh pattern. It remains to be seen whether, this time, the goods will be delivered.

## The Cost of Food

THE Parliamentary debate on agricultural prices a month ago has apparently succeeded in its primary purpose of removing the sense of crisis between the Government and the farmers. It is probable that the Government's schedule of farm prices for the current season will now be accepted without much more ado. But the real and major issue was never this year's prices. The crux lies in the future. What is the Government's policy to be for the after-war years? Will it guarantee prices? And, if so, what sort of prices? The farmers' spokesmen, who always use strong words, have made it clear that they will consider farming to have been "betrayed" if any prices substantially lower than the present are incorporated in the Government's permanent policy, or if they are made to apply to substantially smaller volumes of produce than are now being raised from the farms of this country.

But there are two sides to this question. To the farmer, prices represent income. To the rest of the community, they represent cost. The other side of the question is the cost of the nation's food, and it is essential that it should be very fully considered before agricultural policy is decided upon. If, in wartime, the farmers get the impression that money can be found for them out of a bottomless exchequer, when their own incomes can be increased without loss to anybody else, they can perhaps be forgiven for suffering from a delusion that afflicts many others beside themselves. But, of course, it is not so, even in wartime. The real national income may be larger than in peacetime, but it is still finite, and more for A always necessarily means less for B. In peacetime, these problems of allocation and distribution are vitally important.

The purpose of this article is not to question the moral desirability of the farmers having a somewhat larger share of the national income than formerly, but to examine some of the material consequences that would flow from such a re-allocation.

Expenditure on food represents by far the largest single component of the total economic activity of the nation. In 1938, expenditure on food (excluding drink and tobacco) came to £1,198 million; it was nearly 30 per cent of the total of all personal consumption expenditure, and over 23 per cent of the total net national income. No other activity approaches it in magnitude. How the total was made up can be very roughly indicated as follows:

| (£ million)                                                                           |       |
|---------------------------------------------------------------------------------------|-------|
| Value of produce sold off farms in the United Kingdom plus subsidies .....            | 290   |
| C.i.f. value of food imported (excluding feeding stuffs, beverages and tobacco) ..... | 350   |
| Total "wholesale" cost .....                                                          | 640   |
| Distributive margin (inc. taxation) .....                                             | 560   |
| Total "retail" cost .....                                                             | 1,200 |

Examination of what has happened to these figures since 1938, or of what would happen to them in some hypothetical future year, is obstructed by two difficulties—first, the change that has occurred in the general value of money; and, secondly, changes in the quantities of food grown at home and imported from overseas. Nevertheless, in spite of these difficulties, it is possible to give some indication of the orders of magnitude involved. If the money cost of food goes up in the same ratio as the

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general level of prices, then no real change has occurred at all. For example, if the average British citizen receives, for a day's work or a unit of effort expended, 20 per cent more money than he used to get, and if he has to pay 20 per cent more for food, the apparent change is purely nominal. It is only if the money cost of food rises more than the general price level that there can be a "real" increase in the cost of food. This result could be produced in four ways:

1. A more-than-average rise in the prices paid for agricultural produce grown at home.
2. A more-than-average rise in the prices paid for imported foods.
3. The replacement of some food previously imported by food grown at home (on the very reasonable assumption that imported food will always be cheaper than home-grown, which is presumably the reason why it is imported).
4. A more-than-average rise in the distributive margin.

The first two factors are those governed by agricultural policy. According to the Ministry of Agriculture's index number, the prices paid to farmers are now about 80 per cent higher than in 1938. This is certainly above the average of wartime price rises; but by how much? The general level of prices is an elusive concept, but it seems probable that the money valuation put upon a unit of effort was about 40 per cent higher in 1943 than in 1938. If this is so, then a 40 per cent rise in farm prices would have just kept pace with the general average; the remaining 40 per cent represents a "real" increase in the cost of home-grown food to the rest of the community. In terms of 1938 money it is just about £115 million.

On the cost of imported food no information at all is available. Indeed, none could possibly be available on the aspect of the matter that is of greatest concern—namely, the probable cost of imported food after the war. The war has brought a shortage of food, as well as a shortage of transport to carry the food, and prices have everywhere risen. It cannot be expected that normal conditions will re-assert themselves very quickly, and world food prices must be expected to rule high—that is, high relative to other prices—for some years after the fighting stops. Whether they will eventually—say by 1950—settle down at about the same relationship to the money value of British labour, or higher or lower, is anybody's guess. A great deal depends upon the degree of success that attends full employment policies in the different industrial countries and the schemes for international management of prices that are now maturing as a result of the Hot Springs Conference and other initiatives. The guess may be hazarded that world food prices are not likely to be any lower, relatively to British incomes, in 1950 than they were in 1938. But whether they will be any higher is quite uncertain. Every one per cent by which the rise in the average of imported food prices exceeds the rise in the average value of British labour will cost the British community a volume of real income equivalent to three-and-a-half million 1938 pounds.

The cost of a shift from imported food to home-grown food is quite impossible to estimate, since it depends, first, upon the extent of the shift, and, secondly, on the relationship between domestic and imported prices. The extent to which imported food can be replaced by domestic is probably much more limited than is usually supposed. Even in wartime, when considerations of cost vanish, and when methods can be adopted that would not be followed in peacetime, the shift has not been very large when measured either by nutritive value or by money value. (The large increases frequently quoted are measured in terms of weight.) The growing at home of 10 per cent more of the total supply than was grown in 1938 is probably the outside measure of what is permanently practicable. If this involved paying prices one-third higher, the real cost of the shift would amount to about twenty million 1938 pounds.

Finally there is the distributive margin. It is a matter almost of common agreement that the cost of distribution

of food is too high. A practical plan for reducing it, however, has yet to see the light of day. On the contrary, whenever the state, or some such state agency as a Marketing Board, has intervened, the result has usually been to stabilise margins and, by stabilising them at a high figure, to increase them on the average. Any attempt to deal radically with the problem would conjure up all the political difficulties of dealing with the countless thousands of small traders and shopkeepers. It would be wrong to be defeatist about the possibility of reducing distribution costs. But it would also be wrong to cherish the illusion that they are likely to be any lower in the years immediately ahead.

Let us now bring these various estimates together in the framework of a set of reasonable assumptions—hypotheses would be a better word—about the post-war world. Let it be assumed, first, that the present level of farm prices is maintained—or, rather, that their further movement is proportional to the movement of the general price-level; secondly, that world food prices are 10 per cent higher in relation to British incomes; thirdly, that 10 per cent more of the total British consumption of food is grown at home; fourthly, that the prices guaranteed to British farmers are, on the average, one-third higher than imported prices; and, finally, that there is no change in the real cost of distributing food. The extra real cost to the consuming public of all these charges would be about 170 million 1938 pounds.

In comparison with the large figures of war finance, this may seem to be a small sum. But its real dimensions are large. With a reasonable measure of optimism, the real national income of the United Kingdom may be expected by 1950 to be about 10 per cent larger than in 1938. Some economists have estimated slightly larger figures, but only at the cost of somewhat hazardous assumptions. A 10 per cent increase would provide £500 million (measured at 1938 market prices) as a fund on which there are already a number of claimants. It appears to be agreed that the permanent defence forces should be larger in the future than they were in the past; the additional cost cannot surely be put at less than 100 million 1938 pounds. Other forms of Government expenditure will also rise. Social security and the National Debt, being transfers from one set of British pockets to another set and using virtually no real resources, do not count in this connection; but the Education Bill calls for an additional expenditure of some 70 million 1938 pounds and the National Health Service will require a further sum of about 60 million 1938 pounds. Then there is the need for a faster rate of replacement and increase of the community's capital resources, at home and abroad. If all these things are to be done without trenching on the level of consumption, they must be fitted into a total of £500 million. Can the non-farming community, on the top of all this, contemplate paying an additional sum that may well be in the neighbourhood of £170 million for its food—not for any more food, or for a better nutrition policy, but simply for the food it consumed in 1938? Or, to put the same question in another way, if the non-farming community has to pay £170 million more for its food does it not follow that other constituents of the standard of living will have to be reduced?

It is no part of the purpose of this article to pursue the argument into the contentious regions where words like "betrayal" are used. The argument must be so pursued at some other time, for it is one of the most essential for the well-being of the British people. But before that argument can be joined, the protagonists should realise what it is that they are arguing about. The purpose of the present article is to provide some of the basic data; and also to remind all those concerned that the question of farm prices is not a game of "thinking of a number," played between the National Farmers' Union and the Treasury, but a highly intricate matter of balancing gains to the standard of prosperity of British farmers against the standard of feeding of all other members of the British community.

## NOTES OF THE WEEK

### Unconditional Surrender

Ever since the first promulgation of "unconditional surrender" at Casablanca, some ambiguity has clung to the phrase. Does it mean no negotiation of terms? Or no terms at all? Or even a free hand to the victors to take what vengeance they see fit? The Italian collapse clarified the position, for it was clear that "unconditional surrender" meant the unconditional acceptance of terms imposed by the Allies and not the absence of any terms. Mr Churchill has now confirmed that, in the case of Germany, there will be no bargaining over terms, nothing to correspond with the appeals to Wilson's Fourteen Points after the last war. But his definition gave little but negative information about the kind of terms which would, in fact, be imposed. The Atlantic Charter is not to apply to Germany "as a matter of right." Frontier changes and transfers of population may be carried out without the consent of the people concerned. The Allies, however, will not regard "unconditional surrender" as licence "to behave in a barbarous manner nor . . . to blot out Germany from among the nations of Europe." Mr Churchill's statement clears up a few doubts. It leaves, however, a great vacuum into which Goebbels will pour unimagined horrors to stimulate German resistance. Now that the Atlantic Charter has been disposed of for the German people, the Allies' urgent need is to substitute at least as clear a statement of the terms of German surrender.

### Omnes v Omnum

It is probably a symptom of the fifth year of war, and of the eleventh hour before the Second Front, that perspective should be so astonishingly lacking in so much present public discussion. The course of events at recent by-elections, for instance, is being discussed on both sides with a sound and a fury worthy of some much more militant department of the war effort. This is not to say that the trend of voting against official candidates is unimportant. It expresses a triple impatience; impatience with "take it or leave it" candidates; impatience with the attitude of mind of the professional politician who only remembers, it seems, that freedom of election is not one of the famous Four Freedoms for which we are formally fighting; and impatience with the inability of a Coalition Government to make greater pace in reconstruction. But, so far, the breezes are only local. The great mass of electors are not yet involved one way or the other in these controversies; and, except for the obvious fact that the old political parties will have to work very hard to get and keep new votes after the war, there is still no firm pointer to the actual outcome of post-war elections. Almost certainly, there is a leftward tide, but the Conservatives, if they will, are just as capable of catching it as any other party. The West Derbyshire by-election has been greeted as a national portent with gloom or glee, to taste, by the official and opposition pundits, while in fact it was one of the most delightful, amusing and characteristic vignettes of English political life that fact, as distinct from the fiction of Dickens and Trollope, has ever produced. Here was no fight between the machine carpet-bagger and the local stalwart. Both candidates were richly local, and the contest was between two local traditions, status and standing. Standing, in the person of Alderman White, won, not so much because status, more callously represented, was nationally sponsored, as because status was ducally pressed. This is no plot against Mr Churchill or the war effort; it is the fine old healthy—and earthy—spirit of radicalism which, if things go well, may, when the war is over, again have a chance to influence affairs.

### War Reports

The same fine indifference to real values which built up the West Derbyshire by-election into a sort of Second Front all of its own has made the reporting of recent fighting in Italy a matter for the most fearful international anger and rebuke. For a time, reporters in the Anzio beachhead were forbidden to say what they thought about what was going on, despite the fact that nothing of what they themselves

had said previously had been untrue. The reporters were, in fact, made the scapegoat for jitters in the most distinguished quarters. Mr Churchill was entirely justified, a fortnight ago, to tell the world that the situation in the beachhead was not so desperate as some people were saying. General Alexander was equally justified to back this up with encouraging words of his own. But neither the Prime Minister nor the General, nor anyone else, was justified in suggesting—as, indeed, Mr Churchill admitted on Tuesday—that the reporters on the spot had been responsible for the words of woe which were going round. The gloomy conclusions had been drawn very many miles away from the battlefield, largely (apart from the headquarters pundits in North Africa) by speakers in North America who should have been sufficiently well informed to avoid this kind of scare-mongering for which the correspondents' own cables, realistic and sombre though they were, gave no good ground. The lesson of this episode seems to be, not that war reporters cannot be trusted, nor that the public at large, here or across the Atlantic, cannot stand grim things, but that a few individuals in positions of authority are now so impressed by the immensity of the battle still to come, and so anxious to leave no chance alone of pointing the difficulties still to be overcome, that they cannot refrain from taking every piece of realistic reporting and using it as a peg for some hortatory sermon. Perhaps, when the biggest fighting in the west starts, the rebukes will be sent to the right addresses. It is a bad thing, and weakening to confidence, that war reports should be vetted "for policy"—and entirely unnecessary. It would be a very good thing, on the other hand, if the professional speakers, rather than professional writers, could be induced to weigh their words with much more care, however heavy their burdens or high their state of pre-invasion nerves.

### Finland in Suspense

The unofficial Russo-Finnish negotiations in Stockholm have not so far produced any spectacular result. But there is no lack of indications that M. Paasikivi's mission has not ended in failure. The Russians have apparently decided to take a more moderate attitude towards the Finns than, say, towards the Poles. It is believed that their territorial claims do not go much beyond the frontier settlement of 1940, though it seems that Moscow may now insist on the possession of the Hangö base, which was then only leased from Finland. Similarly, the claim to Petsamo, which was dropped by the Russians during the peace negotiations in 1940, is now likely to be renewed—though this is not certain. No change in frontier on the Karelian isthmus is envisaged, but immediate interest in Finland itself is now centred, not so much on the likely peace terms, as on the terms of the armistice, since it is during the period of armistice and Russian occupation that the most decisive "accomplished facts" may take place. So far the Russians do not seem to have made a drastic reshuffle of the Finnish Government a condition for the conclusion of an armistice. The Swedish Communist paper *Ny Dag* has even gone so far as to say that Russia will treat with the Helsinki Government as at present composed. The fact that the famous Kuusinen, head of the Soviet-sponsored puppet Government of 1939-40, has so far been kept out of the picture, is another hopeful sign. Even so, uncertainty and anxiety still prevail in Finland; and heavy Russian air raids on Helsinki do not cool the atmosphere.

### General Simovich's Mission

Last Saturday, General Simovich, who was head of the Yugoslav Government which brought Yugoslavia into the war on the Allied side in 1941, made a declaration in which he condemned the attitude of General Mikhailovich and called his countrymen to support Marshal Tito's guerillas. General Simovich's statement probably marks a turning point in Yugoslavia's domestic policy. The conflict between Tito and Mikhailovich has now definitely gone beyond the limits of a political controversy. Antagonism between the various Southern Slav nationalities has now become



the dominant factor. General Mikhailovich appears to have given up any attempt to speak on behalf of Yugoslavia as a whole. What he now claims to fight for is the reconstitution of Serbia or Greater Serbia. On Tito's side, the anti-Serbian bias is very strong, if only because of the prevalence of Croats and Slovenes in the partisans' movement. Formally, however, Tito professes to aim at the rebirth of a federated Yugoslavia. The deep and bitter antagonism between Serbs, Croats and Slovenes will make the revival of the Triune Kingdom after the war extremely difficult, to say the least. General Simovich is probably the only Yugoslav personality who may still try to reconcile the Southern Slavs and thus to save the kingdom from wreckage. To the followers of Mikhailovich he represents, more than any of the leaders connected with Tito, fidelity to Serbia and to the dynasty. In the eyes of the Croats and Slovenes, his name may be associated with the principle of federation as distinct from the policy of Serbian centralism. General Simovich may also try to reconcile the King with the partisans. His mission seems to deserve the fullest measure of Allied support, and it may well be that it is not unconnected with the correspondence between Mr Churchill and Marshal Tito which the Prime Minister mentioned in his statement on Tuesday to the House of Commons. But it would be foolish to underrate the difficulties in the way of Yugoslav reconciliation.

### "Cautious Welcome"

The British Medical Association's first reaction to the White Paper on the health services (discussed in a leading article on page 263) is, in its own words, "one of cautious welcome." Such a reaction was only to be expected. The welcome was bound to be given because for many years the BMA has declared itself in favour of the principles that the health services should be comprehensive and that there should be no economic bars to their availability. These principles were reaffirmed by the Council of the BMA as recently as last August, after preliminary discussions had taken place with the Minister of Health. It was then also recommended that a central administrative body should be set up, responsible to a Minister who would be advised by a committee representative of the medical profession, which would be responsible for all the civilian health services; and that locally there should be new administrative bodies to cover wide areas, which would be representative of the community and the profession. The White Paper rejects these administrative proposals, though it has accepted the machinery for receiving expert advice centrally and locally. It has also rejected the principle that the central department should be responsible for all the health services, since industrial health matters and the school medical service are to continue to be the responsibility of the Ministry of Labour and the Board of Education respectively. Nor, locally, is there to be complete integration of the health services, for it is apparently intended to keep the maternity and infant welfare clinics, for instance, separate instead of including them in such health centres as are set up. But it is difficult to understand why the BMA is apparently objecting to the proposed Central Medical Board. It states that it will be "a wholly or mainly Civil Service structure," whereas the White Paper expressly says that it will be created from the profession. The retort which this criticism asks for is that the public might be afraid lest the new Board be a replica of the BMA itself. On the question of the payment of doctors, the White Paper goes some way towards meeting the BMA's views in that it still allows private practice and therefore private fees. But whereas the BMA would prefer all public practice to be on a capitation payment basis, the White Paper will only allow this for "separate" practice. Practice in health centres will be paid by salary.

As there is now a long waiting list for *The Economist*, subscribers who wish to renew their subscription are advised to do so before the date of expiry. If they fail to do so, their subscriptions will be automatically cancelled as soon as that date is passed, which will mean a gap of many months before the despatch of copies can be resumed.

### The Voluntary Hospitals' View

The first reaction of the voluntary hospitals is more one of alarm. The White Paper says that the Government wishes them to play a part—for which it will make them an annual grant of £10 million—in the new service without loss of identity or autonomy; but that for this it is necessary that they should still look to private support for the greater part of their funds.

If once the situation were to arise in which the whole cost of the voluntary hospitals' part in the public service . . . was repaid from public money, or indeed in which it was recognised that public funds were to be used to guarantee those hospitals' financial security, the end of the voluntary movement would be near at hand.

What is very naturally worrying the voluntary hospitals is that no mention is made in the White Paper of the future of the hospital contributory schemes, which is one of their most important sources of finance. The schemes cover between ten and eleven million wage earners and produce more than £6½ million a year for the voluntary hospitals. If, however, treatment in a hospital is to be free for all, as the White Paper envisages, or rather is paid for by the taxpayer or from a compulsory social insurance contribution, there will be no need for a voluntary contributory scheme, except for the relatively small numbers of people who wish to enter hospitals of their own choice and make their own arrangements for consultant and specialist advice. It is not surprising, therefore, that the voluntary hospitals are concerned, not so much lest they should wither away as that they should be squeezed out.

### More Power to Tojo

For months now the Japanese have been steadily and unsuccessfully on the defensive in the South-West Pacific. The army and navy which two years ago were startling the world with the skill and audacity of their amphibious advance have lately seen their forces outfaced, outmanoeuvred and outfought in every operation. In Tokyo anxiety has been rising with each reverse and the latest political changes there can be traced to their beginnings in the unsuccessful fighting in New Guinea and the Marshall Islands. The naval and military Chiefs of Staff, Admiral Nagano and Field-Marshal Sugiyama, have been relieved of their posts, and General Tojo, Prime Minister and Minister for War, takes over Sugiyama's post, while the Navy Minister, Admiral Shimada, is to combine this office with that of Chief of the Naval General Staff. This change has naturally excited speculation. It is a sign of crisis and urgency; even so, it can be seen as part of a much longer process of centralisation whereby General Tojo has brought the various branches of the Japanese war effort under his own personal and direct control. Six months ago it was war production which was centralised. Now it is war strategy. This concentration is a feature of most war economies; General Tojo has assumed rather late in the war the kind of functions which have been Marshal Stalin's and Mr Churchill's practically throughout the conflict. The surprising thing is not that new powers should be assumed now, but that they should not have been assumed long ago, especially when it is remembered that General Tojo, unlike many high-ranking Japanese, is temperamentally inclined to welcome responsibility. However, even if the changes are part of a shifting of power inevitable in a total war economy, the fact that the change has happened now is significant. There has been no bold Japanese counterstroke to offset the depressing sequence of defeat running from Guadalcanal to Truk. The beleaguered Japanese outposts have fought delaying actions until wiped out. The American Navy has ranged through the Pacific islands meeting no serious opposition from the Japanese fleet. While any comment on the military and naval reshuffle at this stage must be largely speculative, it seems probable that the differences between the dismissed chiefs of staff and General Tojo are concerned with strategy—not politics as has been suggested—and in particular, with the strategy of naval warfare. It is a sound maxim that a fleet must be kept "in being," but there comes a time, as the Kaiser discovered in the last war, when the policy of preserving the fleet at all costs makes its preservation impossible—or futile. The Japanese cannot afford, without any counter action, the loss of base after base in the Pacific.

### Economic Enlightenment

Most of the recommendations made by the committee of the Federation of British Industries on international trade policy, in a report published on Wednesday, can go without comment into any collection of latter-day aphorisms on twentieth century politics and economics. Again, as in every document of this sort, "We are all agreed" is the burden. A sufficient international force must be maintained to curb aggression; "the justification for private enterprise lies in its efficiency and its contribution to the community's welfare"; post-war trade policy must frame "a system of world trade aiming at the maximum degree of prosperity for all peoples"; "a general expansion of world trade is needed"; each country must pursue a policy of full employment in its own affairs; "an international policy of long-term investment in those countries most in need of development seems imperative": no creed could be more catholic, more up-to-date, more enlightened—or more general or more abstract. The FBI has certainly gone some way—in its thinking and phrasing, at least—since its first frightened, old-fashioned, defensive, restrictive wartime thoughts about post-war prospects.

### Planning Trade

It is not, however, unduly cynical to ask what the FBI's new economic enlightenment in principle is likely to mean in practice; or unduly sceptical to suggest that, in its specific proposals, the FBI's report on international trade policy shows signs of applying good principles in quite the wrong way. Yet again, the only useful job of the commentator analysing economic projects is not to record agreement with other projects, but to seek out and show the practical disagreements which will make all the difference in the actual making of policy. The best example of what the generalities of the FBI report appears to mean is the one specific proposal made, which is for an International Economic Council, "the nucleus of which might be found in the existing collaboration between the United Nations." What would this body do? Here is the test of what the FBI means by planning. It would "estimate the needs of, and possibilities of, supplying the different countries in principal commodities"; "guide world trade to channels where it would most benefit producer and consumer"; and so on. It, or some similar body, would make and co-ordinate international arrangements for the "orderly" production and exchange of foodstuffs, materials and goods. It would, in effect, place imports and exports, leaving it only to "private enterprise" to deliver the goods and collect the guaranteed proceeds. If this means anything, it means that all the specific processes of exchange would be planned or guided—and this is precisely what planning should not mean if the FBI's own stated objective, maximum enterprise and efficiency, is to be achieved. The proper work of planning, internationally as well as nationally, is not to run the engine but to take off the brakes, not to arrange trade transactions in a set pattern but to create the conditions, the atmosphere, in which the total of trade transactions, of whatever sort, will be at its maximum. It is, in Sir William Beveridge's apt phrase, not to plan supply but to plan demand.

If the FBI's answer is that this is what it really means, then the suspicion that the committee on trade policy has not been fully at home in its use of the new economic jargon is reinforced—a suspicion which must be aroused, if by nothing else, by the uncompromising and unqualified statement that "no commitments on international exchange problems should be allowed to conflict with a policy of full employment." At best, this must surely be taken as a very inverted and very misleading way of saying that each nation's first and undoubted duty to employ all its resources fully includes, as part of the same task, the duty to make possible the maximising of the wealth of all nations including its own, by the fullest possible mutual trade. For the FBI, speaking for trading England, to call upon other countries to cultivate their own gardens as they will, regardless of international commerce, would be as astonishing and as simple-minded as it is for this representative industrial association, yet again, to produce a report which says next to nothing about productivity or output per head upon which, in any arrangements, the sales of British manufactures will continue to depend. The truth is that British industry, though cheered a little by new notions, is still much afraid, unnecessarily, of the future—and in search therefore, somewhat pathetically, of stays to hold it up.

### Fair Deal for Farmers

The need for short-term programmes which will increase still further the country's agricultural production continues to be emphasised, but its background is shifting from beleaguered Britain to starving Europe. Mr Hudson, at Taunton last week, outlined what farmers must aim to accomplish this year, the first of his own four-year plan. He pointed out that the supply of labour and of machinery was approaching its limit; on the other hand, land under the plough, which had increased since the war by nearly five million acres, continued to expand, and this year farmers would be faced with the difficulties of cultivating a larger area with an almost unchanged labour force. Some farmers have recently deplored a wartime policy which has allowed the number of livestock in the country to fall so low. This was inevitable in wartime when the production and importation of food for direct human consumption had necessarily to come first, before feeding stuffs. And it remains inevitable for the same reason. But notice should be taken of the recent warning of Colonel Llewellyn that the post-war world will be faced with an acute shortage of meat and dairy products, and that supplies may not be restored for five or more years—and the situation in Europe will, of course, be made much worse if the Germans destroy the herds in their retreat. Farming policy is a case where the transition from war to peace, from siege to specialisation, will come some time after the war is over. An article on page 265 shows how big an item the cost of the nation's food will be in the postwar standard of living. As the experience of wartime has shown, ordinary economic farming is much distorted and enlarged by extraordinary requirements. It is desperately important, for the sake of farmers as well as of the community, that plans should be laid now to go back to more normal ways, on a guaranteed basis, when the need declines. If this is not done, wartime prices and quantities will come to be regarded as peacetime rights; and when the Government discovers that they cannot be afforded without reducing the standard of living, the farmers will inevitably regard themselves as having been betrayed. Mr Hudson would do well to make all this very plain. Farmers are much more worried about their future than about their present; and if Mr Hudson's Four Year Plan, which is an extension of wartime farming, is allowed to appear as a peacetime policy, their ultimate disillusionment and anger will be immense. Mr Hudson should say here and now, as the Hot Springs Conference did, that there is a direct contradiction between wartime and peacetime farming, in cost, quantities and products; and that this nation can only permanently underwrite a peacetime programme which is related to peacetime needs. Mr Hudson, in his work on guaranteed post-war prices, must make it clear that it is to-morrow's farming and not to-day's that will be guaranteed.

### Delegated Legislation

The movement in Parliament to control the growing tendency of government by regulation is gaining ground. A motion has been tabled by as many as 138 Members to the effect that a Select Committee should be set up with the duty of examining all Statutory Rules and Orders and other instruments of delegated legislation presented to

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Parliament and to make weekly reports on any such instrument which it considers should be brought to the attention of the House. There is a certain amount of confusion in the opposition to delegated legislation. Some would go to the extreme of abolishing it altogether; others hold that it may be justifiable in war, but not in peace. But most people agree that, in the day-to-day administration of a great deal of modern legislation, Ministers must be given a considerable amount of latitude, which government by regulation allows them. This discretion, however, immediately involves the danger that regulations will slip through which the House would have questioned if it had had the opportunity to scrutinise them—a danger which has become much clearer with the new wartime procedure of allowing such regulations to have effect unless they are expressly challenged by the House within a limited time. This procedure has been followed in what are clearly peace-time measures—the Disabled Persons (Employment) Bill, the Education Bill, and the Reinstatement in Civil Employment Bill are three good examples—and it has been suggested that, where the need to allow such regulations is recognised, the wording of the clause should be changed so that they cannot have effect until they have been approved by the House. Probably, the proposal for a Select Committee is more practicable, provided it does not hold up administration needlessly. In any case, it is right that Parliament should have a conscience in this matter. Ministers may protest that their extraordinary powers are only for the duration, but after the last war DORA was used for many purposes other than the defence of the realm.

### The Polish Underground

The Polish Government has now radically modified its instructions to the military underground in Poland and has ordered unconditional co-operation with the Soviet armies as they advance into Poland. The previous Polish orders, issued on January 5th, made co-operation conditional on the resumption of diplomatic relations between Poland and Russia. It could easily have been foreseen that an attitude of "non-co-operation" would be quite untenable right from the beginning, and that it would merely further embitter Polish-Soviet relations. Under the new orders the commanders of the Polish underground organisations are obliged to report to the Soviet commanders on the spot and to declare to them, first, their loyalty to the legitimate Polish Government in London, and, secondly, their willingness to co-operate with the Red Army. The new instructions should go some way towards reassuring the Russians—if that was needed—about the determination of the Poles to fight together against the common foe. But it is clear that they also expose the Poles to considerable risks. How will the Russians treat the representatives of the Polish underground? If they come into the open in towns situated to the east of the Curzon line, the Russians might possibly treat them as the agents of a foreign Power on their soil, with all the harsh consequences which this would entail. But even to the west of the Curzon line there is still no guarantee that the Poles will be treated as allies and friends by the Russian commanders. Two conclusions seem obvious: first, that the Russians should make a definite statement that there will not be the deportations and political persecutions of the Poles that there were under the Soviet occupation between 1939 and 1941; and, secondly, that the Polish military organisations should restrict their independent existence and activities to the areas situated to the west of the Curzon line.

### Divided House in Argentina

The Argentine Government is now openly divided against itself. When the Ramirez regime seized power nine months ago, it was a rather motley coalition of soldiers and politicians—moderates such as Santamarina, the first Minister of Finance; responsible military and naval officials of the standing of General Rawson, General Ramirez and Admiral Storni; and behind them, the xenophobic fire-eaters of the *Gruppa Oficiales Unidos*, the GOU, an intensely nationalistic movement among the younger officers, in character and rank rather resembling the notorious "young colonels" of Japan. Each group represented a different reason for dissatisfaction with the previous Castillo regime—

the moderates probably believed quite genuinely that a change of government would put an end to political and economic abuses. The more responsible officers were disturbed at the growth of Lease-Lend aid to the other Latin American Republics. The wild young men found even Castillo's isolationism too moderate. Since June, 1943, the Santamarina group have withdrawn, leaving the Government covertly divided between the two army groups, the Ramirez group, hoping to improve Argentina's position by drawing the country away from isolation, the young colonels by pushing it deeper in. In October an attempt to get American aid without abandoning neutrality failed and Admiral Storni resigned. His successor, General Gilbert, represented the Ramirez line of understanding with the United States. The least irresponsible members of the Government, General Ramirez and General Gilbert, decided to break off relations with the Axis. The firm attitude of the Allies after the Bolivian coup d'état and, possibly, the discovery of how widespread and active was Axis espionage in Argentina, helped to stiffen the President and the Foreign Secretary in their decision. A part of the Cabinet—the Young Colonels led by Colonel Peron, the Under-Secretary for War—appear to have opposed it and, in the event, the break was made very hastily and was covered by an intense smoke screen of Axis spy rings unearthed, espionage nets brought to light, and *agents provocateurs* caught red-handed.

Immediately after its abandonment of neutrality the Argentine Government pursued two entirely contradictory policies. On the one hand, firm steps were taken to implement the new policy and even extend it. The German military attaché, General Wolf, was arrested for espionage together with two Japanese attachés. The violently pro-Nazi newspaper, *El Pampero*, was suppressed. Non-belligerent facilities were given to the American nations at war, including Canada, and it was understood that United States warships might now use Argentine bases. Only a very narrow margin seemed to separate Argentina from full belligerency, and when it became known that Berlin had sent a very rude Note about the treatment of General Wolf, the general assumption was that war would be declared in a matter of days. The observers forgot the influence and determination of the Young Colonels. Soon after its suppression *El Pampero* reappeared, almost undistinguishable from its old self, save for a new title, *El Federal*. The democratic and pro-Allied *Argentinisches Tageblatt* was suppressed. On February 15th a group of young officers forced their way into the Foreign Office and arrested the Foreign Secretary, General Gilbert, and his Under-Secretary. Later their "resignations" were announced. Other changes followed, and after the coup there was no further question of a declaration of war on the Axis; and, significantly, General Wolf is again at liberty.

### Turn of the Screw

More men are being called up from industry for the Forces, the mines or the Merchant Navy. Some people have expressed surprise that full mobilisation can now be made fuller still in this way. Actually these men, whose ages range in different occupations from twenty to forty, have already been counted in the degree of mobilisation claimed. They are men whose call up has been deferred beyond the general limit because of the particular jobs they were doing. It was known that this spring they would be called up. Some will come from the munitions industries themselves, a sign that in certain branches stocks are reckoned sufficient for the full scale fighting ahead. Some may be kept at work a little longer, for employers have the chance of appeal to retain individuals. But most of them will go to the stations for which, in the statistics of the master plan, they have, for some time, been earmarked. There may, indeed, be doubts whether, in this or that branch of the national activity, staffs have not already been cut too low; but these doubts apply, not to the new call up, but to the wider policy and programme, made last year, of which this call up is only the latest reflection. Nor has the calculation been a purely national one. The mobilisation of British and American manpower depends upon the combined strategic arrangements of the two countries—and allows, inevitably, for the different degrees of mobilisation which have so far proved tolerable, politically, to Britain and

the United States, and to the very different industrial situation which in the United States, as a correspondent from Ohio points out on page 272 is permitting, even compelling, some return to civilian production. It would be no bad thing, in the undercurrent of argument about the respective shares of Britain and America in the final battles of the war, if the astounding tightness to which the manpower screw has been turned here were made much more public and plain on the other side of the Atlantic.

### The Use of Resources

One lesson which critics find hard to grasp, despite so much experience since 1939, is the fact that plans once made are vastly hard to alter. It is not possible, for instance, if only for industrial reasons, to alter the types of either tanks or aircraft which will be engaged in the Second Front. Nor, to take a more comprehensive example, would it be possible, before the matter has been settled one way or the other, to alter the allocation of Allied resources between air and land warfare. The process of making and carrying through a vast production programme is a commitment which cannot be reversed. Only the events of this year can tell whether the placing of so high a proportion of manpower, material and plant in aircraft manufacture relative to the manufacture of warlike stores has been wholly wise, economically or strategically. Probably, even then, the historians will disagree. All that the watcher can say is that judgment will depend upon the combined swiftness and completeness of the victory. For better or worse, all sails have already been set for 1944. Nor, to the outside eye, unless jaundiced, can there be reason yet for misgiving. Bombing is rising to a new pitch; invasion, it is understood, is already poised. Only if bombing failed and invasion did not happen could the direction taken be proved definitely wrong.

### Pay-As-You-Earn

During the committee stage of the Income Tax (Offices and Employments) Bill on Thursday of last week the Chancellor of the Exchequer at last promised to recognise and redress the grievance of temporary servants of the Crown—that is, civil servants and members of the armed forces.

Where two conditions are fulfilled, where there has been an overlapping tax payment and where the tax holiday to which they were entitled to look forward has been withdrawn from them as a consequence of this legislation, (they) shall receive a cash payment sufficient to relieve them of their disability.

It would have been disingenuous, indeed, if administrative difficulties had been allowed to stand in the way of rectifying an intolerable injustice to temporary servants of the Crown. But the phrasing of Sir John Anderson's statement—though he said it was "precise and free from ambiguity"—does not indicate clearly whether this legitimate grievance is to be redressed to the full. Redress is to be given, not by an amendment to the Bill, but by some special arrangement, "much the same way as post-service credits to Service men are dealt with"; there is to be a cash payment "on a corresponding occasion." Final judgment has to be deferred, pending a precise definition of the words "sufficient" and "disability."

### The Siege of Haute-Savoie

The partisan bands of Haute-Savoie, though threatened by encirclement and starvation, have so far eluded the round-up conducted under the orders of Joseph Darnand. German troops cannot apparently be used to blot out the source of so much irritation and anxiety for fear of provoking a much more general revolt. On the other hand, the French Militia, Garde Mobile and police forces now being employed, with reserves of about 6,000 men, are naturally less ruthless in their liquidation of their countrymen than the Germans would be. Vichy's relatively passive policy has further undermined Frenchmen's waning fear of the effectiveness of the Vichy machine. Darnand has not learnt, apparently, the lesson that the only way to success in repression is by success. Repeatedly expiring ultimatums which bring no remorseless drive against the

maquis are as little likely to discourage the partisans as the "promises" of a general amnesty. If the patriots can hold out through the winter, when lack of food, warmth and shelter are their greatest enemies, with the approach of spring and of the Allied invasion, the supplies of arms and explosives dropped by Anglo-American aircraft will greatly assist an expansion of their activities. The existence in Western Europe of this nucleus of organised resistance, however small, may play an important part in Allied invasion.

### De Mortuis Nil

Mr Molson raised again in Parliament last Tuesday the old and odd question of whether and when it is legal to insure the life of another. There is a steady tradition of opinion, dating back to the Gambling Act of 1774, that policies of this character, to be proper, must be based upon "an insurable interest," which can only be taken to mean that expenses will be incurred in connection with the death or burial of the insured person. The Assurance Companies Acts of 1909 and 1923 reiterated this condition, and the Industrial Assurance Commissioner, giving evidence to the Cohen Committee in 1931, said that the latter Act clearly intended that future insurance of this kind should be for funeral expenses only. But the large volume of business done by industrial life offices in life-of-another policies does not seem to have been affected in any way by these enactments; so much so that the recent report of the Tory Reform Committee expressed surprise that no attention should have been paid by the offices to the clearly expressed intention of Parliament. It is obvious that a great number of policies, perhaps the majority, are taken out by people who will in fact incur no obligation, legal or personal, upon the death of the insured—but who do so, usually, simply as a convenient though not cheap way of saving. But in any single given case it would be hard to prove that there is no death interest. Who can be denied the privilege of burying any individual—and what is a reasonable cost of burial? The spirit of the law may clearly be contravened, but its letter is very far from clear. Mr Assheton, in replying to Mr Molson, could only plead legal obscurity. He added that the whole position would need to be clarified in the light of the fact that the Government had accepted the Beveridge proposals to include burial insurance in the statutory scheme. If, when this scheme is implemented, any case at all can be made out for the continuation of life-of-another policies, Parliament should, in logic at any rate, make it clear that all such are to be policies of indemnity, and that only those expenses can be insured against and claimed which are actually incurred.

### Shorter Notes

In a Note on Manx Home Rule in *The Economist* of February 12, 1944, it was stated that the income-tax rate in the Isle of Man ranged from 9d. to 2s. 7½d. in the pound. This statement was unfortunately based on out-of-date information. The rate has now risen to between 3s. and 5s. 3d. in the pound. In addition, it should be noted that, since 1939, the Manx Government have made voluntary gifts to the Imperial Exchequer amounting to £1,000,000.

The following table gives the number of civilian casualties in air-raids since September, 1939:—

|                         | Killed | Injured and Detained in Hospital | Total Serious Casualties |
|-------------------------|--------|----------------------------------|--------------------------|
| Sept., 1939-Aug., 1940. | 1,494  | 1,980                            | 3,474                    |
| Sept.-Dec., 1940.....   | 22,282 | 28,522                           | 50,804                   |
| Total, 1941.....        | 20,863 | 21,839                           | 42,702                   |
| Total, 1942.....        | 3,221  | 4,149                            | 7,370                    |
| Total, 1943.....        | 2,357  | 3,462                            | 5,819                    |
| October.....            | 118    | 283                              | 401                      |
| November.....           | 119    | 238                              | 357                      |
| December.....           | 10     | 41                               | 51                       |
| 1944—                   |        |                                  |                          |
| January†.....           | 107    | 270                              | 377                      |
| Totals to date.....     | 50,324 | 60,222                           | 110,546                  |

† Those killed last month included 45 men, 39 women, and 23 children under 16.



# AMERICAN SURVEY

## Less War Work

(By a Correspondent in Ohio)

Cleveland, January 1, 1944.

LAST autumn, this industrial area began to approach its maximum output, given the supply of labour as it then existed. Now it appears that this peak is not far below the largest production to be expected from the area for the entire period of the war.

Though the crisis of tightness in labour supply is still officially dated for next March, both nationally and in this industrial district, the number of revisions and cutbacks in war orders is at present increasing faster than new requirements are materialising in additional hirings of labour. The consequence is that industry has had posed for it within the last month a series of totally unexpected problems—of unemployment—laying off workmen and deciding what to do with idle industrial capacity. These problems are by no means serious, as yet, but their arrival some time before the industrial effort was expected to be at its height is leading to much public discussion.

It is beginning to be surmised that the nation's industrial output as a whole has been growing too fast for the fighting fronts to consume it, after allowing for certain bottlenecks in distant transport. The existence of surpluses in a number of specialties, such as tanks and anti-aircraft guns, was recognised months ago. A number of ammunition plants have been closed recently. Several aluminium fabricating plants have been slowing down; now the primary production of the metal is being cut back before it reaches the continental rate of 1,300,000 tons annually which was scheduled for the year-end. Airplane engine parts have been accumulating to the point where one of the largest Cleveland works is laying off 1000 men next week and reducing its working hours to 41½ a week. Sunday work is being cut out in shipyards all over the country, and the Cleveland yard has had a cancellation of part of its order book.

Many of the revisions appeared to result from distortions somewhere in the production flow, or from over-supply of this or that special article. But the changes in shipbuilding and airplane manufacture cause surprise. Taken together, the cutbacks are believed in some industrial quarters to indicate that war production in general has overshot its mark. Manufacturers are looking to Washington to tell them how soon and how many should be allowed to reconvert to civilian goods, and by how much. For these reasons one Cleveland newspaper stated in a year-end edition that 1944 would be, in industry, "a year of training for an outbreak of peace... a rehearsal of postwar."

### Back to Civilian Manufacture

Companies in this district have received few permissions from the War Production Board to return to peacetime lines of product as yet, except in motor lorries, but releases are beginning to be made elsewhere. Electric irons and bathtubs will be manufactured shortly for the first time in two years. Canada is about to make washing machines again. More railroad and farm equipment is to be made this year, too, but this is itself closely related to the war.

Unless the recently cancelled orders in Cleveland are replaced by new ones, or the factories allowed to turn quickly to their old lines of work, numbers of people are going to be out of jobs in manufacturing. Though they can find plenty of employment in the depleted trades and services, they, like their employers, are left uncertain whether they should shift at once, or wait and see what happens.

The procurement agencies of the Armed Forces have the habit of ordering these cutbacks without notice, on the supposition, it is said, that to give advance word would lower the production rate as soon as it became known. A few plants here have lately felt a drop in efficiency, but others are having exactly the opposite experience, as the fear of lay-offs gets around. One concern sought to cut its production 10 per cent by lay-offs, but increased efficiency (mainly reduced absences) almost made up for it.

In the closing months of 1943 the entire civilian population of this metropolitan district was employed for the first time to the fullest extent of its desire to work. In a county of 1,200,000 civilians, only about 150 unemployed employable persons remain known to employment agencies, with the exception of several hundred recently employed who are looking for new places. At the same time many thousands of the employed would like to retire or to return to housework. The fact that everybody who was willing to work was not able to find a job until the working force included many who preferred not to work, was due, in considerable measure, to the presence of a large Negro population—87,000. This population may be said to be employed in full for the first time since the last war. Its female members formerly supplied the majority of the house servants; now servants are almost non-existent.

### "First to be Fired?"

The members of the coloured population have long considered themselves "the last to be hired and the first to be fired" in industry, and the whole truth of the saying seems on the point of being demonstrated once again. As manufacturing plants begin to lay off men and women, Negroes are among the first to be dismissed where plants strictly follow rules of seniority in lay-offs. Labour unions are insisting up on lay-offs by seniority, and though some employers without agreements are able to make dismissals on the basis of family status, the pressure of organised labour is in a direction which will disemploy the Negro population first. (Labour opposition, whether through the unions or otherwise, was the reason most often given by employers for their reluctance to hire Negroes.) In a few Cleveland plants, chiefly in the blast furnace and foundry industries, Negro workers have been employed almost as long as whites. They will not be disturbed by seniority rules. A number of employers say coloured workers are in general as good as white, particularly on hard and hot jobs. In work requiring manual dexterity, they are sometimes superior. They have a high absentee rate, however, and they get into money trouble about twice as often as white workmen.

The migration of Negroes from the south was resumed a year or two ago after a long period of movement in the other direction; most of the Negroes of working age in Cleveland came here either during or shortly after the last war, filling in for the shortage of foreign immigration. Relatively few of them, however, were employed in manufacturing. Most of them did outdoor work, including building construction, and the long depression threw the majority of them on relief. The Negro population has now re-established itself. Its members are conspicuous buyers of merchandise in stores catering to all levels of buying power.

Race relations within the plants of this area have, in general, been tranquil, almost as much so as in the community as a whole. The coloured workers are said to get along least cordially with Polish and Czech workmen and white men recently from the south. They do best among Italian workmen, and men of Italian descent compose the group making the most numerous complaints, next to the coloured, of inability to get jobs in industry because of race or nationality. But complaints of this nature have almost died away.

The city life of Cleveland is deeply affected by the presence of racial, national and other minorities, with descendants of the original New England settlers composing one of the smaller minorities. Political and economic changes are complicated by the presence of innumerable tribalisms. These are likely to increase the difficulties of descending gracefully the staircase by which the community moved into full military production and partially out of civilian work, and it appears that a beginning of the return may have to be undertaken before long.

# THE WORLD OVERSEAS

## The Northern Flank

(By a Correspondent)

N EARLY four years ago, in the spring of 1940, Nazi Germany disclosed its western strategy by the surprise invasion of Norway and Denmark. By this move its northern flank was secured from the North Sea to the Arctic. Without adequate naval bases and fortifications, the long coastline of these two countries was open to invasion, and therefore something of a liability. The Germans have tried, therefore, throughout the whole time of their occupation, to strengthen this flank by all the means at their disposal. Naturally the need for fortifying the two countries has not always been equally urgent. Nazi propaganda has frequently obscured these activities, exaggerating or belittling them as the general situation demanded.

The economic resources of the two countries are not normally sufficient to sustain the population. Moreover, the Nazis faced the problem of integrating the Norwegian and Danish economy into the German war effort without the confidence or full support of the people. During the four years of occupation, both countries have been forced to change their economy in order to meet German demands, and to sustain their own populations on a minimum diet and the barest necessities of civilised life. Original German plans for expanding the industrial capacity of Norway were unsuccessful. In Denmark, over-all industrial activity was maintained at a high level, but agricultural production, particularly of livestock and livestock products, which were largely dependent on imported feeding stuffs, suffered a sharp decline. The extremely efficient Danish agriculture, organised on a co-operative basis, was not able to maintain its pre-war acreage. But after a bad harvest in 1941 crop yields in 1942 and 1943 improved considerably, and the 1943 harvest is estimated to have yielded 110 per cent of the harvest of 1942. The herds of cattle have been maintained at their pre-war strength, but dairy cows are 10 per cent below the number in 1939. The number of pigs, which at one time had been reduced to under 50 per cent of the 1939 figure, increased again at the end of 1943 to 78 per cent, but the number of poultry is still only slightly more than 50 per cent of the last pre-war year.

In spite of heavy exports of foodstuffs to Germany, Norway and Finland, Denmark is still a comparatively well-fed country. Conditions in Norway, however, are different. There, agricultural production was much smaller and the nature of the country makes agricultural self-sufficiency impossible, even for the supply of minimum wartime rations. The most sustained effort achieved only a 15 per cent expansion of the total acreage. Significantly, the acreage under potatoes increased by 58 per cent, and the area under cereals by 12 per cent. The cattle population has almost been maintained, but the milk production decreased considerably because of the lack of high-quality feeding stuffs from overseas. The output of feeding cellulose has now reached roughly 200,000 tons annually, but it is a poor substitute. The number of pigs, on the other hand, has been reduced to one-third of the pre-war numbers. Agriculture in Denmark and in Norway suffers the typical continental wartime shortages of labour, draught animals, oil for tractors, and fertilisers—particularly phosphates.

In Norway, it is impossible for the army of occupation and the large labour corps of the Todt Organisation to live on the resources of the land. In Denmark, however, a much larger army of occupation could be sustained by Danish agriculture if exports were stopped. These are naturally important questions for an army that must expect an invasion attempt, but this is to some extent offset by changes in the civilian population, which are different in each country. Norway has lost a considerable part of its

population; at least 150,000. Norwegians are reported to be employed in Germany and a small number of soldiers and officers are still prisoners of war. There has been a constant trickle of refugees from Norway, especially to Sweden, and also to Great Britain, while a few thousand Norwegians are fighting in Russia as members of the SS Viking Division. The number of Danes employed in Germany is, on the other hand, extremely small and there are relatively few Danish refugees.

### Industrial Differences

The industrial and manufacturing capacities of the two countries have been fully utilised during the whole time of the occupation, on German orders. Yet no expansion of the overall production has been possible, chiefly because of the lack of fuel, raw materials and labour. This raises another important difference between the two countries which will become apparent during a possible invasion. Norway's industry supplied mainly industrial raw materials, such as iron ore, pyrites, ferro alloys, and so on. The manufacturing industry is relatively small. In Denmark, there are no industrial raw materials, but a well-developed manufacturing industry, especially shipbuilding and the machine industry. A modern army of occupation can make good use of a manufacturing industry for repairs, whereas the production of industrial raw materials is of no use for the army on the spot.

Germany's dispositions in the event of an invasion are naturally unknown, but the "Wehrwirtschaftskommandos," which followed in the wake of the occupying German armies, are still functioning and doubtless form an important part of the preparations against an invasion.

In Norway, the construction of fortifications, roads, aerodromes and naval bases has been continuous, and the increasing threat of invasion has caused only an intensification which meant further demands on the supply of Norwegian labour in 1943. Much of the sporadic political unrest in Norway was the result of this demand. The nature of the Danish coastline excludes the building of fortifications on a large scale. Roads and communications are well developed, and the construction of aerodromes is much easier than in Norway. Consequently, during the first years

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of the occupation there was little German activity in fortifying vulnerable points of the coast. The Germans were more interested in increasing the fishing industry; this is shown by record catches, the greater part of which was undoubtedly exported to Germany. Early in 1943, however, the fortification of the Danish coast became imperative. At this time, Germany had to be very careful of its labour and material resources, and the army of occupation was thus forced to find the labour and most of the building material on the spot. Long stretches of the coastline, particularly the more densely populated parts, had to be cleared at the same time, and this produced the first real resistance of the Danes to the army of occupation. German labour demands were not met. Strikes were declared, and the Germans resorted, as usual, to force. The situation deteriorated rapidly, at the same time as Denmark was slowly beginning to feel the privations of an enforced war economy.

The rapid disruption of economic activities in the event of an invasion will probably be greater in Denmark than in Norway. Denmark's economic organisation has not been changed under German occupation. The broad foundation of decentralised agricultural co-operatives is still intact. Industrial federations, employers' associations, and, above all trade unions are still functioning, though heavily restricted. In Norway, on the other hand, the Quisling Government has changed the entire economic organisation to the Nazi model. An important point is that much of the new organisation is purely nominal, and it can be said that the remnants of the old democratic organisation and the new Nazi organisation exist side by side. The administration is, however, closely controlled by German commissars, which means that it will probably be more easily maintained during the first phases of an invasion.

## Malnutrition in Dublin

[FROM OUR DUBLIN CORRESPONDENT]

THE prevalence of a considerable amount of malnutrition in Dublin has long been known to exist by all social workers and by the medical profession. It has not, however, been the subject of any detailed statistical investigation apart from some pioneer work by Professor Fearon. No surveys of the type made in London, York or Merseyside have been undertaken in Dublin. An inquiry recently made by Dr Clancy Gore and communicated to the Statistical Society of Ireland throws much new light on the subject. The inquiry covered a hundred working class families on a new housing estate. The hundred families contained a total of 684 persons, an average of almost seven persons per family. This is larger than the average for the whole city. The families belonged to a relatively high wage group of the working classes, and all the heads of families were in regular employment. It follows that if the conditions found to exist in this sample were unsatisfactory, the conditions in the working class population generally must be even less satisfactory.

Each family was assessed on its needs, namely, food, fuel, light, clothes, cleaning, materials, shelter, compulsory insurance and transport to work. The minimum, not the optimum, diet laid down by the British Medical Association was adopted as the basis of the investigation. This diet understates needs. It does not provide enough milk, especially for children, no extra allowance is made for lactating or pregnant women or for invalids, and it assumes that all housewives obtain their supplies at the lowest possible price. The amount needed to provide this diet for a man for one week in Dublin was found to be 14s. Male-equivalents based on food requirements were calculated for the other members of the family—for example, 83 per cent for a woman between 14 and 65. Minimum amounts were calculated for expenditure on clothing, fuel, light and cleaning. The net incomes of the families were calculated by deducting rent, cost of transport to work, and compulsory insurance from the gross income, which consisted of the wages earned by every member of the family together with pensions, unemployment money and any other income received. In calculating net income no allowance was made for conventional necessities, or for the repair or replacement of furniture.

A comparison of needs with net incomes clearly proves that the standard of living mainly depends on the size of the family. The total number of persons above these needs

is 170, of whom 72 are children. The number on the border line is 55, of whom 28 are children. The number below the minimum standard is 459 persons, of whom 248 are children. Thus, out of a total of 348 children, 21 per cent are above, 8 per cent are on the margin and 71 per cent are below the standard. Classification based on the size of families brings out the fact that the larger the number of persons in the family the greater are the chances of net income falling below minimum standard needs. This insufficiency of means cannot be overcome by the housewife. It can only be overcome by an increase in wages or by some type of supplementary allowance in cash or in kind.

### Household Budgets

A further inquiry investigated the amount spent on food in relation to minimum dietetic requirements. A calculation was made of the housekeeping money, that is the amount spent by the housewife when allowance is made for sums kept back by the wage earners for drink, tobacco and recreation. The expenditure of the housewife on articles other than food was deducted from the housekeeping money and a comparison was drawn between the amount so shown to be available for food and the cost of the standard minimum diet. The result was that, of the total of 684 persons included in the inquiry, only 22 are above the level of minimum dietetic adequacy. Of those, ten are adults and twelve children. The large families are again the most severely affected. At the lowest end of the scale are 109 persons, of whom 64 are children, with between 2s. and 3s. 11d. per male-equivalent for food per week. The largest group of persons is to be found on the level between 4s. and 5s. 11d. Out of 348 children, 336 are below the level of adequacy.

An examination of the weekly income and expenditure of the hundred families, classified according to the size of the household, reveals that the expenditure on bread as a percentage both of total expenditure on food and of wages increases as the family increases in size. The expenditure on milk as a percentage of wages shows no significant variation, but when expressed per head shows a diminution as the size of the family increases, ranging from 2s. 1d. to 10d. per week per head. The expenditure of the larger families on milk is hopelessly inadequate and is far less than the amount spent by the public assistance authorities. If the entire income of those with nine or more in family were devoted to food, it would fall short of the minimum necessary expenditure. Families of seven or eight could just buy sufficient food and pay rent. No money would remain for other expenditure.

### An Understatement

This appalling picture understates the malnutrition of the Dublin poor, since it refers to a group of well-paid workers in full employment. It is true, of course, that the inquiry was made at a time when the cost of living was abnormally high on account of the war, but a fall of food prices to normal would not materially reduce the degree of malnutrition. The only palliatives in operation or in contemplation are the extensive alms administered by the great charitable societies for which Dublin is famous, and the weekly family allowances of 2s. 6d. for each child under sixteen in excess of two. The addition to working class incomes thus brought about is obviously insignificant in relation to the needs of the community. It is easier to expose the perennial problem of poverty in Dublin than to suggest a cure. The establishment of communal feeding centres would prove useful within limits, and the provision of free meals for school children and cheap milk for mothers and children are clearly desirable. Meanwhile, the problem stares every social worker in the face—the problem, in the words of Dr Clancy Gore, that “children are being adversely affected during a most critical phase of their life with regard to health and physique.”

## Books Received

- Education in Post-War Germany.* By M. Specht. (London) International Publishing Co. 40 pages. 1s. net.
- The Labour Value of the Building Dollar.* By O. J. Firestone. (Ottawa) Edmond Cloutier. 41 pages. 25 cents net.
- Post-War Plans of the United Nations.* By L. L. Lorwin. (New York) Twentieth Century Fund. 307 pages. \$2.50 net.
- Where's the Money Coming From?* S. Chase. (New York) Twentieth Century Fund. 179 pages. \$1.00 net.

# Russia at War

## Federal Finance

THREE weeks ago *The Economist* discussed the War Budgets of the USSR. Since then the Supreme Soviet has raised the total from 245 to 249 million roubles, which makes no significant difference, and almost all the items of the budget estimates for 1944 have been passed without any criticisms or alterations.

Also, the federal reforms in the Soviet Constitution have been announced, and it may be of some interest to analyse briefly the budgets of the sixteen federal Soviet republics which have also been passed by the Supreme Soviet. The passing of these budgets has nothing to do with the constitutional reforms. Even before, the sixteen budgets were published with the general Union Budget, of which they were parts.

This year's budget estimates for the republics are somewhat puzzling, however, because no provision has been made in them for the special expenditure as a result of the setting up of their own Commissariats of Defence and of Foreign Affairs. It looks as if the extra cost will, at least this financial year, be carried on the Central Budget.

### The Republics' Expenditure

The total of the sixteen budgets of the republics is 36 billion roubles, that is, about 15 per cent of the All-Union Budget. In the last pre-war Budget (1940) the proportion was considerably higher—23 per cent. The republics cover from their own budget the cost of local administration. They also finance the development of their own light industries, while the development of their heavy industries and transport is financed exclusively from the Central Budget. This financial arrangement reflects the difference in the organisation of the respective industries.

Heavy industries and transport are controlled from Moscow. The Republican administration is responsible for food, clothing and footwear and, generally speaking, for the production of consumers' goods.

The following table compares the Republican Budgets for 1944 with those for 1940—Budgets for the intervening years have not been published:

| (In billions of roubles)      |        |        |
|-------------------------------|--------|--------|
| Republics                     | 1940   | 1944   |
| Totals                        | Totals | Totals |
| Russia .....                  | 25.1   | 24.2   |
| Ukraine .....                 | 8.0    | 3.6    |
| Byelorussia .....             | 2.1    | 0.4    |
| Azerbaijan .....              | 1.0    | 1.0    |
| Georgia .....                 | 1.2    | 1.2    |
| Armenia .....                 | 0.4    | 0.5    |
| Turkmenia .....               | 0.5    | 0.4    |
| Uzbekistan .....              | 1.4    | 1.9    |
| Tadjik .....                  | 0.5    | 0.5    |
| Kazakhstan .....              | 1.6    | 1.6    |
| Kirghizia .....               | 0.4    | 0.5    |
| Karelo-Finnish Republic ..... | —      | 0.1    |

The greater independence which the constituent republics have now been nominally granted finds no reflection in the estimates. Most puzzling is the drastic reduction in the sums for the Ukraine and Byelorussia, the two republics which have suffered from war devastation. Sixteen billion roubles were allocated for rehabilitation purposes in this year's Central Budget; but since this allocation does not appear in the budgets of the republics, the conclusion may be that the work of reconstruction in the Ukraine and Byelorussia is going to be carried out from Moscow. A Committee for Rehabilitation has, in fact, been formed by the various economic Commissariats of the Central Government.

(Continued on page 276)

## TARGET FOR TOMORROW

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## HISTORY, CURRENCY, AND PROPHECY

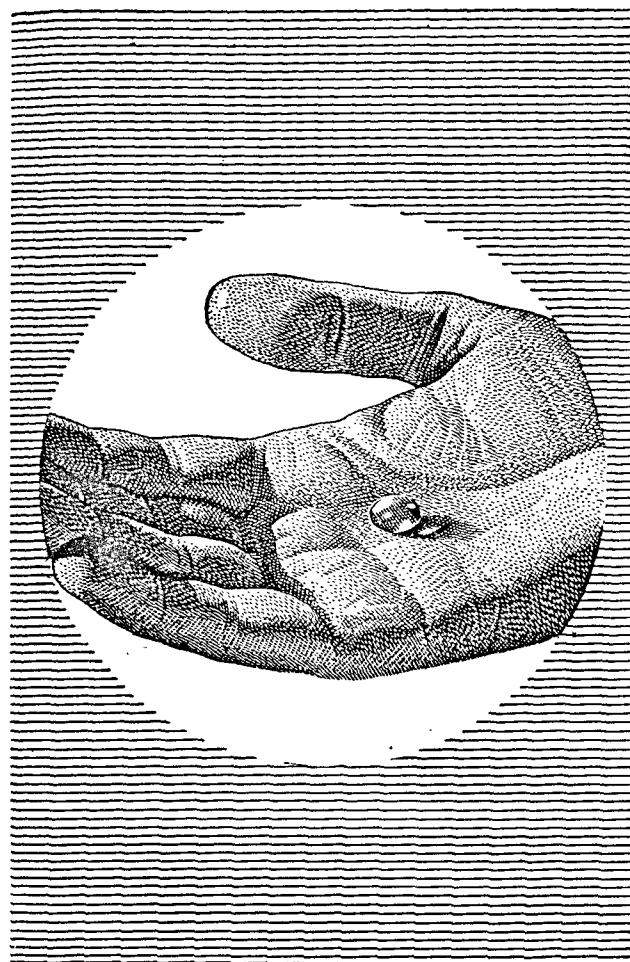
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### Sources of Revenue

What are the revenue sources of the republics? They are grants from the All-Union Budget. These grants take the form of commissions for the local collection of taxes done by the financial machinery of the Republican Governments. Thus the republics receive 10 per cent of the income tax collected by them; 90 per cent of the taxes is transmitted to Moscow. Only Tadjik, Armenia and the Karelo-Finnish Republic retain the full 100 per cent of the tax. The republics also receive a 25 per cent commission on agricultural taxes, 5 per cent of loans raised by them and unspecified percentages of the turnover tax. But a very high proportion of the sums sent to Moscow is reinvested in the heavy industries of the republics, and in some republics money thus invested may much exceed the sums transferred to the centre. Apart from this, the republics also receive 25 per cent of the income of the machine tractor stations.

The republican budgets, in their turn, consist of two parts: the Budget of the Republic and the local budgets. Union republics consist of "autonomous" republics and autonomous regions with their own administrative machinery. The autonomous (but not "independent") areas make their local budgets and receive grants from the Commissariat of Finance of their republic. In some instances such grants absorb a fairly high proportion of a republic's revenue, for instance, more than one-fourth of the Russian Republican Budget and nearly one-half of the Ukraine's and Byelorussia's budget. Nominally, the principle of decentralisation has been applied very consistently, though the real relation between the various Commissariats of Finance is characterised by the highest possible degree of centralisation.

The crucial feature is the total financial and economic control of all key industries by Moscow. There has, however, been no evidence of any basic opposition to that control from the various republics. The view that planned economy and intensive development of heavy industries require control and co-ordination from the centre has never been challenged since the beginning of the experiment in planning.

Finally, an interesting point in the Budget decrees of the Supreme Soviet is the instruction to the Council of People's Commissars of the USSR to "consider the budgets of Moldavia, Lithuania, Latvia and Estonia for 1944."

### Shorter Notices

"An Atlas-History of the Second Great War." By J. F. Horrabin. Vol. VIII, January to August, 1943. Thomas Nelson & Sons, Ltd.

"The Oxford War Atlas." By Jasper H. Stenbridge. Vol. II, September 1, 1941 to January 1, 1943. Oxford University Press.

The first of these atlas histories is an old favourite. Mr Horrabin's maps of the different campaigns of the war, including the air offensive on Germany, have now reached an eighth volume and are still unrivalled in their clarity. This volume also contains the usual diagrams showing some of the economic aspects of the war. Of particular interest are those illustrating the Budget White Papers' estimates of national income and expenditure and one comparing price movements in the two Great Wars.

The Oxford War Atlas is only in its second volume and therefore has to cover a great many more campaigns. This has inevitably led to a certain amount of overcrowding, especially by comparison with Mr Horrabin's austerity of outline, but in spite of this handicap Mr Stenbridge has been able to give a very complete pictorial history of the fighting in the different theatres of the war. He also goes in for economic diagrams, but here again the long period which the Atlas covers detracts somewhat from their value. At this stage of the war, for instance, a comparison of the raw material position of the United Nations and the Axis seems out of date and unreal. There is, moreover, an error in the diagrams of Britain's war effort which should not go uncorrected. The impression is given that 23½ million out of the 33 million people aged 14-65 are either in the forces or in direct war work, whereas this figure includes all those in the work and covers those still following their peacetime occupations. The 10 million whom Mr Stenbridge puts in "other (i.e., non-war) occupations" are part-timers and housewives.

# THE BUSINESS WORLD

## Outlook for Tobacco

TOBACCO, with beer, the "pictures" (and, one might add, newspapers) has been one of Britain's official *circenses* in this war—the morale-sustainers, the conventional necessity whose sale without ration book or points has been permitted by the authorities on a scale equal to or exceeding the pre-war level. The state has taken its *quid pro quo* from these favoured industries, and where tobacco is concerned, the levy has been particularly heavy. The Exchequer has not been content merely to slice off all increased profits under EPT: it has multiplied special taxation by customs and excise duties and, in addition, has insisted on the industry's financing from its own resources the increased value of the heavy tobacco stocks which it has maintained by virtue of the Government's own arrangements.

Nevertheless, even under these handicaps, the tobacco industry has scaled new heights of prosperity and gone far, ostensibly, to vindicate its claim to be the rarest of all trades, the demand for whose product is, within all limits so far reached, completely inelastic—or even "inversely elastic," since consumption has actually risen despite all wartime price increases. This, naturally, has enhanced the appeal to the investor of representative shares in an industry with a long pre-war record of efficiency, good labour relations, high earning power and compact organisation. Are there any less pleasing possibilities, however, in the post-war picture? That is the question which the present article sets out to answer.

The wartime position is clear enough. The tobacco duty was raised immediately before the war, and has been increased no fewer than four times subsequently. Before the first of the two budgets of 1939 it stood at 9s. 6d. a pound; the present figure is 33s. 6d. From the viewpoint of successive Chancellors of the Exchequer, this draconian policy has amply justified itself. Before the last war, the yield on tobacco taxation was £17 million. In 1939-40 it was nearly £118 million and in 1942-43 (with a duty 6s. below the present level), tobacco produced £304 million for the Exchequer. In the quinquennium before 1914 retained imports of tobacco averaged 93 million lbs a year. Between 1934 and 1938, they averaged 177½ million lbs. During this war, consumption figures given by the Chancellor have shown a rise from 190 million lbs in 1940-41 to 236 million lbs in 1941-42 with a slight setback to 229 million lbs in 1942-43 after the raising of the duty by 57 per cent in the budget of April, 1942. In terms of the latest available figures consumption is nearly two-and-a-half times as large as it was thirty years ago, although the duty is ten times as high.

During those thirty years, the ordinary stock of the Imperial Tobacco Company (of Great Britain and Ireland) has

Its wartime profits trend is not readily discernible, on a first inspection, from its annual published figures, which the company (whose accounts until quite recently have been among the least informative in the gamut of British concerns) has been accustomed to show only after deduction of income-tax. Seven years' published profits, earnings and dividends are given in the preceding column.

The figures as they stand suggest that there has been a considerable fall in earning power since the war. That impression, however, is wholly erroneous. In its latest accounts the company has broken with tradition by revealing the amount of its provision for income-tax. This confirms the view that, although the company's income includes dividends from concerns operating outside the United Kingdom, the amount of Dominion income-tax relief is very small and, for broad comparisons, can be disregarded. If the figures in the preceding table are grossed up, at the standard income-tax rates applicable to each period, the resulting picture is very different:—

(Figures subject to income-tax.)

| Years (to October 31) | Profits After<br>Prof. Divs. | Earnings for<br>Ordinary | Paid on<br>Ordinary |
|-----------------------|------------------------------|--------------------------|---------------------|
|                       | (£'000)                      | %                        | %                   |
| 1937                  | 13,200                       | 35.2                     | 33.3                |
| 1938                  | 13,400                       | 35.9                     | 34½                 |
| 1939                  | 14,400                       | 37.9                     | 35.4                |
| 1940                  | 14,000                       | 37.2                     | 34.8                |
| 1941                  | 14,200                       | 37.8                     | 35                  |
| 1942                  | 14,300                       | 37.8                     | 35                  |
| 1943                  | 14,700                       | 39.0                     | 35                  |

After making allowance for the steep rise in tax since 1937, it will be seen that the earnings and dividend record of Imperial Tobacco have been extraordinarily stable throughout the war; that profits, in the three war years 1940-42 were somewhat above the average for the three immediate pre-war years 1937-39; and that for the latest year, 1943, they have shown a slight but appreciable further rise. If the 1938 profits are represented by 100, those for other years come out as follows:—

|      |     |      |     |      |     |
|------|-----|------|-----|------|-----|
| 1937 | 97  | 1940 | 103 | 1942 | 105 |
| 1939 | 106 | 1941 | 104 | 1943 | 108 |

Dividends have been virtually stabilised around 35 per cent, subject to tax, throughout the war period. Altogether, the remarkable stability of the gross figures suggests either that EPT has imposed a very effective upper limit on distributable earnings or that the directors of Imperial

(All figures shown free of income-tax.)

| Years (to October 31) | Profits After<br>Prof. Divs. | Earnings for<br>Ordinary | Paid on<br>Ordinary |
|-----------------------|------------------------------|--------------------------|---------------------|
|                       | (£'000)                      | %                        | %                   |
| 1937                  | 9,898                        | 26.4                     | 25                  |
| 1938                  | 9,834                        | 26.2                     | 25                  |
| 1939                  | 9,368                        | 24.9                     | 23                  |
| 1940                  | 8,021                        | 21.4                     | 20                  |
| 1941                  | 7,119                        | 18.9                     | 17½                 |
| 1942                  | 7,108                        | 18.9                     | 17½                 |
| 1943                  | 7,542                        | 19.5                     | 17½                 |

attained an investment status which, among purely British equities, is almost unrivalled, and certainly surpassed by none. The company, originally formed in 1901 as a merger of most of the largest and oldest established British tobacco concerns to meet a challenge from the American manufacturers, has shared its growing market with a number of competitors (some of whom have risen to major status) without losing its position as the most powerful organisation in the industry, or suffering any but temporary setbacks to the growth of its profit-earning power—even in the fiercest phase of the "coupon war" in the early 1930's.

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Tobacco, as a matter of policy, bring into the holding company's accounts by way of dividends from subsidiaries only as much of the latter's earnings as they have previously determined to dispose of, *coram publico*. Both explanations may hold: until the company decides to follow the advice in the latest series of recommendations of the Council of the Institute of Chartered Accountants, and includes a consolidated profit and loss account with its annual report, stockholders will have no means of knowing what the group's earning power is. It seems entirely safe to assume, however, that, before, all taxation, Imperial profits are certainly no lower than in pre-war days, and may well be appreciably higher.

The ordinary stock units, at 159s. 4½d., yield 4.392 per cent gross, which for a company with Imperial Tobacco's record is not unduly low. Indeed, it appears to include quite a fair allowance for postwar contingencies, and, undoubtedly, some allowance under that head is necessary. The tobacco trade itself does not share the popular view that consumers' demand is virtually inelastic. The rise in consumption during the war has owed a good deal to special wartime factors, including higher incomes and the nervous strain which wartime factors like longer working hours and greater personal danger impose on large numbers of people. Even so, the increase of 10s. a pound in the tobacco duty in the 1942 Budget was followed by a decline in per capita consumption from 5.02 to 4.87 lbs., and it remains to be seen what effect the further rise of 6s. in the duty last year has had. The Chancellor's interest and the industry's in this matter are not identical. The Exchequer is satisfied if a higher duty brings in a higher total revenue; the industry is concerned with the residue left over after it has handed on the Treasury's share of the total proceeds of each packet. The latest Imperial figures do not in themselves suggest any serious setback to consumption last year, but rather the reverse. Nevertheless, as alternative attractions become available, and especially if there is any significant fall in workers' earnings after the war, it may be impossible to ignore the implication of the fact that, with cigarettes selling at 2s. 4d. for 20, a smoker of, say, anything between 100 to 150 a week, whose weekly wage is, say, £6, may hesitate before allowing as much as 10 to 16 per cent of his income to go up in smoke. Tobacco shareholders, certainly, would not welcome any further increase in the duty in the forthcoming Budget.

The Government's fiscal policy, with the stock-carrying

arrangements imposed on the industry, has involved a strain on its finances in another way. Before the war, Imperial Tobacco's balance-sheet was exceptionally liquid. In its 1937 balance-sheet, stock in trade was valued at just under £36 million, and the company had Government and other marketable securities, loans to corporations, etc., and cash, to a total of over £11 million. At the date of the last balance-sheet, however, stock in trade was nearly £51 million, securities, loans and cash had fallen to £2½ million and the company had a bank overdraft of over £11 million. The group, obviously, has substantial amounts at stake as a result of Government policy, and it may be worth asking whether some kind of guarantee against possible future loss from conditions outside the company's control might not reasonably be requested.

On a long view, the prosperity of the British tobacco industry appears as reasonably well assured as anything can be. Tobacco smoking, to its devotees, is not easily shaken off. Unquestionably, there are more smokers in this country to-day than ever before, and the great majority of the wartime increase in their numbers will be retained in days of peace. But the increase in taxation has been so steep, and retail selling prices, now, are consequently so high, that some fresh stimulus to total demand may well be required if consumption under peacetime conditions is to remain anywhere near 5 lbs. per head. Such a stimulus might come from a lowering of the duty, and there will certainly be considerable pressure for this when the time for lowering indirect taxation burdens come. Past experience, however, is not very encouraging; the history of both the beer and tobacco duties, in fact, seems to suggest that they go up by yards and come down, if at all, by inches.

In the past, the impressive rises in tobacco profits have followed major developments, like the "invention" of the cigarette and, later, the growth of smoking among women. The scope for further changes of this order now appears much more limited, and any future increase may be dependent on more intensive exploitation of a market which now, probably, includes virtually all the potential "smoking population" of the country. Despite all impressions to the contrary, that is likely to be a development in which the price factor will play a considerable part. In the last resort, the industry's future may be bound up with the prospect of at least a moderate reduction in the tobacco duty—and that may involve decidedly hard future bargaining with the Treasury.

## Business Notes

### Looted Gold

The British, United States and Soviet Governments have this week issued a stern warning to neutral countries not to accept gold from Germany in payment for debts owing by that country. In view of the well-established fact that the Axis countries have looted the gold reserves found in all occupied countries,

the Treasury formally declares that it does not and will not recognise the transference of a title to the looted gold which the Axis at any time holds or has disposed of in the world markets. It further declares that it will be the policy of the Treasury not to buy any gold presently located outside the British Empire from any country which has not broken relations with the Axis or from any country which after the date of this announcement acquires gold from any country which has not broken relations with the Axis, unless and until the Treasury is fully satisfied that such gold is not gold which was acquired directly or indirectly from the Axis powers, or is not gold which any such country has been or is enabled to release as a result of the acquisition of gold directly or indirectly from the Axis powers.

In other words, the onus of proof that gold held by neutral countries is "clean" will rest with the holders. Unless they can satisfy the Allied Powers on this score, they may find themselves at best with a frozen gold holding and, at worst, with an asset liable to legal claims for restitution of stolen property.

It is known that at the outbreak of the war Germany held the equivalent of about \$200 million of gold, including the metal taken from Austria and Czechoslovakia. The sale of the whole of this reserve has been accurately traced, and it follows that any additional sales of gold by

Germany must consist of gold looted since the outbreak of the war. A certain amount of Belgian gold was obtained, thanks to the complicity of the Vichy authorities, and, more recently, some £30 million of Italian gold has been transferred to Germany. The principal neutral countries have, for some time past, seen the red light in this problem of gold traffic with the Axis and have been very careful not to accept gold in payment for commercial debts. Sweden has endeavoured to maintain a strict balance in its commercial transactions with Germany, and Switzerland has only accepted gold where such payment is prescribed, as, for example, for all international Red Cross payments. Portugal has accepted a considerable amount of gold from Germany in preference to seeing its clearing credits increasing, and is a country where the warning uttered by the Allied Powers may be needed. One of the results of the Allied move may be to create a special market in tainted gold, all gold being so regarded except specific bars covered by an Allied certificate of purity. The problem is one of exceptional complexity, given the ease with which gold bars can be re-melted and with which earmarkings in neutral markets can be effected. It cannot be tackled with hopes of complete success in tracing all looted gold. The best approach to its solution is that which has been chosen, namely, that of placing the onus of proof about the innocence of the gold on the neutral holder.

### Feeding the Sparrows

The bulk of the month of February has passed without producing any chance of real importance in the general trend of stock exchange quotations. The rise in the curve

of both industrial equity and fixed interest prices has tended to flatten out still further, but it has continued. Outside these two classes, there have been substantial fluctuations in most speculative sections, with a rather marked recovery in Brazilian bonds. In view of the many uncertainties and the rather small volume of business, it is sufficiently remarkable that prices should rise at all. Some, of course, have fallen and the meagre net improvement is a resultant of a continuance of quite considerable adjustments such as occurred in January. According to some sections of the market, the relative stability of prices is due to the fact that the selling comes mainly from large investors who are prepared to lighten their commitments provided they can do so without depressing prices. This view receives some support from the circumstance that most of the price movements, whether up or down, are in market leaders and that the lesser known shares, which incidentally give higher yields, attract an even smaller proportion of the total business than is usually the case. The view that conditions are governed by the sales of large investors does not, however, explain the rising trend, unless the large investor is putting his money back into the market, which conflicts with the hypothesis of reduced commitments. Whether the rise can be expected to continue, even at the recent reduced rate, is a matter of some doubt in view of the general development of the war and of the approaching Salute the Soldier savings campaign, which will momentarily distract attention from existing securities.

### Profits—No Change

The latest computation of industrial profits (given in detail on page 290) shows that the last quarter of 1943 brought no significant change in the story of the last three years. There is a further modest increase in gross profits; Table I shows that 550 fourth quarter companies raised their gross profits from £57,489,000 to £61,634,000 in the latest year. But this 7 per cent increase seems to be primarily due to a further slight relaxation of the austere reserve policy of 1941, when many items of wartime cost could only be estimated on a basis which has since proved over-cautious. The bulk of the increase has been set aside to free reserves and other savings, and although about £1½ million (subject to deduction of tax) has been added to ordinary dividends, the equity shareholder has actually received a smaller proportion of gross profits. As yet, the record of gross profits earned by companies whose accounting periods ended in 1943 is less than half complete; 1,106 reports have come in to date, showing a 3 per cent increase in gross profits from £123,768,000 to £128,575,000. But this result, and the rise in the index of gross profits in Table III (which is based on it) to the wartime record of 104.0, must be regarded as provisional. These figures refer to gross profits; the corresponding figures for reported profits (Tables IV and VI) on which shareholders, stock-brokers and most financial commentators base their views, show little enough movement. Table V gives the record of earnings and dividends (on a gross basis) for the whole of 1943. Ordinary shareholders have in fact fared slightly better; they received 57.7 per cent of available profits (against 56.8 per cent); earnings on their capital represented 14.5 per cent against 13.9 per cent, and ordinary dividends were correspondingly increased from 10 per cent to 10.6 per cent. Compared with the inflation of other incomes, such increases are of little consequence.

### Shipowners' Views

The annual report of the Chamber of Shipping of the United Kingdom and the annual address of its president—delivered on Thursday by Sir Leighton Seager—represent the views of a large proportion of the shipping industry. This year they are of special significance in that they reflect the industry's views on post-war problems. Both the report and the address emphasise three points. First, a large and efficient mercantile marine will continue to be essential to this country. Sir Leighton Seager expressed the view that large though the British merchant fleet was before the war, it should be larger still in peace if, as he hopes, there will be an expansion in the volume of international trade. The report suggests that, while in the ocean trades the problem is largely one of replacing liners and tramps, a determined effort should be made to increase the volume of the smaller vessels engaged in the coasting and near Continental trades. Secondly, both the address and the report stress the advan-

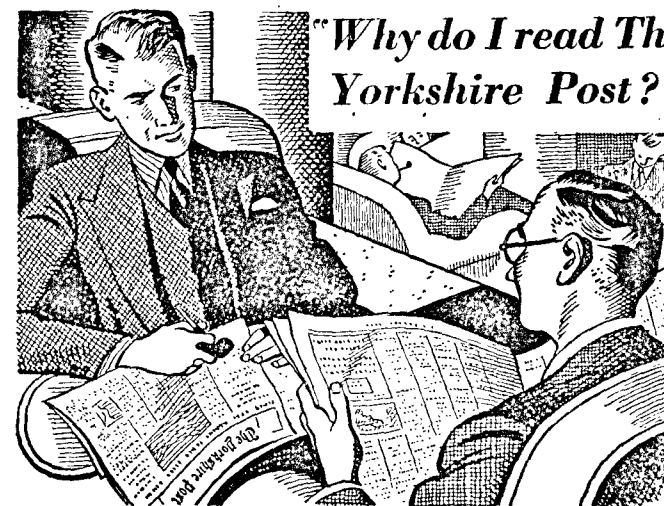
tages of private enterprise in British shipping. But, suggests the report,

it has a right to ask, even when demanding the fullest measure of freedom compatible with national needs, that it shall not, alone and unaided, have to fight against state-subsidised foreign competition, if that should recur, nor yet struggle to maintain its services in a market flooded with surplus ships built for the purpose of war.

Sir Leighton Seager holds that it may be necessary for the Government to provide, or to assist shipping companies to obtain, any capital in addition to their own funds that ship-owners may need for the replacement of tonnage. He stressed the need for collaboration with other maritime nations to secure international standards of conditions, of remuneration, of fair trading, and of safety of life at sea. Thirdly, both the report and the president restate the claim of shipowners for participation in post-war air transport. The industry holds the view that air transport should be allowed to develop through private enterprise with only "such governmental regulation as is necessary to avoid redundancy and ensure efficiency and safety." Two groups—the lines interested in the South American trade, and the Coastal and Continental shipping companies—have already announced their intention to operate air services through separate companies "where the necessary consents and machines can be obtained." The three remaining groups—the North Atlantic, the Eastern and the African—are expected soon to declare their intentions.

### Railway Revenue and Distributions

Pending any further light which may be shed on the position by the full accounts, it appears that the net revenue of the four main line railways was appreciably more than £2,000,000 in excess of their shares under the pool, showing a net rise on the year of £144,000 odd to £40,283,000. In addition, the LNER, which suffered a fall in net revenue from normal sources, made £135,000 odd on the sale of investments. It was this which enabled it to raise its dividend on the second contingent preference by one-eighth point to 2½ per cent. As already announced,



"Well, to tell you the truth, it was Robinson who started me off. He's a pretty successful man and I noticed he always read it. So I began, largely out of curiosity. Then I found its judgments were pretty shrewd, its opinions authoritative and trustworthy. So I've kept on with it ever since. "As you know, I've got a finger in many pies and it is essential for me to know what the North is

thinking and doing. I get to know by reading The Yorkshire Post. "Another thing. Northern industries, politics and finance are more closely linked up with the rest of the country nowadays, and reading The Yorkshire Post helps me to see national questions in better focus. "I also rely on The Yorkshire Post to give me full reports on man northern industrial meetings that I cannot get elsewhere."





Great Western and LMS pay the same, while Southern's net figure rose by rather more than enough to cover the additional  $\frac{1}{4}$  point on the deferred stock. LPTB, however, which is paying a further  $\frac{1}{4}$  per cent on its "C" stock, does so in part out of an adjustment of 1940 net revenue and in part by a draft on the amount carried forward to the credit of "C" stock interest fund. The details for the five lines are set out below:

|               | Share in Pool | Year's Net Revenue | Change in Year | Other Revenue | Cost of Div. Increases | To Res. and Carry Forward |
|---------------|---------------|--------------------|----------------|---------------|------------------------|---------------------------|
|               | £'000         | £'000              | £'000          | £'000         | £'000                  | £'000                     |
| G.W. ....     | 6,671         | 6,940              | + 7.2          | ...           | ...                    | 8.4                       |
| L.M.S. ....   | 14,750        | 15,686             | + 96.0         | ...           | ...                    | 392.0                     |
| L.N.E.R. .... | 10,136        | 10,655             | + 45.2         | + 135.4       | 82.7                   | 201.6                     |
| Southern ...  | 6,607         | 6,999              | + 86.0         | ...           | 78.7                   | Dr. 4.4                   |
| Total ...     | 38,165        | 40,284             | + 144.1        | + 135.4       | 161.4                  | 597.6                     |
| L.P.T.B.†     | 4,636         | 4,658              | + 19.7         | + 57.5        | 64.2                   | Dr. 20.8                  |
| Total ...     | 42,821        | 44,942             | + 124.4        | + 192.9       | 225.6                  | 576.8                     |

† Reduced by £179,000, estimated saving on conversion of "T.F.A." stock.

It may be doubted how valuable the above figures are as a guide to the actual position of the companies. In most cases the fluctuations in the net revenue are due to adjustments in the controlled revenues. The reports of the LMS and Great Western reveal only trifling changes in excluded revenues. But, whatever the nature of these adjustments, it is clear that existing payments have little or no connection with what will be available for distribution under peace-time conditions. Two years ago the yields on the "equities" of the main line companies were, on the whole, over 11 per cent, with the distributions at a lower level than to-day. Now they range from rather over 8½ for "Berwick" second preference to almost a point less for Great Western ordinary, with Transport "C" giving a return of just over 4½ per cent. Despite the very sharp fall in yield on the main line securities, the return is still very high, a reflection of the uncertain future of the railways in the post-war scheme of transport.

### Claim to Independence

The British Rayon Federation, which includes all sections of the rayon industry, from the producers of rayon yarn and staple fibre to the merchant converters, reacted strongly to the proposal of the Cotton Board Committee that the post-war Cotton Board should include in its "constituency" firms "wholly or partly engaged in spinning rayon staple fibre, weaving rayon yarns, finishing rayon goods and merchandising rayon goods." It puts in a strong claim for independence.

There seems no parallel in any other important country for the principle that the policy of one large textile industry should be determined by an authority dominated by another such industry. The United States, Germany, Italy, Japan, all had large cotton industries long before the advent of rayon; in none of them is the rayon industry subject to the direction or control of a predominating cotton authority.

This claim to independence is undoubtedly justified in principle; it would be most unfortunate if the development of a new and expanding industry were cramped by an old and declining one. The apprehensions of the rayon industry, whether justified or not, can be readily understood. The production of rayon and staple fibre is mainly a chemical process, and because of its chemical basis the industry is not only capable of great expansion, but is subject to constant and far-reaching changes resulting from the progress of chemical knowledge. Hitherto, as the report of the Federation points out, the rayon yarn and staple fibre produced in this country has had to be made in forms appropriate for manipulation on existing machines; while supplies of these are likely to continue, there will be a growing need for machinery specially designed to suit the fibres. In other words, the rayon industry should be allowed to develop freely

if its technical possibilities are to be fully realised at lowest cost. Even now, the manipulation of rayon is by no means confined to the machinery or area of the cotton industry. The users of rayon include the wool industry of Yorkshire and other areas, the Irish linen industry, the silk industries of Cheshire, Staffordshire and elsewhere, the hosiery, warp knitting and circular knitting industries of the Midlands, the lace industry, the ribbon and smallware trades, the furnishing fabric industry; the use of rayon is growing in the tyre industry and extending in the manufacture of carpets and in electrical insulation. It is realised, however, that during the period of transition from a war to a peace economy the cotton and rayon industries will have problems in common which should be dealt with—as during the war—by a single executive authority. But ultimately the rayon industry wishes to pursue its own path.

### Research in Industry

The spate of reports on applied research in industry issued by trade and professional organisations is encouraging. It reflects a more progressive attitude towards the problems of production and marketing. There is a danger, however, that words may not be followed by deeds on the scale required if British productivity is to be raised to the needed height. Although the Government can do much to stimulate and assist research—as, in fact, it is doing—the main responsibility will continue to fall upon industry itself, through individual and collective research. Some industries, indeed, are fully alive to the need for overhauling and expanding their research facilities, but others still show little sign of making plans commensurate with their needs. In many industries, the problem is not one of spending a little more on research in the "backroom," but of assigning to it the part and status in the organisation that it deserves.

### Coalowner's Sound Advice

In a statement issued with the annual accounts of the Bolsover Colliery Company, Limited, the chairman, Mr N. B. Brooks, emphasised strongly the need for technical reorganisation in the coal-mining industry.

It is an urgent necessity that its structure should be examined and re-designed where necessary to meet the demands which will be made upon it. To achieve this, past prejudice must be swept aside, and maximum efficiency with the minimum of delay must be the guiding principle. . . . Our own opinion is that the number of undertakings must be substantially reduced, and that this should be effected by suitable amalgamations. It is our hope that coalowners as a body will publicly declare their acceptance of this principle, and their intention to apply it.

Technical reorganisation is the only solution of the coal problem, the only way to combine high wages and good profits with cheap coal. It is encouraging to find this solution advocated by the chairman of one of the biggest colliery undertakings in Great Britain. The record of the Bolsover Colliery Company gives additional weight to his forthright advice. Wages are relatively high; in 1943 the average wage per shift of coal-getters was £1 14s. 7d., equivalent to more than £10 a week on the basis of six shifts. Profits are also good; they have shown a steady increase during the thirties, and have enabled the company to pay regular dividends—these amounted to 15 per cent on the ordinary shares during the past five years—besides putting aside substantial amounts for development, a feature of its policy. The cause of the company's prosperity is to be found in the successful application of the policy of technical reorganisation which its chairman advocates for the industry as a whole; its output per man-shift greatly exceeds that of the industry as a whole. No doubt the conditions for mechanisation are not equally favourable at all other collieries; but this merely strengthens the case for the concentration of production. Will the industry as a whole heed the advice of Mr Brooks and voluntarily redesign its structure "with the minimum of delay"?

### Design in Industry

Industrial design has been a neglected art in this country, but recently there has been evidence that its importance is being recognised. Apart from improving the

and raise wages by increasing the productivity of labour. In essence, the job of the industrial designer is to produce an article in such a way that its prime virtue is its fitness for purpose. He pays attention to the appearance of the article, but his success in making his design beautiful depends on how far it embodies his first principle. Simplicity is his watchword. Wartime experience in all branches of industry has revealed the advantages of good designing. To take an example from civilian goods alone, utility furniture (apart from the raw materials used) is better in appearance than pre-war furniture of comparable price. Clothing and pottery, too, have been forced to pay more careful attention to design. The education of public taste has quickened with the results of wartime necessity. The improved appearance which accompanies simplification of design has been welcomed. It is realised that design is a factor which has a part to play in reducing prices and bringing semi-luxuries within reach of all who want them. Cheapness need not in the future be synonymous with bad design and ugly appearance. The cost of design is a negligible item when spread over a large number of units. English industrial design lags behind that of America and other countries. Too little attention has been paid to the subject by industrialists. In America the profession of industrial design consultant is an established one whose services are considered vital. The consultant is able to turn his hand to any product—he is not a specialist in any one industry—and his work may range from motor-cars to clocks. In England no such profession exists, although efforts are being made to establish a chair of industrial design at a university. Designers are an integral part of industry, and their services should be used to a far greater extent than in the past. They can play an important part in revitalising production for the home and export markets.

### For Residents Only

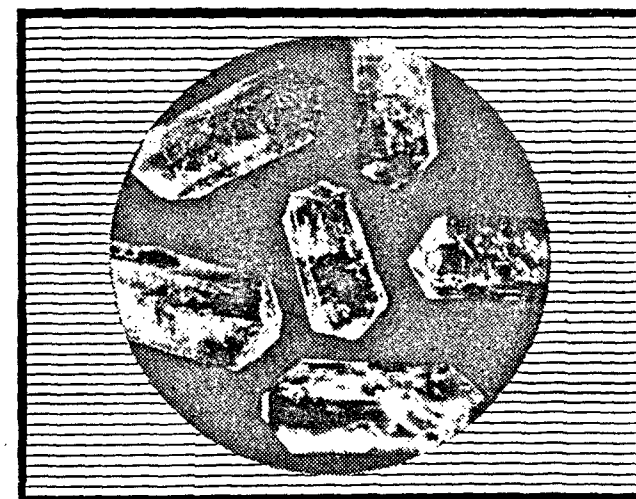
Parana Plantations have now concluded negotiations for the sale of their two Brazilian subsidiaries, of which they are the holding company, to financial interests within that country. If shareholders agree, the purchase price will be £1,620,000. This sum, together with net liquid assets of £307,000, is sufficient to ensure the repayment of the company's shares at par, with a margin to spare for expenses. It cannot be considered other than satisfactory that the 5s. shares, which for the last ten years have fluctuated in a speculative manner at prices usually well below par, and sinking as low as 3d. in 1939, should at least be redeemed at their original value. It also seems clear that the terms of repayment in the case of this private company are surprisingly better than those which could be obtained, under the recent settlement, for holders of official Brazilian bonds. But cause for congratulation ends there, and it is hard to judge how far the price is a reasonable one for the assets of the land company and the railway company. For many years their accounts showed a considerable deficit, but there has been a fair improvement since the introduction of a reorganisation scheme in 1937, and in 1942 there was a figure of earned for ordinary for the parent company of 3.2 per cent, which fell back, however, to one of 0.1 per cent for the year to June 30, 1943. The company has never paid a dividend, but it seems likely that it has reached the stage where its activities warrant some return, which would, however, be handicapped, perhaps fatally, by the incidence of local restrictions and the weight of double taxation. The real reason for advising the voluntary liquidation is, in fact, summed up by the directors who point out that:

While no less impressed by the intrinsic merits of the properties than when the company was formed, they have been led by political and financial developments of recent years, which could not have been anticipated, to revise their estimates of the value of the properties as an investment to non-residents in Brazil.

The sting of this statement lies in the phrase "non-residents in Brazil." It is a poor comment on international co-operation in industrial development that it should be possible to congratulate investors on suffering no worse a fate than the loss of all return on their capital for almost twenty years.

### Building Labour

In earlier articles in *The Economist*, the importance has been stressed of increasing the productivity of the



Vitamins are physical substances that can be seen, touched and tasted. Here you see, magnified about thirty times, crystals of Vitamin C (L-ascorbic acid).

## CLOSE-UP OF A VITAMIN

AMONG the uninformed, vitamins are conceived to be anything from a mere meaningless word, coined to bemuse the unscientific mind, to a quality (like volatility, for example) or even a function—anything, that is, but physical matter that can be seen, touched and tasted. But vitamins are actual physical substances.

Above is a photomicrograph of Vitamin C (L-ascorbic acid), a colourless, water-soluble, crystalline substance, magnified thirty times. This substance was synthesized by Haworth in England and Reichstein in Switzerland in 1933, and is now produced on an industrial scale by Roche Products Limited.

Perhaps the most important advance of recent years in applied dietetics is the achievement of the organic chemist, who, working in collaboration with the pharmaceutical industry, has made large-scale production of vitamins possible.

Since 1912, when Sir Frederick Gowland Hopkins' writings and work adduced convincing evidence for the necessity of the "accessory food factors" (vitamins), not only in the maintenance of health, but of life itself, progress has been rapid.

Take a single example. Only ten years ago the available supply of synthetic Vitamin C (or ascorbic acid) was contained in a laboratory test-tube. Today Vitamin C is synthesized on a large industrial scale.

Roche research chemists and their collaborators accomplished this important task. Today tons of

Vitamin C are produced in Roche chemical plants every month. Many elaborate processes are involved, taking many weeks from start to finish.

To this vast production many brave men already owe their lives. In the last war, during the siege of Kut, General Townsend had nearly 1,100 cases of scurvy among his fighting troops. In this war, during the siege of Tobruk, our men, although deprived of the natural sources of Vitamin C (fresh fruit and vegetables), received synthetic Vitamin C to make good their loss.

Vitamins B<sub>1</sub>, B<sub>2</sub>, C, E and K (analogue) are now all synthesized in this country by Roche. To meet the needs of the nation, many of these vitamins are produced on a large scale. Roche have changed the gramme in the test-tube to a ton in the industrial plant. Scientific knowledge, technical ability and the most modern chemical engineering have made this possible.

ROCHE PRODUCTS LIMITED

### IS THIS MAN YOU?

A persuasive speaker in public, a cool, calm thinker, never embarrassed, a good loser, a good mixer, making friends without effort? If not, you need RAPIDISM, the fascinating new course, endorsed by leading psychologists. Write now for free Booklet to: THE RAPIDISM INSTITUTE, 212, TUITION HOUSE, London, S.W.19.

building industry, if post-war housing needs are to be adequately met. There has so far been little indication from the operatives' side of a realisation of what this means, or any concrete suggestions of how it could be achieved. Building workers tend to cling rather tenaciously to their craft traditions, of which they are justifiably proud, and to regard bricks and mortar as the main ingredients of a housing programme. The British building operative could learn a great deal from a study of the methods used in the United States. Although wages of craftsmen are more than three times as high as in this country, the cost of building is not appreciably higher and average output per man-hour is greater. The Bossom Mission was particularly impressed with the interest which the American operative took in his output, the full use he made of the better organisation and tools provided, and the various schemes in existence for encouraging incentive and good craftsmanship. It is necessary to encourage similar interest and adaptability among building operatives in this country, quite apart from any incentive which may be provided through piece-rates. Building labour has gained important advances since the war, and one of the most important steps has been its decasualisation. Between the two wars an average of about 15 per cent of the labour force were out of work. It seems likely that the unions will insist on the maintenance after the war of some form of the Essential Work Order, which provides a guaranteed week and payment for "wet" time. Another wartime development has been the introduction of joint production committees on some building sites. But if these and other improvements are to be retained, building operatives must accept the introduction of new methods and new materials, and discard any ideas that technical progress is their enemy.

### The Cinema Empires

In reply to a question in the House on Tuesday, Mr Dalton revealed that there has been a further development in limiting the expansion of the cinema empires. On this occasion it is Associated British Picture Corporation which has been asked to restrain its activities, but it must be admitted that the restraint imposed is not likely to prevent a very material further expansion in this group's dominion. According to their own statement, they now own or control 450 cinemas, while the corresponding figure for the Gaumont and Odeon groups together is 607. The terms of the new restriction are that ABPC shall not own or control, directly or indirectly, more cinemas operated in the United Kingdom than the companies controlled by Mr Rank, and that the ABPC "A" circuit cinemas, either in London or in the country as a whole, are not to exceed a figure agreed by the Board of Trade as corresponding to the effective booking strength of Mr Rank's largest circuit either in London or in the country as a whole, respectively. It is impossible without inside knowledge to say exactly what limits are imposed by the latter provisions, but it is clear that there is room for very considerable further expansion by ABPC. The joint managing director of that group, Mr Max Milder, has, however, expressed the view that there will be no rush to achieve the permitted parity, but that the corporation may very well concentrate upon improving its existing houses. The idea of preventing monopoly by giving official sanction to two empires of equal size appears to contain certain dangers. The two empires have agreed not to combine, but it is difficult to see how they can be restrained from co-operating, if that policy should at some future date seem good to them. Ownership and overt control are not the sole factors in securing and extending empire over the exhibiting side of the cinema industry. There is also the question of bookings. Further, one side of the industry cannot usefully be considered in isolation from the others. Possibly, as the Earl of Selborne, Minister of Economic Warfare, said in the House of Lords on Wednesday, there is nothing to prevent this country from turning out films as first-class as those of any other country. The fact is that, hitherto, they have been few in number. It is for the sub-committee of the Films Council, which Mr Dalton has invited to look into the whole matter, to investigate and make recommendations designed to improve the quality and volume of the film industry's output.

### Chinese Exchange

Further concessions announced this week in the rate at which certain remittances may be made to China draw

attention to the parlous state of the Chinese monetary situation. The official rate for the Chinese dollar has, since the beginning of 1942, held rigidly at 3.3 13/2d. This rate of exchange, low though it be in relation to the former Shanghai parity, has long ago lost all touch with the purchasing power of the Chinese national currency. The official statistics show the Chungking cost of living index number in August last—the latest date for which figures are available—as 6,074, taking the first half of 1939 as equal to 100. In August, 1942, the figure stood at 2,249. The Chinese authorities are undoubtedly using the printing press—or rather the planes which bring the new notes from abroad—as an instrument of taxation. If they can keep the measure of inflation and the cost of living rising by about 10 per cent per month, they reckon to be keeping the situation well under control. The latest evidence, however, suggests that this rate of price inflation is being steadily exceeded. The result of this steep increase in the price level and of the rigid pegging of the exchange rate has been to create serious difficulties to those persons in Chungking whose purchasing power is derived from external remittances. The difficulties became sufficiently acute last autumn to call for a special exchange concession of 50 per cent on a large array of remittances from Great Britain to Chungking. These included remittances to diplomatic, consular and military personnel, and a number of private remittances, including those to charities and newspaper correspondents. The further concessions recently announced double the discount on Chinese dollars for all remittances for personal expenses of British employees in China, for emigrants' remittances and for relief and charitable payments. For these payments, therefore, the effective rate of exchange becomes 1 1/2d. per dollar, or exactly half the official rate. Even this figure is completely out of touch with the true parity, which itself is changing almost daily and always in the same depreciating direction. The difficulties of the foreign community in Chungking are partly eased by the use of United States dollar notes, which provide one of the principal means of remitting funds to Chungking. A very active black market in these notes operates in Chungking at rates far more unfavourable to the Chinese currency than the most liberal concession rates for remittances. There have been demands from Chungking that this market in United States currency should be suppressed, because it is alleged that such operations are creating chaos in the Chinese monetary situation. This is to mistake the symptom for the cause. If the unregulated issue of paper money is continued, the Chinese national currency may ultimately become worthless—a process for which the West provided some illuminating precedents after the last war.

### Montreal Debt Agreement

Although full details are not yet available, it now appears certain that the labours of the London Committee to secure fair treatment for holders of City of Montreal stocks have been successful at almost every point. Not only is there a radical change in the position of the British investor as compared with that under the offer of two years ago, but the same is true, in some degree, of that of the Canadian and US holders, while the whole structure of the City's finances has been placed on a surer basis. This is, of course, due in large measure to the fact that the lapse of time has improved the standing of the City's credit, but that is an argument against taking hasty decisions without due consultation. The London Committee took their stand on the right of all investors to have the terms of their contracts taken into account in any composition with creditors which might prove necessary. The three main points were, the repayment of debts as they fell due, the maintenance of contractual rates of interest until maturity and full recognition of the relative rights of different classes of stock to redemption, however much or little the actual date of final repayment might be deferred. All these points have now been conceded, and in this concession Montreal has recognised that there is real validity in what may sometimes appear to be the rather tiresome detail of London arrangements and that a contract, however intricate, must be honoured. Short of specific performance, which was never demanded, and subject to the details of the serial redemption provisions being satisfactory, the Montreal settlement shows a respect for the rights of the individual contractors which is in striking contrast with several recent plans of foreign borrowers.

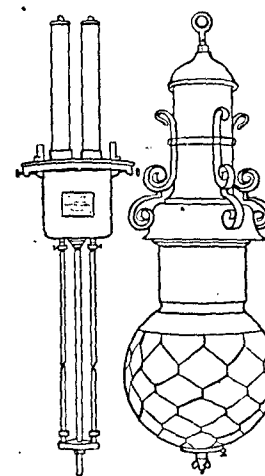
(Continued on page 286)

# BENEFACTORS OF MANKIND



CHARLES FRANCIS BRUSH (1849-1929)

*His outstanding work was in the field of light, a subject, akin to life itself, which still engages the seeker after scientific truth, and awaits final definition. In his great old age he was described as "A Pioneer of Light". Could any epitaph be more honourable?*



5-127

# Pioneering

THIS brilliant American scientist interested himself in the study of gravitation and molecular physics, but his great obsession was electricity. He lived through the progressive stages of candle light, lamp light and gas light, and then he contributed the electric arc lamp to the amenities of civilisation, bringing noon-day light at midnight to city squares, boulevards and broadways. His inventions include a dynamo, and he claimed the lead storage battery as one of his original conceptions. The Brush Electrical Engineering Co. Ltd., which bears his name, sprang directly from his activities, and has carried on the tradition of his pioneering through half a century of progress.

The  
**BRUSH**

**ELECTRICAL ENGINEERING CO. LTD.**  
**LOUGHBOROUGH, ENGLAND.**

**TURBO-GENERATORS, TRANSFORMERS, E.H.T. and M.T. SWITCHGEAR, A.C. and D.C. MOTORS and GENERATORS, CONVERTORS, ELECTRIC TRUCKS, BUS and COACH BODIES**



# IMPERIAL TOBACCO COMPANY (OF GREAT BRITAIN AND IRELAND), LIMITED

## INCREASED PROFITS—SALES WELL MAINTAINED

### LORD DULVERTON'S STATEMENT

The forty-second ordinary general meeting of the Imperial Tobacco Company (of Great Britain and Ireland), Limited, was held, on the 22nd instant, in Bristol, the Rt. Hon. Lord Dulverton (the chairman) presiding.

The secretary (Mr G. W. Anson) read the notice convening the meeting and the auditors' report.

The following is the statement by the Chairman, which was circulated with the report and accounts and taken as read:—

In the directors' report you will have seen that we have had to record the death of two directors—Mr E. G. Mardon and Mr J. D. Macdonald. I must also refer to the death of Mr H. W. Gunn, the first secretary of the company and later its deputy-chairman, whose resignation from your board was mentioned in my statement two years ago.

Three new directors—Messrs A. G. Thomson, R. S. W. Clarke and B. H. Harrison—have recently been appointed. They have all for many years been actively engaged in the company's business.

### ACCOUNTS

I would draw your attention to the form in which the accounts are presented. Last year some alterations were made in conformity with modern practice, and this year we have made further changes. In particular, we have separated reserves and surplus from current liabilities and provisions: we show the provision made for income-tax beyond the liability for the current fiscal year; and we state the amount of income-tax charged on the accounts on profits for the year. For comparative purposes last year's figures have been adjusted to the basis adopted for this year.

On the balance-sheet the first important variation is in stock-in-trade, where this year's figure is £7,012,714 more than last year. To a minor extent this is due to a rise in the price of leaf tobaccos; but the major factor is the additional rate of duty imposed by the Chancellor of the Exchequer in April, 1943, bringing it to the formidable figure of 35s. 6d. per pound, compared with 9s. 6d. at the beginning of 1939. As I explained last year, this means that duty-paid stocks carry a very much higher value.

### FINANCIAL POSITION

Debtors are up by £4,987,353, the reason being the advance in prices caused by the increase in duty to which I have referred.

The tax reserve certificates, which at October 31, 1942, stood at £7,000,000, were surrendered during the year against our liabilities for taxation.

Bank balances and cash in hand show a reduction of £2,779,497, to which it will be more convenient to refer when I comment on the bank overdraft.

On the capital and liabilities side, creditors, taxation, etc., are down by £2,180,488, owing mainly to the fact that our estimated outstanding liability for excess profits tax unpaid at October 31, 1943, was less than the corresponding figure at October 31, 1942.

Bank overdraft appears at £11,373,121, against £7,500,000; but if we deduct from each of the two years' figures the amount of bank balances and cash in hand it will be seen that the net increase in our indebtedness is £6,652,618. This increase, which would have been much greater if we had not used our tax reserve certificates

to meet taxation liabilities, is the direct consequence of the increases in stocks and debtors, the reasons for which I have already explained.

### ALLOCATION OF PROFITS

In the profit and loss account the profit for the year appears at £15,562,242, an advance of £411,904 on last year's figure. Against this are charged directors' fees (£10,000), income-tax on profits for the year (£7,775,000) and an allocation of £100,000 to widows and orphans' benefit account. This account, set up in 1929, had almost become exhausted, and your directors therefore have thought it prudent to replenish the account by the sum named, with the result that (as shown in the balance-sheet) the account now stands at £131,622. The balance brought down at this stage is £7,677,242, to which must be added the balance brought forward from the previous year £1,701,032, making a total of £9,378,274. Out of this sum £500,000 has been transferred to general reserve (bringing it up to £10,000,000), leaving £8,878,274 available for distribution. The proposed disposition of this balance is clearly shown both in the directors' report and the accounts.

### GIFT TO STAFF AND WORKPEOPLE

For many years past we have thought it well to mark our appreciation of the loyal and willing service of our employees both at home and abroad by a gift over and above the ordinary salary or wage. I am sure that once again stockholders will endorse the decision of your board to make a gift to the staff and workpeople of a sum equivalent to 16 per cent. of the total salary or wage received from the company during the twelve months ended October 31, 1943. The general conditions of the gift are the same as in previous years.

### GENERAL COMMENTS

Our sales have been well maintained. Reference has already been made to the increase in the tobacco duty imposed in the Budget of April, 1943. That this fresh addition has not resulted in a severe fall of consumption is due to three factors—the insistent demand of the public for our goods, the high wages now generally prevailing, and the curtailment of many other forms of expenditure.

In previous years I have referred to the invaluable work done by Sir Alexander Maxwell, the Tobacco Controller. It is a source of great satisfaction to the tobacco trade that his services have been recognised by His Majesty, from whom he received the honour of knighthood last summer.

I do not propose to make any forecast as to the future and will content myself with saying that within the limits of our manpower and womanpower we shall endeavour to meet the high level of demand both from the Forces and the civil population.

The report and accounts were unanimously adopted, and a final dividend of 7½ per cent., together with a bonus of 2½ per cent., both free of income-tax, was declared on the ordinary stock, making a total distribution for the year of 17½ per cent.

The formal business having been transacted, a hearty vote of thanks to the chairman, directors and staff concluded the proceedings.

# TEMPERANCE PERMANENT BUILDING SOCIETY

## DIRECTORS' REPORT FOR THE YEAR ENDED DECEMBER 31, 1943

The board of directors have pleasure in submitting the 90th annual report and statement of accounts.

**President.**—The directors report with deep regret the death, on August 10, 1943, at the advanced age of 92, of the Society's president, Mr William Bingham, J.P. Elected to the board in 1910, he served as chairman from 1927 to 1939. By his wise discernment, business capacity and sterling integrity he rendered distinguished service which has been unparalleled in the Society's long history.

**Shares and Deposits.**—The combined share and deposit receipts for the year under review exceeded the total of the preceding year by £207,834. As withdrawals from share and deposit accounts continued below normal the amount standing to the credit of shareholders and depositors at the end of the year was increased by £291,923 to £5,317,598.

**Mortgages.**—The growing demand for mortgage facilities, to which attention was called in the previous report, has continued. Advances completed during the year, £460,623, showing an increase of £246,822. It is gratifying to record that borrowers' repayments continue to be well maintained and that the number of cases to be included in the statutory schedules has been substantially reduced.

**Assets.**—The total assets amount to the record figure of £6,554,670, representing an increase during the year of £325,935.

**War Damage.**—The Society's scheme for financing repairs to mortgaged properties, which have been subject to air raid damage, continues to prove of valuable assistance to borrowing members.

**Profit and Loss Account.**—The balance of profit for the year, after making due provision for all ascertained liabilities, including income tax and national defence contribution amounting to £89,007 and interest due to shareholders and depositors, was £24,877, to which has to be added the balance of £23,137 brought forward from last year's account—a total of £48,014.

This amount, together with a further sum of £1,823, arising from the recovery of amounts written off in previous years, has been appropriated as follows:—

|                                  |        |
|----------------------------------|--------|
| Addition to general reserve fund | 15,000 |
| Addition to contingency fund     | 11,205 |
| Balance carried forward          | 23,632 |

**Reserves and Liquidity.**—The combined total of the general reserve fund, contingency fund and balance of profit carried forward now amounts to £1,123,632, representing 21.13 per cent. of the aggregate share and deposit capital. In this respect the Society continues to occupy the premier position among large building societies.

As cash and investments now total £1,095,886 the balance sheet discloses a substantial degree of liquidity. During the year investments in Government securities totalled £250,000.

**Post-war Organisation.**—The directors have taken steps to ensure the adequacy of the Society's internal organisation by acquiring during the year, on favourable terms, commodious premises in Regent Street. When reconstructed the building will provide the Society with a conveniently situated and attractive centre for its post-war activities.

The year's steady progress justifies the directors in their confidence that the Society will play its full part in the work of post-war reconstruction.

On behalf of the board of directors,  
CYRIL W. BLACK,  
January 17, 1944. Chairman.

# JOHN WHITE (IMPREGNABLE BOOTS), LIMITED

## A SUCCESSFUL YEAR

### MR. JOHN WHITE ON POST-WAR PROSPECTS

The tenth annual general meeting of John White (Impregnable Boots), Ltd., was held, on February 24th, at the head office of the company, Higham Ferrers.

Mr John White, the chairman, presided.

The chairman said,—Gentlemen: I am again pleased to report that your company has enjoyed another successful year. This is particularly gratifying in view of the fact that the turnover is necessarily down somewhat on account of the continued withdrawal of young labour, both men and girls, to the various Services.

The year under review was the twenty-fifth anniversary of the foundation of the business. Had conditions been normal we would have celebrated the Silver Jubilee in some suitable manner, but this must perforce be postponed until more favourable times, which we hope may not be too far distant.

I am also glad to say that your company has continued to work on the happiest possible terms with the various Ministries responsible for the control of supplies, prices, etc., of the commodities we use. I must repeat what I said in my speech last year, that I should be lacking in my duty if I failed to compliment those responsible for the manner in which these departments have supported manufacturers generally in these difficult wartime circumstances.

### NO NEED FOR PESSIMISM

As the war progresses and the horizon brightens, the question of reconstruction is occupying the attention of most business people, and this period is being given constant, careful thought by your directors, and although we realise the magnitude of the task generally, I do not think the boot trade need be unduly pessimistic.

Through dire necessity the warring nations have built up a vast industrial machine to produce the enormous supplies of arms and equipment necessary for this global war. When, as one day will be the case, these enormous resources are turned to the supplying of the needs of a peacetime world, we may be surprised how quickly these needs will be provided for. Our shipping will be free to carry the raw materials we require. There will be a scarcity for a time, but I believe we are entering an age when this scarcity will be supplemented by scientific productions which will be used in ever-greater quantities. While I believe there is nothing like leather for the production of footwear, our industry lends itself to the use of rubber—both natural and synthetic—plastics, fabrics, etc., and I feel these will help at least to bridge the gap that might otherwise exist between the time of scarcity and plentiful supply of the natural commodities. For this reason I take a more optimistic view than is generally taken of the time that will elapse before the return to normal conditions.

### OPPORTUNITIES FOR YOUTH IN THE INDUSTRY

There is one aspect of the future, however, that will require special attention. That is the means to be adopted to attract young people to our industry. The fine opportunities the boot trade offers to ambitious youth should be much more generally known. Conditions and wages are good and the hours are reasonable. Opportunities for advancement to the highest executive positions are open to those with ambition, and particularly to those who take advan-

tage of the facilities for technical education now available and which will be very greatly improved as soon as circumstances permit. To provide full scope for the development of these opportunities, I consider we must continue with a system of robust and healthy private enterprise, as under such a system the avenues for advancement and the necessary incentive for the development of latent talent are broader than they could possibly be under any system of bureaucratic control.

### THE QUESTION OF CONTROL

While I realise that some measure of control may be necessary for a period after the war, I hope that when the purposes for which these measures were instituted have been served they will be discontinued at the earliest possible moment. It would probably be as well to remind those advocates of semi-permanent control that that country where private enterprise has the fullest scope and encouragement is able to give its citizens the highest standard of living in the world. As to its performance under such a system, one has only to remember the production of one hundred thousand aircraft a year and the colossal output of the Kaiser shipyards, without which things might have been very different indeed for the people of these islands.

### NEED FOR DEFINITE STANDARDS IN FOOTWEAR

There is, however, one important point upon which I would like to see control continued, and that is the restriction or total prohibition of very cheap or shoddy footwear. I would advocate that all footwear be made to definite standards—the present "Utility" specifications might be maintained or perhaps improved upon. So far as wages and conditions go, my views are too well-known to be reiterated here. Our work for the Ministry of Supply has been recognised and we have received congratulations from the highest authority. When I am able to tell the full story I may be able to reveal a prodigious record. Our factories have been honoured by a visit from H.R.H. the Duchess of Gloucester, who expressed great interest in our works and to whom long-service employees were presented.

### ADDITIONAL CAPITAL REQUIREMENTS

You will notice we propose to increase the authorised Ordinary capital by £125,000. The company, due to its steady expansion and the higher prices prevailing in recent years, requires for its efficient operation more and more capital. Its bankers, the National Provincial Bank, Ltd., have been most helpful to us in this respect. A time will come, however, when the company's coffers must be replenished and the bank accommodation repaid. The Treasury will not at the moment allow us to make a substantial issue of further capital. We are, however, taking the necessary preliminary steps so that when either the restrictions are lifted or the Government thinks it wise to allow a company such as ours to increase its cash resources, we shall be ready. We shall need to be in a strong capital position in the post-war world.

The report and accounts were unanimously adopted, the retiring director, Mr B. M. Lindsay Fynn, F.C.A., re-elected, and the auditors reappointed.

# SUN LIFE ASSURANCE SOCIETY

## GRATIFYING IMPROVEMENT IN RESULTS

### MR. W. M. PRYOR'S STATEMENT

The annual general meeting of the Sun Life Assurance Society will be held at 63 Threadneedle Street, London, E.C. 2, on Tuesday, March 14, 1944.

W. M. Pryor, Esq., D.S.O., D.L., chairman of the Society, has issued a statement to shareholders, which in outline is as follows:—

### CHANGES IN DIRECTORATE

As you will have already learned, the Society suffered the loss by death in June last of Sir William Goschen, who had been chairman of the board for 25 years. Throughout that period he unreservedly devoted himself to furthering the progress of the Society. He will long be remembered with affection by all of us who had the privilege of working with him. Also, during the year, the death of Mr Sale deprived us of a colleague who was respected by all, and who took the greatest interest in the Society's welfare throughout the 22 years for which he was a director.

I am pleased to report, however, that Mr C. G. Randolph and Mr J. R. Abbey have joined the board, and you will be asked to confirm their appointment at the annual general meeting.

### NEW BUSINESS

The new life business secured during the year was 15,389 policies for sums assured of £10,453,000. This shows a gratifying improvement upon the results of the previous year, and it is particularly encouraging that our numerous clients have shown an increased preference for assurances with participation in profits, the sums assured under which were nearly 14 per cent. greater than those for the year 1942. The facilities which the Society offers under its system of assurance without medical examination appear to be more than ever appreciated by the assuring public in present circumstances.

New business under the Society's house purchase scheme continues to show a steady improvement, and it may be confidently expected that after the termination of hostilities the public demand for house purchase facilities will lead to a rapid expansion of business under this heading.

### FUNDS, INCOME AND OUTGO

The total funds of the Society increased by £2,514,000 during the year, and as at December 31st last stood at £55,282,000, of which £49,687,000 represented the funds of the life assurance account. The life premium income at £5,520,000 showed an increase of over £223,000. The gross interest income of the life account was £1,933,000, the net interest income being £1,489,000. Death claims were £1,363,000, including war claims of about £185,000, a total which is somewhat below that for the year 1942. Claims by maturity were £2,396,000, a figure which is materially in excess of that for the previous year. Surrenders at £188,000 again showed a reduction and were in fact the lowest since the year 1926.

The gross rate of interest earned on the life assurance fund was £4 1s. 3d. per cent. per annum, as against £4 3s. 6d. per cent. per annum for the previous year. The continued fall in the gross rate of interest combined with increased taxation has made it necessary for us to contemplate still further strengthening the Society's valuation basis.

### REVIEW OF ASSETS

The total of the assets of the assurance funds has increased by £2,500,000 and now amounts to over £55,500,000. Many of our sources of investment outside Stock Ex-

change securities, such as the scheme of house purchase and loans to local authorities, are now somewhat restricted, and, moreover, the present low rates of discount among the Society's policies and the reduction in the total of loans in force on policies, though in themselves excellent and healthy signs, increase the money which must seek investment.

The existence of these unusually large sums for investment does, however, give us the satisfaction of making generous contributions to new Government loans. As a result the principal alteration in the distribution of our Stock Exchange securities is again the large increase in British Government securities, which at £22,535,000 show an expansion of over £3,500,000 and are equal to 40 per cent. of the assets. The Society's investments in new British Government issues since the outbreak of war now amount to £10 million. A geographical analysis shows that nearly 98 per cent. of the assets are now located within the British Empire, and defaults which have occurred in this group since the outbreak of war have been few and insignificant. The upward trend of market prices which continued in 1943 in most sections apart from British Government securities has substantially increased the already large margin by which the market values of our Stock Exchange investments exceeded the figures at which they stood in the balance sheet at the end of 1942.

#### TRIBUTE TO THE STAFF

Before concluding these remarks I desire on behalf of the board to pay a sincere tribute to the loyalty and efficiency with which our much reduced staff have carried out their duties during the past year. I also extend our best wishes for the welfare and safe return of all those of our staff who are serving in H.M. Forces or who are engaged in any other form of national service. Finally, I offer our deep sympathy to the families and relatives of those who have lost their lives in the service of their country.

### THE ENGLISH ELECTRIC COMPANY, LIMITED

#### INCREASED PROFIT

The 25th annual general meeting of The English Electric Company, Limited, was held in London on the 24th instant. Sir George H. Nelson, M.I.Mech.E., M.I.E.E. (chairman and managing director), in the course of his speech said:—The increase of £41,972 in the issued Ordinary Stock is a result of the completion of the exchange of shares with the holders of Ordinary Shares in D. Napier and Son, Limited.

(Continued from page 282)

#### Marine Insurance Company v. Grimmer

Much interest has been taken in marine insurance circles in this case, which raises the question of the interpretation of the words "and/or steamer or steamers," added to a named vessel, in a reinsurance contract. The circumstances were briefly as follows. In the spring of 1942 the Marine received under an open cover with a firm of sugar merchants a declaration of £23,000 per the steamer *Cavalier*. On June 2nd a further declaration of £50,000 was received, per an unnamed steamer from Jamaica to Montreal, and the Marine decided to effect a special reinsurance for £20,000 in respect of this shipment. Inquiry of the merchants' London agents elicited the information that the consignment would "almost certainly" be sent in the *Cavalier*, and reinsurance was arranged accordingly, but the next day the Marine took the precaution of having the words "and/or steamer or steamers" added to the cover. It later transpired that the £50,000 consignment had in fact been shipped in the *Western Head*, which was torpedoed and sunk, the loss being known at Lloyd's on June 1st. The reinsurers argued in the High Court that the phrase "*Cavalier* and/or steamer or steamers" meant that the cargo was intended to be shipped in the *Cavalier*, but that cover would apply if for any reason a change had to be made to another vessel; the words could not, it was

Creditors and reserves are up by £402,427; this is largely due to additions to our reserves for taxation, which fully cover all taxation liabilities on the profits up to the date of the accounts under review.

Our liquid assets amount to £2,987,603, which is slightly in excess of last year and is fast approaching the £3,000,000 mark. The general reserve has been increased by a further £100,000 and now stands at £900,000. Fixed assets are practically the same at last year after applying the depreciation of £100,000 shown in the profit and loss account.

The profit carried to the balance sheet is £11,786 greater than in the previous year. Once again we have only been able to place £100,000 to general reserve. The present incidence of taxation prevents any further allocation.

He referred to the activities of D. Napier and Son, Limited, particularly with regard to the successful production of the Sabre engine which is fitted to the Typhoon aircraft.

In conclusion, on behalf of the Stockholders, he conveyed their sincere thanks to the staff and workpeople with a special word for the committees of the staff and workpeople.

The report was adopted and a dividend of 10 per cent. on the ordinary stock declared.

### BARROW, HEPBURN AND GALE, LIMITED

#### POST-WAR PROSPECTS

The 23rd ordinary general meeting of Barrow, Hepburn and Gale, Limited, was held, on 24th instant, in London.

Mr. George W. Odey (chairman and managing director) said that the accounts for 1943 showed profits for the year, after making reserve for taxation, of £55,313, as compared with £66,878 for the previous year. Taking into account interest on Tax Reserve Certificates and allowing for various reserves, and appropriations, £38,575 was carried to the balance sheet as compared with £48,320. There had thus been a reduction of approximately £10,000 in the net divisible profits. The trading profits of the company, before making provision for taxation, were in point of fact reduced and unfortunately their standard profit for E.P.T. purposes was a low one. The net profit left to the shareholders was little more than a tithe of the total profits earned by the company.

#### TRADING ACTIVITIES MAINTAINED

Their total stocks had risen from £599,588 to £664,695, which was an indication that the trading activities of the

company were being maintained. Their raw materials were in fact in better supply, and, apart from the hazards of war, they might hope to maintain their turnover in 1944.

Their margin of profit had been greatly reduced by the introduction of a Government scheme of control applied to the sole leather industry in which the company had a substantial interest. In the first year of the stabilisation scheme the prices at which hides were charged had been fixed at a level which subsequently had to be adjusted, involving a rebate to the Ministry, which would have the effect of adjusting the industry's profit to the margin permitted. Those rebates were, in fact, taxation under another form and it was a great misfortune that the whole question of surplus profits could not have been left to be taken care of by E.P.T.

In view of the hardship that E.P.T. at 100 per cent. must inevitably inflict on companies such as theirs, it was to be hoped that there would be some flexibility in its application. An increasing rigidity had, on the contrary, been introduced. In spite of these difficulties, however, the directors did not anticipate any difficulty in maintaining the ordinary dividend at its present rate. They did regret, however, their inability to plough back into the business the amount of profit that they would do in normal times.

#### CLAIMS FOR E.P.T. REPAYMENT

The balance sheet showed a large goodwill item of £190,851. In view of the substantial amounts the company had paid in E.P.T., they could look forward to a large claim for repayment after the war. The Government had as yet given no indication as to the conditions which would be attached to that repayment, but it was possible that such an item might commend itself to the Government as being a suitable object for the utilisation of such tax repayments. Funds utilised for that purpose would in no way increase any inflationary tendencies which might obtain in the post-war period, but they would effect a substantial improvement in the financial resources of the company and lay the foundations of its future prosperity.

With regard to the post-war position, they anticipated little difficulty in turning over from war to peace. As far as leather was concerned the war had proved how much it was preferred as material for footwear by the general public. There was, of course, some danger of a world wide shortage of hides due to the destruction of the herds in the areas where fighting had taken place, but apart from the difficulties of raw material, the future would seem to hold out good prospects for the industry.

The report was adopted.

contended, encompass the case where, as the evidence clearly showed, the merchants never intended the sugar to be consigned in the *Cavalier*. This construction was rejected by Lord Justice Atkinson, who found that the words meant that the cargo was "expected" by the assured (i.e., the Marine) to go in the named vessel, that the Marine had reasonable grounds for expecting the sugar to be shipped in the *Cavalier* and was justified in naming the ship. His Lordship held, however, that the cover must be deemed to include the £23,000 consignment actually shipped in the *Cavalier*, as well as the £50,000 expected to be sent in that ship, but in fact consigned in the *Western Head*, and gave judgment for 66 per cent, a *pro rata* proportion, of the amount claimed by the plaintiffs. The case, although an interesting and important one from the professional viewpoint, may prove to have but limited value as a precedent, since the circumstances were such as could hardly arise otherwise than in time of war.

#### South Africa's Budget

South Africa is budgeting for a total expenditure of £180 million in the year 1944-45; of this £102,500,000 is to be spent on defence. Mr Hofmeyr, who introduced the Budget in Capetown this week, proposes to cover £58

million of the total expenditure by borrowing. This leaves a gap of £5,300,000, on the basis of the estimated revenue from existing taxes. That gap is to be filled by increased death duties to the amount of £1,150,000, by higher customs and excise duties estimated to bring in £2,125,000, and the balance by reducing the super tax limit from £2,000 to £1,775, by increased charges on stock exchange operations and by raising the special tax on diamond mines profits from 3s. to 4s. in the £. The taxation on gold mines is unchanged, the rate of special contribution remaining at 22½ per cent. Mr Hofmeyr pointed out that in framing the revenue estimates for the coming year he had been compelled to allow for a further reduction of £1,400,000 in the proceeds of the tax from gold mines, not in consequence of any concession to the industry, "but as a result of the inescapable fact that the industry's output and profits have, as a result of war conditions, declined very considerably, and are still declining." The increase in the diamond tax, said Mr Hofmeyr, is fully justified by the prosperity of the industry. The increased taxation on stock exchange operations takes the form of a special wartime surcharge on the transfer duty, estimated to bring in £1,100,000, and a stamp duty on brokers' notes which should yield £200,000. Since stock exchange operations form one of the basic, and at present most active, South African industries, these additional imposts appear to be shrewdly chosen. The one fault which will be found on this side with the latest South African Budget is that Mr Hofmeyr has not seen fit to remove the discriminatory income tax levied on non-resident shareholders, the one blot in the Union's fiscal record.

## Company Results

### English Electric Company.

|                             | 1941      | 1942      | 1943      |
|-----------------------------|-----------|-----------|-----------|
| Profit after taxation       | 515,321   | 559,370   | 570,582   |
| Depreciation                | 100,000   | 100,000   | 100,000   |
| Fees                        | 5,500     | 5,500     | 5,920     |
| Debt interest               | 47,217    | 46,310    | 45,316    |
| Preference dividend         | 73,830    | 73,830    | 73,830    |
| Ordinary shares:—           |           |           |           |
| <i>Earnings</i>             | 288,774   | 313,790   | 345,518   |
| <i>Paid (gross)</i>         | 192,251   | 231,718   | 235,915   |
| <i>Earnings %</i>           | 20.0      | 18.8      | 19.3      |
| <i>Paid %</i>               | 10        | 10        | 10        |
| General reserve             | 100,000   | 100,000   | 100,000   |
| Carry forward               | 51,018    | 53,030    | 62,631    |
| Net fixed assets            | 2,098,164 | 2,152,417 | 2,171,283 |
| Net inter-company items     | 318,131   | 828,660   | 947,038   |
| Net liquid assets           | 2,555,953 | 2,461,102 | 2,449,919 |
| Gross liquid assets         | 7,884,967 | 7,675,361 | 8,223,399 |
| Stocks and work in progress | 4,426,406 | 4,906,050 | 4,641,673 |

In 1942, English Electric acquired 90 per cent. of the ordinary shares of D. Napier and Son, the latter company exchanging their holdings for ordinary capital in English Electric. Since then the remaining shares have been acquired. These transactions explain the increase in the cost of a 10 per cent. dividend for 1942 and 1943, as well as the increase in the inter-company items for those years. The profits for 1942 and 1943, also, include dividend receivable from D. Napier and Son.

The £1 units of ordinary stock, standing at 50s. 9d., yield £3 18s. 10d. per cent.

## RECORDS and STATISTICS

### INVESTMENT

#### Stock Exchanges: London

##### "FINANCIAL NEWS" INDICES

| 1944    | Total<br>Bargains<br>in S.E.<br>List | Corres.<br>Day<br>1943 | Security Indices   |                   |
|---------|--------------------------------------|------------------------|--------------------|-------------------|
|         |                                      |                        | 30 Ord.<br>shares* | 20 Fixed<br>Int.† |
| Feb. 17 | 5,195                                | 4,898                  | 104.3              | 135.3             |
| " 18    | 5,209                                | 4,840                  | 104.6              | 135.3             |
| " 21    | 6,707                                | 6,087                  | 104.3              | 135.3             |
| " 22    | 4,860                                | 4,482                  | 104.4              | 135.4             |
| " 23    | 4,583                                | 4,307                  | 104.3              | 135.4             |

\* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1944: highest, 104.6 (Feb. 18); lowest, 103.2 (Jan. 3). 20 Fixed Int., 1944: highest, 135.4 (Feb. 23); lowest, 134.0 (Jan. 3).

### New York

#### (WEEKLY AVERAGES) (1936-35=100)

|                | 1943             |                    | Feb.<br>2,<br>1944 | Feb.<br>9,<br>1944 | Feb.<br>16,<br>1944 |
|----------------|------------------|--------------------|--------------------|--------------------|---------------------|
|                | Low<br>Jan.<br>6 | High<br>July<br>13 |                    |                    |                     |
| 37 Industrials | 81.1             | 133.5              | 96.1               | 95.1               | 95.7                |
| 32 Rails       | 72.6             | 99.9               | 94.7               | 93.1               | 96.9                |
| 40 Utilities   | 67.9             | 89.6               | 96.9               | 86.5               | 87.0                |
| 419 Stocks     | 78.5             | 100.9              | 94.6               | 93.6               | 94.4                |
| Av. yield %    | 5.36             | 4.35               | 4.74               | 4.70               | 4.77                |

\* Common Stocks.

(a) Aug. 25.

#### STANDARD STATISTICS INDICES

##### DAILY AVERAGE OF 50 COMMON STOCKS

| 1944    | Average | Transactions | 1944    | Average | Transactions |
|---------|---------|--------------|---------|---------|--------------|
| Feb. 11 | 115.8   | 845,000      | Feb. 15 | 115.7   | 1,026,000    |
| " 12    | Closed  | Closed       | " 16    | 115.4   | 872,000      |
| " 14    | 115.6   | 548,000      | " 17    | 116.1   | 902,000      |

1943: High, 125.4 (July 14). Low, 99.3 (Jan. 2). \* Two-hour session.

### Capital Issues

| Week ending<br>February 26, 1944                     | Nominal<br>Capital       | Con-<br>versions         | New<br>Money |
|------------------------------------------------------|--------------------------|--------------------------|--------------|
| By Permission to Deal                                | 30,000                   | ...                      | 33,750       |
| Particulars of Government issues appear on page 288. |                          |                          |              |
| Year†                                                | Including<br>Conversions | Excluding<br>Conversions |              |
| 1944                                                 | 152,746,515              | 142,453,859              |              |
| 1943                                                 | 193,178,576              | 185,873,076              |              |

#### Destination\*

| Year† | U.K.        | Brit. Emp.<br>ex. U.K. | Foreign<br>Countries | Deb.        | Prof.   | Ord.      |
|-------|-------------|------------------------|----------------------|-------------|---------|-----------|
| 1944  | 142,335,609 | 118,250                | Nil                  | 141,834,359 | 488,750 | 130,750   |
| 1943  | 185,085,478 | 787,800                | Nil                  | 181,329,317 | 478,595 | 4,065,164 |

\* Conversions Excluded. † Includes Government issues to February 15, 1944, only. Above figures include all new capital in which permission to deal has been granted.

### FINANCE AND BANKING

**THE MONEY MARKET.**—Supplies of credit have been abundant in the money market this week. Though tax revenue has again taken a heavy toll of resources, Government expenditure has also been on a fair scale. Floating debt borrowing has been small, the TDR payments of £45,000,000 required from the banks this week representing rather less than £10,000,000 of fresh money. The discount market obtained the relatively large allotment of 27 per cent. of its quota applications at last week's tender for Treasury bills, but it has found the outlet for bills with the clearing banks more than adequate to make room for the new bills taken up this week. The clearing banks have begun to buy April bills, this representing the longest maturity of paper bought from the market for some time past. The easier money market position is reflected in the exceptionally high total of £200,318,000 of bankers' deposits in this week's Bank return. This is an increase of £32,907,000 on the previous return, a movement balanced by an increase of £34,935,000 in Government securities. The explanation of these two movements may be sought, firstly, in the fact that transfers of revenue payments from the banks to the Exchequer tend to be made in the second half of the week; secondly, in the possibility of heavy Government disbursements being made rather earlier than had been planned, and therefore, requiring special assistance from the Bank. The consequent abnormal expansion in bank should be remedied within the next few days.

**MONEY RATES, LONDON.**—The following rates remained unchanged between Feb. 18th and Feb. 24th:—

Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days, 1½%; 3 months, 1½%; 4 months, 1½%; 6 months, 1½%; Treasury Bills: 2 months, 1-1½%; 3 months, 1-1½%; Day-to-day money, 1-1½%. Short Loans, 1-1½%. Bank deposit rates, ½%. Discount deposit at call, ½%; at notice, ½%.

**Exchange Rates.**—The following rates fixed by the Bank of England remained unchanged between Feb. 18th and Feb. 24th. (Figures in brackets are par of exchange).

United States, \$ (4.863) 4-024-034; mail transfers 4-821-034. Canada, \$ (4.863) 4-47; mail transfers 4-43-47. Switzerland, France (25.224) 17-30-40. French Empire, France 1974-2004. Syria, 16-81-85. Sweden, Krona (18.159) T.T. 16-85-95. Dutch West Indies, Florin (12.11) 7-58-62. Portugal, Escudos (110) 99-80-100-20; mail transfers 99-80-100-30. Panama, 54-02-04; mail transfers 4-02-04. Brazil, 83-64½ cr. (buying); mail transfers 83-56½. Uruguay, 7-6597 p. (buying).

**Fixed Rates for Payment at Bank of England for Clearing Office.** Spain Pesetas 44-00. Turkey, Piastres 520. Italy, 71-25 lrs.

**Market Rates.**—The following rates remained unchanged between Feb. 18th and Feb. 24th.

Egypt, Piastres (97½) 97½-98. India, Rupee (18d. per rupee) 17½-18½d. Belgian Congo, France 1764-1. China, National 43-3½. Iran, Rl. 124-130.

**Special Accounts** are in force for Chile, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London. Rate for payment into Argentine special account: 16-01 pesos.

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

(Continued on page 291)



## GOVERNMENT RETURNS

For the week ended Feb. 19, 1944, total ordinary revenue was £92,474,000, against ordinary expenditure of £122,785,000, and issues to sinking funds of £430,000. Thus, including sinking fund allocations of £12,092,000, the deficit accrued since April 1st is £2,450,486,000 against £2,536,590,000 for the corresponding period a year ago.

## ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

| Revenue                                  | Estimate<br>1943-44 | Receipts into the<br>Exchequer<br>(£ thousands) |                                   |                                   |                                   |
|------------------------------------------|---------------------|-------------------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
|                                          |                     | April 1<br>to<br>Feb. 20,<br>1943               | April 1<br>to<br>Feb. 19,<br>1944 | Week<br>ended<br>Feb. 20,<br>1943 | Week<br>ended<br>Feb. 19,<br>1944 |
|                                          |                     |                                                 |                                   |                                   |                                   |
| ORDINARY<br>REVENUE                      |                     |                                                 |                                   |                                   |                                   |
| Income Tax .....                         | 117,500             | 785,602                                         | 982,984                           | 51,722                            | 56,770                            |
| Sur-tax .....                            | 80,000              | 57,999                                          | 60,932                            | 3,180                             | 3,670                             |
| Estate, etc. ....                        | 100,000             | 82,861                                          | 85,910                            | 2,852                             | 1,723                             |
| Duties .....                             | 17,000              | 12,036                                          | 15,240                            | 400                               | 100                               |
| N.D.C. ....                              | 500,000             | 26,119                                          | 28,415                            | 820                               | 1,380                             |
| E.P.T. ....                              |                     | 303,224                                         | 421,038                           | 6,660                             | 7,180                             |
| Other Ind. Rev. ....                     | 1,000               | 780                                             | 728                               | 140                               | 70                                |
| Total Ind. Rev. ....                     | 187,500             | 1,268,215                                       | 1,595,247                         | 65,774                            | 70,893                            |
| Customs .....                            | 525,320             | 407,096                                         | 492,794                           | 8,692                             | 15,563                            |
| Excise .....                             | 450,180             | 379,000                                         | 425,200                           | 3,800                             | 4,700                             |
| Total Customs &<br>Excise .....          | 975,500             | 786,096                                         | 917,994                           | 12,492                            | 20,263                            |
| Motor Duties .....                       | 25,000              | 27,227                                          | 26,751                            | ...                               | ...                               |
| Canadian Govt.<br>Contribution .....     | ...                 | 224,719                                         | ...                               | ...                               | ...                               |
| P.O. (Net Re-<br>ceipts) .....           | 400                 | 11,750                                          | ...                               | Dr. 100                           | ...                               |
| Wireless Licences .....                  | 4,700               | 3,830                                           | 3,940                             | ...                               | ...                               |
| Crown Lands .....                        | 800                 | 870                                             | 950                               | ...                               | ...                               |
| Receipts from<br>Sundry Loans .....      | 4,100               | 3,315                                           | 6,383                             | ...                               | 18                                |
| Miscell. Receipts .....                  | 24,000              | 84,461                                          | 68,737                            | 520                               | 1,301                             |
| Total Ord. Rev. ....                     | 2,907,500           | 2,410,483                                       | 2,620,003                         | 78,186                            | 92,474                            |
| SELF-BALANCING<br>P.O. & Broadcast ..... |                     |                                                 |                                   |                                   |                                   |
| P.O. & Broadcast .....                   | 110,632             | 92,750                                          | 100,000                           | 2,350                             | 2,350                             |
| Total .....                              | 3,018,132           | 2,503,233                                       | 2,720,003                         | 80,536                            | 94,824                            |

| Expenditure                        | Estimate,<br>1943-44 | Issues out of the<br>Exchequer to meet<br>payments<br>(£ thousand:-) |                                         |                                      |                                      |
|------------------------------------|----------------------|----------------------------------------------------------------------|-----------------------------------------|--------------------------------------|--------------------------------------|
|                                    |                      | April<br>1<br>to<br>Feb.<br>20,<br>1943                              | April<br>1<br>to<br>Feb.<br>19,<br>1944 | Week<br>ended<br>Feb.<br>20,<br>1943 | Week<br>ended<br>Feb.<br>19,<br>1944 |
| ORDINARY<br>EXPENDITURE            |                      |                                                                      |                                         |                                      |                                      |
| Int. & Man. of<br>Nat. Debt...     | 375,000              | 287,738                                                              | 323,444                                 | 17,390                               | 15,451                               |
| Payments to N.<br>Ireland .....    | 9,500                | 6,962                                                                | 6,775                                   | ...                                  | ...                                  |
| Other Cons. Fund<br>Services ..... | 7,500                | 7,106                                                                | 6,915                                   | 35                                   | 34                                   |
| Total .....                        | 392,000              | 301,806                                                              | 337,134                                 | 17,425                               | 15,485                               |
| Supply Services                    | 5,466,751            | 4,634,360                                                            | 4,721,263                               | 108,900                              | 107,300                              |
| Total Ord. Exp.                    | 5,858,751            | 4,936,166                                                            | 5,058,397                               | 126,325                              | 122,785                              |
| SELF-BALANCING<br>P.O. & Broadcast |                      |                                                                      |                                         |                                      |                                      |
| Total .....                        | 110,632              | 92,750                                                               | 100,000                                 | 2,350                                | 2,350                                |
| Total .....                        | 5,969,383            | 5,028,916                                                            | 5,158,397                               | 128,675                              | 125,135                              |

A change has been made in the method of showing an excess of the Office Expenditure over Post Office Revenue. Such excess is now included as ordinary expenditure (under "Total Supply Services") instead of being shown, as up to July 24 inclusive, as a deduction from ordinary revenue.

After decreasing Exchequer balances by £8,106 to £3,159,961, the other operations for the week (no longer shown separately) raised the gross National Debt by £34,157,590 to £19,289 million.

| NET ISSUES (£ thousands) |       |
|--------------------------|-------|
| Defence Loans Act        | 2,397 |
| War Damage Act           | 900   |
| P.O. and Telegraph       | 200   |
|                          | 3,497 |

| NET RECEIPTS (£ thousands) |    |
|----------------------------|----|
| Trade Guarantees           | 72 |

## BANK OF ENGLAND RETURNS

FEBRUARY 23, 1944  
ISSUE DEPARTMENT

|                     |                                             |                |
|---------------------|---------------------------------------------|----------------|
| Notes Issued:       | Govt. Debt                                  | 11,015,100     |
| In Circulation      | Other Govt.                                 | 1,088,379,278  |
| In Bank, Department | Securities                                  | 593,738        |
|                     | Other Secs.                                 | 11,884         |
|                     | Silver Coin                                 |                |
|                     | Amt. of Fid. Issue                          | 11,000,000,000 |
|                     | Gold Coin & Bullion (at 168s. per oz. fine) | 241,718        |
|                     |                                             | 1100,241,718   |

## BANKING DEPARTMENT

|                |             |                      |             |
|----------------|-------------|----------------------|-------------|
| Props. Capital | 14,553,000  | Govt. Secs.          | 240,407,151 |
| Rest.          | 3,444,176   | Other Secs.          |             |
| Public Deps.   | 8,940,978   | Discounts & Advances | 2,102,004   |
| Other Deps.    | 200,318,395 | Securities           | 11,824,356  |
| Other Accts.   | 53,737,924  | Notes                | 16,930,360  |
|                | 254,056,319 | Gold & Silver Coin   | 879,442     |
|                |             |                      | 280,994,473 |

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

## COMPARATIVE ANALYSIS

| (£ millions)                    |       | 1943    |        |         |         |
|---------------------------------|-------|---------|--------|---------|---------|
|                                 |       | Feb. 24 | Feb. 9 | Feb. 16 | Feb. 23 |
| <b>Issue Dept.</b>              |       |         |        |         |         |
| Notes in circulation            | 917.4 | 1076.0  | 1075.8 | 1077.5  |         |
| Notes in banking department     | 32.8  | 24.2    | 24.5   | 22.8    |         |
| Government debt and securities* | 949.2 | 1099.4  | 1099.4 | 1099.4  |         |
| Other securities                | 0.7   | 0.6     | 0.6    | 0.6     |         |
| Silver Coin                     | 0.0   | 0.0     | 0.0    | 0.0     |         |
| Gold, valued at s. per fine oz. | 168.0 | 168.0   | 168.0  | 168.0   |         |
| Deposits:                       |       |         |        |         |         |
| Public                          | 7.1   | 11.2    | 8.7    | 8.9     |         |
| Bankers'                        | 178.2 | 162.0   | 167.4  | 200.3   |         |
| Others                          | 53.9  | 54.3    | 53.8   | 53.7    |         |
| Total                           | 239.2 | 227.5   | 229.9  | 262.9   |         |
| Banking Dept. Secs.:            |       |         |        |         |         |
| Government                      | 199.2 | 202.8   | 205.5  | 240.4   |         |
| Discounts, etc.                 | 5.1   | 2.0     | 2.2    | 2.1     |         |
| Other                           | 19.3  | 15.7    | 14.9   | 14.8    |         |
| Total                           | 223.6 | 220.5   | 222.6  | 257.3   |         |
| Banking depart. res.            | 33.6  | 25.0    | 25.3   | 25.7    |         |
| "Proportion"                    | 14.0  | 10.9    | 10.9   | 8.9     |         |

\* Government debt is £11,553,100; capital £14,553,000. Fiduciary issue raised from £1,050 million to £1,100 million on December 7, 1943.

## PROVINCIAL BANK CLEARINGS

| £ thousands  |        | Week Ended    |               |               |               |
|--------------|--------|---------------|---------------|---------------|---------------|
|              |        | Feb. 20, 1943 | Feb. 19, 1944 | Feb. 20, 1943 | Feb. 19, 1944 |
| Working days |        | 6             | 6             | 43            | 42            |
| Birmingham   | 2,087  | 1,756         | 21,478        | 14,006        |               |
| Bradford     | 1,156  | 1,694         | 16,435        | 14,001        |               |
| Bristol      | 661    | 651           | 5,477         | 5,173         |               |
| Hull         | 915    | 565           | 6,365         | 4,677         |               |
| Leeds        | 1,006  | 867           | 10,576        | 9,692         |               |
| Leicester    | 793    | 799           | 7,390         | 6,392         |               |
| Liverpool    | 3,833  | 4,976         | 32,630        | 38,050        |               |
| Manchester   | 11,263 | 2,954         | 98,049        | 25,668        |               |
| Newcastle    | 1,460  | 1,884         | 11,714        | 13,783        |               |
| Nottingham   | 600    | 364           | 4,659         | 3,242         |               |
| Sheffield    | 1,124  | 863           | 9,652         | 8,568         |               |
| Southampton  | 120    | 142           | 1,256         | 1,287         |               |
| 12 Towns     | 25,018 | 17,425        | 225,691       | 144,539       |               |
| Dublin*      | 6,772  | 7,631         | 54,606        | 56,823        |               |

\* February 13, 1943, and February 12, 1944.

## OVERSEAS BANK RETURNS

U.S. FEDERAL RESERVE  
Million \$'s

| 12 U.S.F.R. BANKS                           |        | Feb. 18, 1943 | Feb. 10, 1944 | Feb. 17, 1944 |
|---------------------------------------------|--------|---------------|---------------|---------------|
| <b>RESOURCES</b>                            |        |               |               |               |
| Gold certifs. on hand and due from Treasury | 20,442 | 19,480        | 19,417        | 19,374        |
| Total reserves                              | 20,877 | 20,103        | 20,031        | 19,986        |
| Total cash reserves                         | 399    | 357           | 351           | 347           |
| Total U.S. Govt. secs.                      | 5,795  | 11,781        | 11,169        | 11,394        |
| Total bills and sec.                        | 5,818  | 11,814        | 11,201        | 11,337        |
| Total resources                             | 28,567 | 33,819        | 32,958        | 33,815        |
| <b>LIABILITIES</b>                          |        |               |               |               |
| F.R. notes in circ.                         | 12,429 | 17,040        | 17,085        | 17,114        |
| Excess int. bank res.                       | 1,990  | 1,540         | 1,550         | 1,300         |
| Mr. bank res. dep.                          | 13,093 | 12,447        | 12,482        | 12,244        |
| Govt. deposits                              | 188    | 175           | 8             | 360           |
| Total deposits                              | 14,440 | 14,937        | 14,197        | 14,511        |
| Total liabilities                           | 28,567 | 33,819        | 32,958        | 33,815        |
| Reserve ratio                               | 77.0%  | 62.9%         | 64.0%         | 63.1%         |
| <b>BANK AND TREASURY RESOURCES</b>          |        |               |               |               |
| Monetary gold stock                         | 22,642 | 21,910        | 21,836        | 21,802        |
| Treasury & bank currency                    | 3,915  | 4,093         | 4,094         | 4,093         |
| <b>LIABILITIES</b>                          |        |               |               |               |
| Money in circulation                        | 15,845 | 20,534        | 20,586        | 20,610        |
| Treasury cash and dep.                      | 2,409  | 2,497         | 2,323         | 2,695         |

RESERVE BANK OF INDIA  
Million rupees

| ASSETS                         |       | Feb. 12, 1943 | Jan. 21, 1944 | Jan. 28, 1944 | Feb. 11, 1944 |
|--------------------------------|-------|---------------|---------------|---------------|---------------|
| <b>Gold coin &amp; bullion</b> |       | 444           | 444           | 444           | 444           |
| Rupee coin                     | 154   | 155           | 156           | 147           | 137           |
| Balances abroad                | 842   | 1,360         | 1,330         | 1,208         | 1,176         |
| Sterling securities            | 3,758 | 7,448         | 7,448         | 7,528         | 7,638         |
| Ind. Govt. rup. sec.           | 1,844 | 583           | 583           | 583           | 583           |
| Investments                    | 66    | 78            | 81            | 82            | 82            |
| <b>LIABILITIES</b>             |       |               |               |               |               |
| Notes in circ.                 | 6,097 | 8,543         | 8,537         | 8,631         | 8,706         |
| Deposits: Govt.                | 340   | 556           | 526           | 503           | 518           |
| Banks                          | 496   | 747           | 774           | 635           | 568           |
| Reserve ratio                  | 67.8% | 91.5%         | 91.5%         | 91.6%         | 91.8%         |

## AUSTRALIAN COMMONWEALTH BANK—Million £A's

| ASSETS                        |        | Dec. 21, 1942 | Dec. 6, 1943 | Dec. 20, 1943 | Dec. 1943 |
|-------------------------------|--------|---------------|--------------|---------------|-----------|
| <b>Gold and English ster.</b> |        | 31.39         | 40.54        | 40.54         | 41.79     |
| Other coin, bullion, etc.     | 8.34   | 11.63         | 11.94        | 9.63          |           |
| Call money, London            | 48.96  | 50.98         | 53.37        | 53.88         |           |
| Secs. and Treas. bills        | 163.24 | 234.87        | 235.92       | 239.72        |           |
| Discounts and advances        | 19.97  | 17.72         | 18.80        | 18.92         |           |
| <b>LIABILITIES</b>            |        |               |              |               |           |
| Notes issued                  | 122.11 | 159.01        | 159.26       | 162.76        |           |
| Deposits, etc.                | 161.51 | 170.78        | 174.68       | 174.33        |           |

BANK OF CANADA  
Million Can. \$'s

| ASSETS               |        | Jan. 15, 1943 | Jan. 29, 1943 | Jan. 5, 1944 | Jan. 12, 1944 |
|----------------------|--------|---------------|---------------|--------------|---------------|
| <b>Reserve: Gold</b> |        | 0.4           | 0.61          | 0.56         | 0.58          |
| Other                | 1005.7 | 1266.44       | 1268.81       | 1259.22      |               |
| <b>LIABILITIES</b>   |        |               |               |              |               |
| Note circulation     | 684.1  | 874.91        | 874.70        | 869.58       |               |
| Deposits: Dom. Govt. | 58.8   | 24.44         | 50.60         | 39.14        |               |
| Chartered banks      | 238.3  | 341.49        | 314.69        | 308.40       |               |

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

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

| ASSETS                     |       | Dec. 14, 1942 | Nov. 22, 1943 | Nov. 5, 1943 | Dec. 1943 |
|----------------------------|-------|---------------|---------------|--------------|-----------|
| <b>Gold and stg. exch.</b> |       | 1942          | 1943          | 1943         | 1943      |
| Advances to State          | 27.94 | 31.89         | 33.25         | 32.97        |           |
| Investments                | 4.46  | 38.39         | 38.40         | 38.40        |           |
| <b>LIABILITIES</b>         |       |               |               |              |           |
| Bank notes                 | 29.99 | 34.95         | 35.42         | 35.96        |           |
| Demand liab.: State        | 10.88 | 15.88         | 15.45         | 15.73        |           |
| Banks and others           | 18.53 | 29.53         | 28.89         | 29.29        |           |
| Reserve to sight liab.     | 47.0  | 39.6          | 40.5          | 40.76        |           |
|                            | %     | %             | %             | %            |           |

## BRITISH WHOLESALE PRICES

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        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| <b>CEREALS AND MEAT</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                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| <b>GRAIN, etc.</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     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| No. 1 N.Mt. 496 lb. f.o.b. St. J. ....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              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| Eng. Gaz. av. per cwt. (e) .....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                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| Flour per 280 lb.—                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     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| Straights d/d London .....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 38 3             | 38 3             |
| Barley Eng. Gaz. av. per cwt. (e) .....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                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## INDUSTRIAL PROFITS

TABLE I  
550 FOURTH QUARTER COMPANIES' GROSS PROFITS—  
NEW BASIS (IN £'000'S)  
(All figures gross)

|                                            | Year 3<br>Preceding<br>(1940) | Year 2<br>Preceding<br>(1941) | Year 1<br>Preceding<br>(1942) | Latest<br>Year<br>(1943) |
|--------------------------------------------|-------------------------------|-------------------------------|-------------------------------|--------------------------|
| All interest.....                          | 6,491                         | 6,438                         | 6,273                         | 6,001                    |
| Preference divs.....                       | 13,456                        | 13,147                        | 13,541                        | 13,370                   |
| Equity divs.....                           | 26,051                        | 25,315                        | 25,469                        | 26,683                   |
| Sub-totals.....                            | 45,998                        | 44,900                        | 45,283                        | 46,054                   |
| Free reserves and<br>carry forward.....    | 10,316                        | 8,686                         | 10,274                        | 13,264                   |
| Other savings.....                         | 1,409                         | 1,490                         | 1,932                         | 2,316                    |
| Profits before tax,<br>after E.P.T.....    | 57,723                        | 55,076                        | 57,489                        | 61,634                   |
| Per cent. of Year 3<br>preceding.....      | 100.0                         | 95.4                          | 99.6                          | 106.8                    |
| Rate of tax applied<br>in grossing up..... | 8/6                           | 10/-                          | 10/-                          | 10/-                     |

\* Redemption funds, deferred repairs, etc. (grossed up at corresponding rates of tax).

TABLE II  
GROSS PROFITS NEW BASIS  
BY ACCOUNTING PERIODS (IN £'000'S)

| Accounting<br>Date<br>Falling in | No.<br>of<br>Cos. | 1938    | 1939    | 1940    | 1941    | 1942    | 1943 |
|----------------------------------|-------------------|---------|---------|---------|---------|---------|------|
| 1st Quarter.....                 | 605               | 66,409  | 62,633  | 65,588  | 59,735  | 61,834  | ...  |
| 2nd Quarter.....                 | 425               | 39,068  | 39,151  | 38,025  | 39,491  | 38,411  | ...  |
| 3rd Quarter.....                 | 369               | 44,744  | 43,630  | 44,192  | 41,814  | 40,052  | ...  |
| 4th Quarter.....                 | 918               | 151,000 | 156,295 | 146,820 | 149,342 | 149,443 | ...  |
| Whole Year.....                  | 2,317             | 301,221 | 301,076 | 294,625 | 290,352 | 289,740 | ...  |

TABLE III  
INDEX OF GROSS PROFITS, BY ACCOUNTING PERIODS  
(Four Quarters; 1938=100. Geometric Basis)  
Based on Table II

|           | Accounting Period ended in | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter |
|-----------|----------------------------|-------------|-------------|-------------|-------------|
| 1939..... | 98.6                       | 98.6        | 98.0        | 99.0        | 99.0        |
| 1940..... | 101.4                      | 100.6       | 101.6       | 99.2        | 99.2        |
| 1941..... | 97.8                       | 97.5        | 95.5        | 97.3        | 97.3        |
| 1942..... | 100.7                      | 100.0       | 101.1       | 101.5       | 101.5       |
| 1943..... | 100.9*                     | 101.6*      | 104.0*      | ...         | ...         |

\* Provisional.

TABLE V  
DISTRIBUTION OF PROFITS AND RETURN UPON CAPITAL†

|                  | Proportion of Gross<br>Profits | Rate of Payment<br>(Gross) |                     |      |       |                |              |
|------------------|--------------------------------|----------------------------|---------------------|------|-------|----------------|--------------|
|                  | Prof. Div.                     | Ord. Div.                  | To Free<br>Reserves | Deb. | Prof. | Earned on Ord. | Paid on Ord. |
| 1941             | %                              | %                          | %                   | %    | %     | %              | %            |
| 1st quarter..... | 17.7                           | 73.1                       | 9.2                 | 4.5  | 6.1   | 16.3           | 14.5         |
| 2nd ".....       | 23.4                           | 65.9                       | 10.7                | 4.6  | 6.8   | 10.6           | 9.0          |
| 3rd ".....       | 25.7                           | 65.0                       | 9.3                 | 4.5  | 6.9   | 12.1           | 10.6         |
| 4th ".....       | 29.5                           | 54.1                       | 16.4                | 4.6  | 6.4   | 10.9           | 8.4          |
| Whole Year.....  | 23.4                           | 65.5                       | 11.1                | 4.5  | 6.6   | 12.4           | 10.6         |
| 1942             |                                |                            |                     |      |       |                |              |
| 1st quarter..... | 19.9                           | 71.3                       | 8.8                 | 4.2  | 6.9   | 17.0           | 15.1         |
| 2nd ".....       | 23.8                           | 63.4                       | 12.8                | 4.3  | 5.9   | 9.9            | 8.3          |
| NEW BASIS        |                                |                            |                     |      |       |                |              |
| 1st quarter..... | 17.6                           | 63.8                       | 18.6                | 4.7  | 6.0   | 17.3           | 13.4         |
| 2nd ".....       | 21.3                           | 54.6                       | 24.1                | 4.6  | 6.0   | 11.6           | 8.6          |
| 3rd ".....       | 20.8                           | 59.5                       | 19.7                | 4.8  | 6.3   | 12.0           | 10.0         |
| 4th ".....       | 25.6                           | 59.0                       | 24.4                | 4.9  | 6.4   | 14.1           | 9.4          |
| Whole Year.....  | 20.9                           | 56.8                       | 22.3                | 4.7  | 6.2   | 13.9           | 10.0         |
| 1943             |                                |                            |                     |      |       |                |              |
| 1st quarter..... | 18.3                           | 60.3                       | 21.4                | 4.7  | 6.2   | 18.5           | 13.3         |
| 2nd ".....       | 23.0                           | 60.5                       | 16.5                | 4.4  | 6.5   | 10.6           | 8.3          |
| 3rd ".....       | 18.4                           | 61.4                       | 20.3                | 4.6  | 6.2   | 15.9           | 11.9         |
| 4th ".....       | 24.0                           | 48.1                       | 27.9                | 5.0  | 6.3   | 15.8           | 10.0         |
| Whole Year.....  | 20.6                           | 57.7                       | 21.7                | 4.7  | 6.3   | 14.5           | 10.6         |

† Original 1941-42 figures based on adjusted net profits old basis. Subsequent figures.

TABLE IV  
INDEX OF NET REPORTED PROFITS, OLD BASIS.  
BY DATES OF PUBLICATION  
(Revised Geometric Basis)  
(Four Quarters ended June; 1936=100)

|           | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter |
|-----------|-------------|-------------|-------------|-------------|
| 1939..... | 129.3       | 125.2       | 124.4       | 121.6       |
| 1940..... | 120.7       | 120.8       | 116.8       | 115.1       |
| 1941..... | 112.9       | 104.7       | 101.0       | 98.6        |
| 1942..... | 96.5        | 94.4        | 95.4        | 93.1        |
| 1943..... | 93.8        | 93.5        | 93.8        | 94.3        |

TABLE VI  
PROFITS BY INDUSTRIAL GROUPS

| Group                                | No. of Cos. | Reported Net Profits (£'000's)<br>Old Basis |               | Computed Gross Profits (£'000's)<br>New Basis |               |
|--------------------------------------|-------------|---------------------------------------------|---------------|-----------------------------------------------|---------------|
|                                      |             | Preceding Year                              | Latest Year   | Preceding Year                                | Latest Year   |
| Financial Land . . . . .             | 56          | £ 2,023                                     | £ 2,205       | £ 3,557                                       | £ 4,548       |
| Trusts . . . . .                     | 61          | 1,677                                       | 1,711         | 4,334                                         | 4,341         |
| Canals and Docks . . . . .           | 2           | 45                                          | 76            | 86                                            | 158           |
| Electric Supply . . . . .            | 2           | 33                                          | <i>Dr.</i> 8  | 240                                           | 44            |
| Hotels, Restaurants . . . . .        | 8           | 100                                         | 285           | 393                                           | 546           |
| Newspapers, Publishing . . . . .     | 29          | 1,180                                       | 1,195         | 1,551                                         | 1,736         |
| Shipping . . . . .                   | 12          | 986                                         | 974           | 1,621                                         | 2,036         |
| Telegraphs and Telephones . . . . .  | 1           | 15                                          | 14            | 10                                            | 8             |
| Tramway and Omnibus . . . . .        | 2           | 49                                          | 84            | 28                                            | 96            |
| Warehousing . . . . .                | 6           | 270                                         | 295           | 351                                           | 604           |
| Oil . . . . .                        | 3           | 342                                         | 350           | 346                                           | 405           |
| Rubber . . . . .                     | 68          | 174                                         | 10            | 513                                           | 217           |
| Tea . . . . .                        | 29          | 521                                         | 469           | 689                                           | 540           |
| Breweries and Distilleries . . . . . | 46          | 5,780                                       | 5,727         | 9,805                                         | 9,984         |
| Food, Confectionery . . . . .        | 23          | 8,009                                       | 8,194         | 10,299                                        | 10,541        |
| Shops and Stores . . . . .           | 19          | 1,412                                       | 1,329         | 2,365                                         | 2,572         |
| Textiles . . . . .                   | 15          | 820                                         | 840           | 1,863                                         | 2,280         |
| Tobacco . . . . .                    | 15          | 882                                         | 1,079         | 1,607                                         | 2,011         |
| Building Materials . . . . .         | 12          | 566                                         | 546           | 1,334                                         | 1,350         |
| Electrical Equipment . . . . .       | 13          | 1,418                                       | 1,026         | 1,490                                         | 1,611         |
| Coal . . . . .                       | 5           | 416                                         | 425           | 851                                           | 869           |
| Iron and Steel . . . . .             | 14          | 1,618                                       | 1,628         | 3,393                                         | 3,485         |
| Motors, Cycles, Aviation . . . . .   | 25          | 1,729                                       | 1,762         | 3,244                                         | 3,436         |
| Shipbuilding . . . . .               | 6           | 579                                         | 593           | 980                                           | 1,060         |
| Engineering . . . . .                | 27          | 713                                         | 881           | 1,801                                         | 1,643         |
| Entertainments . . . . .             | 5           | 301                                         | 358           | 975                                           | 1,017         |
| Other Companies . . . . .            | 59          | 1,767                                       | 1,669         | 3,763                                         | 4,296         |
| <b>Totals . . . . .</b>              | <b>550</b>  | <b>33,535</b>                               | <b>33,717</b> | <b>57,489</b>                                 | <b>61,634</b> |

## THE ECONOMIST PROFIT FIGURES

The defects of company accounts and the complications of income-tax make it impossible to present statistics of profits in a simple, standardised form. The following definitions may assist the reader:—

(a) **Gross and Net Profits.**—Gross profits are profits before payment of standard income-tax (but after such other taxes as EPT and NDC). Net profits are profits after tax. In many cases, figures of gross profits can be calculated only by adding back what appear to be the appropriate amounts of tax to the net figures published.

(b) **Accounting Period and Reporting Period.**—Company reports are published some time after the end of the period in which the profits were earned. The figures can be grouped by the quarter in which they are published (i.e., by the reporting period) or by the quarter in which the company's financial year ends (i.e., by the accounting period).

(c) **Old Basis and New Basis.**—On the old basis the net profit consisted of preference and ordinary dividends as published, whether gross or net, plus actual allocations to free reserves. Total profit was the largest figure of the profit and loss account, excluding capital profits and transfers from reserves. The figure was struck before depreciation if that was disclosed. On the new basis no net profit figure is provided. It can be obtained by deducting from the gross the appropriate rate of tax. The gross profit is the gross total of interest and dividends plus additions to free reserves and other savings, both grossed up at the stated rate of tax.

## COMPANY RESULTS (February 9, 1944, to February 23, 1944)

| Company                                      | Year<br>Ended | Total<br>Profit   | Deprecia-<br>tion, etc. | Net<br>Profit<br>after Deb.<br>Interest | Available<br>for Dis-<br>tribution | Appropriate   |              |        |                     |                                  | Preceding Year  |               |              |
|----------------------------------------------|---------------|-------------------|-------------------------|-----------------------------------------|------------------------------------|---------------|--------------|--------|---------------------|----------------------------------|-----------------|---------------|--------------|
|                                              |               |                   |                         |                                         |                                    | Prof.<br>Div. | Ord.<br>Div. | Rate   | To Free<br>Reserves | + or -<br>in<br>Carry<br>Forward | Total<br>Profit | Net<br>Profit | Ord.<br>Div. |
| £                                            |               |                   |                         |                                         |                                    |               |              |        |                     |                                  |                 |               |              |
| Breweries, &c.                               |               |                   |                         |                                         |                                    |               |              |        |                     |                                  |                 |               |              |
| Boddingtons' Breweries .....                 | Dec. 31       | 144,140           |                         | 44,370                                  | 51,294                             | 16,500        | 24,750       | 7½     |                     | + 3,120                          | 123,753         | 43,510        | 7½           |
| Steward & Patterson .....                    | Nov. 6        | 435,696           | 33,647                  | 41,636                                  | 122,526                            | 3,750         | 37,500       | 12½    | 2,304               | - 1,918                          | 433,771         | 42,196        | 12½          |
| Canals, Docks, &c.                           |               |                   |                         |                                         |                                    |               |              |        |                     |                                  |                 |               |              |
| Smith's Dock Co. ....                        | Sept. 30      | 324,331           |                         | 45,133                                  | 67,948                             | 5,000         | 30,000       | 6      | 10,000              | + 5,133                          | 286,725         | 38,531        | 6            |
| Coal, Iron and Steel                         |               |                   |                         |                                         |                                    |               |              |        |                     |                                  |                 |               |              |
| Bolsover Colliery .....                      | Dec. 31       | 887,074           |                         | 381,134                                 | 531,163                            | 62,500        | 200,594      | 15     | 100,000             | + 18,040                         | 801,933         | 327,000       | 15           |
| Burnell & Co. ....                           | Dec. 31       | 45,006            | 6,000                   | 26,672                                  | 51,613                             | 10,401        | 7,500        | 15     | 7,000               | + 1,771                          | 50,055          | 21,631        | 15           |
| Mather & Platt .....                         | Dec. 31       | 168,388           |                         | 166,388                                 | 254,124                            | 20,000        | 136,366      | 10     |                     | + 10,022                         | 171,545         | 171,545       | 10           |
| Round Oak Steel Works .....                  | June 30       | 204,077           |                         | 64,452                                  | 94,610                             | 3,000         | 15,000       | 6      | 40,000              | + 6,452                          | 167,147         | 40,759        | 3            |
| Financial, Land, &c.                         |               |                   |                         |                                         |                                    |               |              |        |                     |                                  |                 |               |              |
| Mortgage Co. of the River Plate .....        | Dec. 31       | 91,340            |                         | 33,211                                  | 105,841                            | 7,740         | 10,875       | 7      | 14,000              | + 596                            | 85,801          | 37,837        | 7            |
| Porcellis Property & General Invest. ....    | Oct. 31       | 52,167            | 395                     | 306                                     | 2,824                              | 17,500        |              |        |                     | + 306                            | 50,979          | 952           | Nil          |
| Power Securities Corporation .....           | Dec. 31       | 113,632           |                         | 52,835                                  | 91,238                             | 17,500        | 24,000       | 6      |                     | + 11,335                         | 118,492         | 50,664        | 6            |
| Tobacco Securities Trust .....               | Oct. 31       | 415,238           |                         | 415,238                                 | 583,246                            |               | 426,666      | 15½    |                     | - 11,428                         | 478,704         | 478,704       | 15½          |
| Motor, Aviation, &c.                         |               |                   |                         |                                         |                                    |               |              |        |                     |                                  |                 |               |              |
| Parnall Aircraft .....                       | July 31       | 112,438           |                         | 24,042                                  | 36,191                             |               | 18,750       | 5      |                     | + 5,292                          | 103,083         | 13,883        | 5            |
| Rubber                                       |               |                   |                         |                                         |                                    |               |              |        |                     |                                  |                 |               |              |
| Aboyne-Clyde Rubber of Ceylon .....          | June 30       | 15,829            |                         | 512                                     | 1,369                              |               |              |        |                     | + 512                            | 14,702          | Dr. 2,588     | Nil          |
| Asahan Rubber Estates .....                  | July 31       | 2,428             |                         | 280                                     | 8,483                              |               |              |        |                     | + 280                            | 10,942          | Dr. 1,196     | Nil          |
| Bukit Selangor Rubber .....                  | Mar. 31       | 66                |                         | Dr. 1,447                               | 14,504                             |               |              |        |                     | - 1,447                          | 7,475           | 3,104         | Nil          |
| Padang Senang Rubber .....                   | Sept. 30      | 1,339             |                         | 488                                     | 11,050                             |               |              |        |                     | + 488                            | 3,324           | Dr. 655       | Nil          |
| Shipping                                     |               |                   |                         |                                         |                                    |               |              |        |                     |                                  |                 |               |              |
| British & Burmese Steam Navigation .....     | Dec. 31       | 210,583           | 48,700                  | 21,883                                  | 27,581                             | 2,667         | 19,500       | 5      |                     | - 284                            | 362,276         | 18,376        | 5            |
| Isle of Man Steam Packet .....               | Dec. 31       | 368,448           | 20,791                  | 41,800                                  | 62,403                             |               | 42,000       | 7      |                     | - 200                            | 503,128         | 40,016        | 7            |
| Shops and Stores                             |               |                   |                         |                                         |                                    |               |              |        |                     |                                  |                 |               |              |
| Lewis's Limited .....                        | Feb. 1        | 831,065           | 10,000                  | 692,810                                 | 739,145                            | 296,100       | 359,633      | 275    | 25,000              | + 12,077                         | 802,452         | 640,497       | 250          |
| Randall (H. E.) Limited .....                | Dec. 25       | 25,564            | 5,125                   | 18,439                                  | 68,848                             | 5,100         | 14,438       | 8½     |                     | - 1,044                          | 25,424          | 18,132        | 7½           |
| Woolworth (F. W.) & Co. ....                 | Dec. 31       | 5,595,339         |                         | 1,806,060                               | 8,882,841                          | 150,000       | 1,500,000    | 40     |                     | + 156,060                        | 6,093,640       | 2,043,987     | 50           |
| Textiles                                     |               |                   |                         |                                         |                                    |               |              |        |                     |                                  |                 |               |              |
| Ashton Brothers & Co. ....                   | Jan. 1        | 141,741           | 14,529                  | 19,752                                  | 44,782                             | 2,700         | 8,100        | 7½     | 8,000               | + 952                            | 114,982         | 18,679        | 7½           |
| Bennett (James) & Co. (Warrington) .....     | Dec. 19       | 32,708            | 1,394                   | 9,568                                   | 9,711                              |               | 8,000        | 10     | 1,500               | + 63                             | 35,954          | 9,143         | 10           |
| English Velvet and Cord Dyers .....          | Dec. 31       | 38,137            | 14,236                  | 17,957                                  | 30,877                             | 5,297         | 6,527        | 3      |                     | + 6,133                          | 22,331          | 3,546         | Nil          |
| Lister & Co. ....                            | Nov. 30       | 193,065           |                         | 57,807                                  | 80,552                             | 15,000        | 28,500       | 4      |                     | + 14,307                         | 216,521         | 52,753        | 4            |
| Morley (I. & R.) .....                       | Dec. 31       | 212,359           |                         | 91,680                                  | 116,388                            | 35,000        | 45,000       | 5      | 15,000              | - 3,320                          | 401,031         | 90,531        | 5            |
| Wilkinson & Riddell .....                    | Dec. 31       | 41,997            |                         | 34,164                                  | 61,312                             | 5,200         | 27,000       | 12     |                     | + 1,964                          | 41,661          | 33,884        | 12           |
| Tramway and Omnibus                          |               |                   |                         |                                         |                                    |               |              |        |                     |                                  |                 |               |              |
| Bristol Tramways and Carriage .....          | Dec. 31       | 861,389           |                         | 198,905                                 | 229,439                            | 20,000        | 155,031      | 10     | 25,000              | - 1,126                          | 899,829         | 210,327       | 10           |
| Trusts                                       |               |                   |                         |                                         |                                    |               |              |        |                     |                                  |                 |               |              |
| Bay Hall Trust .....                         | Dec. 31       | 119,009           |                         | 84,726                                  | 174,738                            |               | 70,966       | 7      |                     | + 13,760                         | 110,862         | 79,964        | 6½           |
| Birmingham & District Invest. Trust .....    | Dec. 31       | 383,565           |                         | 182,552                                 | 472,078                            | 25,190        | 47,581       | 8½     | 20,000              | + 89,781                         | 372,032         | 154,387       | 8½           |
| British Investment Trust .....               | Jan. 1        | 313,886           |                         | 107,694                                 | 275,064                            | 39,219        | 60,125       | 11½    | 8,350               | + 302,856                        | 302,856         | 101,060       | Nil          |
| Edinburgh and Canadian Investment .....      | Jan. 15       | 12,318            |                         | 5,383                                   | 12,003                             | 2,500         |              |        |                     | + 2,883                          | 11,824          | 4,447         | Nil          |
| Equatorial Trust .....                       | Dec. 31       | 29,225            |                         | 10,028                                  | 42,603                             |               | 9,552        | 3½     | 3,268               | - 2,792                          | 32,597          | 12,470        | 3½           |
| Foreign & Colonial Investment Trust .....    | Jan. 10       | 167,130           |                         | 72,988                                  | 125,601                            | 37,500        | 26,250       | 3½     | 9,000               | + 238                            | 158,964         | 70,541        | 3½           |
| General Consolidated Investment .....        | Dec. 31       | 94,584            |                         | 30,811                                  | 56,010                             | 9,750         | 14,000       | 7      | 5,000               | + 2,061                          | 88,197          | 26,759        | 7            |
| Glasgow Stockholders' Trust .....            | Jan. 2        | 63,117            |                         | 14,698                                  | 26,741                             | 10,937        | 2,917        | 2      |                     | + 844                            | 58,791          | 12,513        | 1            |
| Great Northern Investment Trust .....        | Nov. 30       | 166,835           |                         | 46,791                                  | 113,640                            | 23,250        | 17,050       | 5½     | 5,000               | + 1,491                          | 164,728         | 46,217        | 5            |
| Guardian Investment Trust .....              | Jan. 20       | 44,759            |                         | 24,814                                  | 52,922                             | 11,719        | 11,719       | 4½     |                     | + 1,376                          | 42,811          | 22,872        | 4½           |
| London Stockholders' Invest. Trust .....     | Dec. 31       | 34,789            |                         | 19,510                                  | 30,712                             | 9,900         | 8,100        | 3      | 1,000               | + 510                            | 35,053          | 17,744        | 2½           |
| River Plate & General Investment .....       | Dec. 31       | 62,382            |                         | 24,736                                  | 86,501                             | 6,522         | 14,495       | 10     | 3,000               | + 510                            | 68,857          | 33,206        | 10           |
| Romaney Trust .....                          | Dec. 31       | 15,571            |                         | 39,272                                  | 6,615                              | 6,645         | 5,750        |        | 7,500               | - 5,184                          | 128,100         | 33,700        | 5            |
| Scottish United Investors .....              | Dec. 31       | 134,876           |                         | 37,155                                  | 69,316                             | 18,900        | 12,600       | 5      | 20,000              | - 14,345                         | 128,100         | 33,700        | 5            |
| Sterling Trust Limited .....                 | Dec. 31       | 205,438           |                         | 50,104                                  | 130,287                            | 22,604        | 20,343       | 4½     | 46,552              | - 39,395                         | 192,029         | 44,080        | 4½           |
| United States and General Trust .....        | Dec. 31       | 130,976           |                         | 57,437                                  | 88,177                             | 40,600        | 17,064       | 6      |                     | - 127                            | 129,299         | 66,440        | 6            |
| Winterbottom Trust .....                     | Dec. 15       | 47,399            |                         | 21,897                                  | 46,692                             | 15,625        | 3,125        | 1½     | 3,000               | + 147                            | 43,888          | 20,452        | Nil          |
| Waterworks                                   |               |                   |                         |                                         |                                    |               |              |        |                     |                                  |                 |               |              |
| East Worcestershire Waterworks .....         | Dec. 31*      | 19,247            |                         | 4,571                                   | 21,631                             | 1,181         | 2,000        | 10     | 1,250               | + 140                            | 18,574          | 5,114         | 10           |
| Other Companies                              |               |                   |                         |                                         |                                    |               |              |        |                     |                                  |                 |               |              |
| Barnes (James) Limited .....                 | Nov. 30       | 25,624            | 1,326                   | 9,595                                   | 24,693                             | 2,500         | 5,000        | 20     |                     | + 2,095                          | 27,923          | 10,214        | 20           |
| Barrow, Heppner & Gale .....                 | Jan. 1        | 59,614            |                         | 38,575                                  | 138,655                            | 27,000        | 10,500       | 6      |                     | + 1,076                          | 66,878          | 48,320        | 6            |
| Bluestone & Elvin .....                      | Dec. 31       | 67,759            | 2,186                   | 26,441                                  | 31,228                             | 4,000         | 11,250       | 15     | 10,000              | + 691                            | 60,455          | 16,191        | 15           |
| Bolding (John) & Sons .....                  | Dec. 31       | 27,671            | 2,968                   | 9,403                                   | 37,151                             | 875           | 6,000        | 12     |                     | + 2,528                          | 23,593          | 8,923         | 12           |
| Boker Brothers, McConnell & Co. ....         | June 30       | 165,911           |                         | 104,101                                 | 147,022                            | 33,335        | 80,811       | 10     |                     | - 10,045                         | 185,774         | 124,391       | 10           |
| Bradbury, Grotton & Co. ....                 | Jan. 6        | 57,943            |                         | 46,335                                  | 112,740                            | 12,000        | 32,610       | 9      |                     | + 1,666                          | 58,838          | 46,200        | 9            |
| British Industrial Plastics .....            | Sept. 30      | 327,548           | 14,426                  | 20,629                                  | 27,325                             | 3,482         | 17,175       | 8      | 500                 | + 1,471                          | 295,799         | 20,050        | 8            |
| English Clays—Lovington Pochin & Co. ....    | Sept. 30      | 257,669           |                         | 66,490                                  | 27,918                             | 6,490         | 27,918       | 2      | 15,000              | + 345                            | 261,082         | 59,799        | 2            |
| English Electric Co. ....                    | Dec. 31       | 570,582           | 100,000                 | 419,346                                 | 472,376                            | 73,830        | 235,915      | 10     | 100,000             | + 9,685                          | 559,370         | 407,560       | 10           |
| Freder Crepe Paper Mills .....               | Dec. 31       | 12,761            |                         | 2,835                                   | 3,434                              | 2,750         |              |        |                     | + 85                             | 9,181           | Dr. 1,668     | Nil          |
| Gilbert (D. M.) & Co. ....                   | Sept. 30      | 6,217             |                         | Dr. 1,232                               | 6,314                              |               | 2,510        | 2½     |                     | - 3,742                          | 17,801          | 9,918         | 7½           |
| Gossard Limited .....                        | Nov. 30       | 37,634            | 2,193                   | 11,139                                  | 14,189                             | 2,043         | 4,050        | 6      | 3,801               | + 1,245                          | 37,605          | 10,539        | 6            |
| Hecht, Lewis & Kahn .....                    | Mar. 31       | 21,998            | 281                     | 12,572                                  | 85,979                             | 11,036        |              |        |                     | + 1,536                          | 54,991          | 40,344        | 5            |
| Imperial Tobacco (Co. Brit. & Ireland) ..... | Oct. 31       | 15,962,242        |                         | 7,677,242                               | 9,378,274                          | 434,982       | 6,573,534    | 17½    | 500,000             | + 168,726                        | 15,150,338      | 7,541,336     | 17½          |
| Improved Wood Pavement Co. ....              | Dec. 31       | 21,498            | 808                     | 8,439                                   | 11,301                             |               | 9,019        | 7½     |                     | + 420                            | 19,085          | 4,911         | 5            |
| Jackson Bros. (of Kington) .....             | Dec. 31       | 68,190            | 3,692                   | 13,428                                  | 54,401                             | 1,950         | 8,171        | 25     |                     | + 1,697                          | 89,368          | 12,006        | 25           |
| Liverpool Daily Post, &c. ....               | Dec. 31       | 316,427           |                         | 94,383                                  | 187,983                            | 5,000         | 87,500       | 25     |                     | + 1,883                          | 296,438         | 90,106        | 25           |
| Manchester Corn, &c., Exchange .....         | Dec. 31       | 25,766            |                         | 5,954                                   | 118,197                            |               |              |        | 69,408              | - 63,458                         | 25,365          | 809           | Nil          |
| Manchester Royal Exchange .....              | Dec. 31       | 62,670            | 6,730                   | 5,008                                   |                                    |               |              |        |                     | + 50,614                         | Dr. 2,905       | 21,302        | Nil          |
| Midland Woodworking Co. ....                 | Mar. 31       | 55,614            |                         | 12,417                                  | 69,657                             | 3,750         | 5,000        | 10     | 25,000              | - 21,333                         | 31,409          | 2,302         | 10           |
| Outram (George) & Co. ....                   | Dec. 31       | 102,995           |                         | 80,479                                  | 115,965                            |               | 65,717       | 30     | 20,000              | - 5,238                          | 105,099         | 79,383        | 30           |
| Packing Materials Associations .....         | Sept. 30      | 28,443            | 3,000                   | 13,143                                  | 16,005                             | 5,528         | 2,643        | 10     | 5,000               | - 28                             | 21,714          | 331           | 7½           |
| Phillips (J. & N.) & Co. ....                | Jan. 19       | 92,040            | 8,461                   | 80,422                                  | 84,322                             | 60,667        | 11,000       | 2      | 10,000              | - 345                            | 70,732          | 54,320        | Nil          |
| Radiolin's Edible Products .....             | Sept. 30      | 7,218             | 715                     | 1,647                                   | 2,506                              | 1,800         | 390          | 12½    |                     | - 543                            | 12,272          | 5,455         | 50           |
| Sheffield Cabinet Co. ....                   | Dec. 31       | 10,902            | 320                     | 3,882                                   | 5,098                              | 1,950         | 1,200        | 6      |                     | + 732                            | 9,042           | 2,983         | 5            |
| Squirrel Confectionery Co. ....              | Dec. 31       | 24,313            | 1,052                   | 11,474                                  | 11,449                             | 312           | 5,500        | 20     | 2,000               | + 662                            | 21,628          | 4,595         | 20           |
| Venesta Limited .....                        | Oct. 30       | 485,592           | 18,505                  | 124,565                                 | 196,544                            | 14,146        | 21,971       | 10     | 100,000             | - 12,062                         | 400,598         | 242,280       | 10           |
| Weyburn Engineering .....                    | June 31       | 47,415            | 12,309                  | 16,506                                  | 19,335                             | 1,800         | 10,500       | 35     | 5,000               | - 774                            | 46,338          | 18,583        | 35           |
| White (John) Impregnable Boots .....         | Dec. 31       | 45,569            |                         | 17,538                                  | 22,290                             | 3,275         | 10,937       | 17½    | 2,952               | + 974                            | 31,047          | 31,047        | 17½          |
| Whiteways Cyder Co. ....                     | Nov. 30       | 270,104           |                         | 43,871                                  | 89,033                             | 4,500         | 22,500       | 22½    | 15,000              | + 1,871                          | 267,507         | 49,514        | 22½          |
| Totals (000's)                               |               |                   |                         |                                         |                                    |               |              |        |                     |                                  |                 |               |              |
| February 9, 1914, to February 23, 1914       |               | No. of Cos.<br>76 | 32,509                  | 373                                     | 14,089                             | 25,831        | 1,704        | 10,755 |                     | 1,264                            | 32,742          | 14,158        |              |
| January 1, 1914, to February 23, 1914        |               | 204               | 52,311                  | 1,828                                   | 22,876                             | 41,249        | 3,793        | 16,884 |                     | 1,835                            | 52,167          | 21,980        |              |



(Continued from page 291)

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

|                      | Feb.<br>17,<br>1944 | Feb.<br>18,<br>1944 | Feb.<br>21,<br>1944 | Feb.<br>22,<br>1944 | Feb.<br>23,<br>1944 |
|----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Crops .....          | 123.1               | 123.1               | 123.1               | 123.2               | 123.2               |
| Raw materials .....  | 185.5               | 185.5               | 185.5               | 185.5               | 185.5               |
| Complete Index ..... | 151.1               | 151.1               | 151.1               | 151.2               | 151.2               |

|                      | Mar.<br>31,<br>1937* | Aug.<br>31,<br>1939 | Feb.<br>23,<br>1943 | Jan.<br>24,<br>1944 | Feb.<br>16,<br>1944 |
|----------------------|----------------------|---------------------|---------------------|---------------------|---------------------|
| Crops .....          | 147.9                | 92.2                | 115.7               | 123.0               | 123.1               |
| Raw materials .....  | 207.3                | 122.9               | 172.7               | 185.5               | 185.5               |
| Complete Index ..... | 175.1                | 106.4               | 141.4               | 151.1               | 151.1               |

\* Highest level reached during 1932-37 recovery.

## COST OF LIVING INDEX

July, 1914=100

| First Day<br>of Month | Food | Rent | Clothing | Fuel and<br>Light | Other<br>Items | Total |
|-----------------------|------|------|----------|-------------------|----------------|-------|
| Sept., 1939.....      | 138  | 162  | 205-210  | 180-185           | 180            | 155   |
| " 1940.....           | 166  | 164  | 295      | 212               | 219            | 187   |
| " 1941.....           | 166  | 164  | 380-385  | 228               | 230            | 199   |
| " 1942.....           | 160  | 164  | 395-400  | 240               | 265            | 200   |
| " 1943.....           | 166  | 164  | 345      | 244               | 291            | 198   |
| Dec., 1942.....       | 164  | 164  | 375-380  | 241               | 268            | 200   |
| Jan., 1943.....       | 164  | 164  | 370      | 244               | 268            | 199   |
| Dec., 1943.....       | 168  | 164  | 340-345  | 244               | 291            | 199   |
| Jan., 1944.....       | 168  | 164  | 340-345  | 244               | 291            | 199   |
| Feb., .....           | 168  | ...  | ...      | ...               | ...            | 200   |

Source: Ministry of Labour Gazette.

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|                                             |                     |
|---------------------------------------------|---------------------|
| As at 30th June, 1943—General Bank Balances | £287,573,348        |
| Savings Bank Balances                       | 221,004,531         |
| Note Issue Department                       | 149,495,942         |
| Rural Credits Department                    | 2,464,150           |
| Other Items                                 | 21,990,375          |
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Published weekly by THE ECONOMIST NEWSPAPER, LTD.,

THE  
ECONOMIST

ESTABLISHED 1843

Vol. CXLVI No. 5245

REGISTERED AS  
A NEWSPAPER

MARCH 4, 1944

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

The Parties' Dilemma - - - 293

A Policy for Germany - - - 294

South Wales in Transition - 296

NOTES OF THE WEEK - - - 298

Time in Finland; Frontiers and Independence;  
Church Schools; RAF Report; Monte Cassino  
and After; Yet Another Argentine Regime; A  
Difficult Course; Coal Consumption; From War  
to Peace; Care for the Aged; A New Means Test;  
The Academic Chairs; Shorter Notes.

AMERICAN SURVEY - - - 303

Water in Dry Land; Uncertainties About Labour;  
Congress vs. President; 1943 Films; Shorter Notes.

THE WORLD OVERSEAS - - - 306

A Fascist Swan Song; Empire Wool Problems.

LETTERS TO THE EDITOR - - - 309

How Many Houses?; Miners' Earnings; Powell  
Duffryn Amalgamation.

THE ECONOMIST, BRETTEHAM HOUSE, LANCASTER PLACE, LONDON, W.C.2.

Army Education - - - 297.

Water in Dry Land - - - 303

Relics of Dear Money - - - 310

## THE BUSINESS WORLD

BUSINESS NOTES - - - 311

Banks and the Small Trader; Industrial Banking in  
Canada; "Blitzed" Equities; Location of Industry;  
Advertising in the Press; In Defence of Mr. Rank;  
The Indian Budget; The Client's Interest; February  
Debt Changes; Department Store Results; Crosses  
and Winkworth Scheme; Road Transport Organi-  
sation; Heating the Home; Miners' Welfare; The  
Herring Industry; Canadian Company Profits; East  
African Currency Board; Rubber Supplies; Another  
Brewery Conversion; Shorter Notes; Company  
Result.

COMPANY MEETINGS - - - 318

RECORDS AND STATISTICS - - - 320

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## The Parties' Dilemma

THE Independent candidate did not win the by-election  
at Bury St. Edmunds. But she gave the official  
nominee a run for his money and polled 44 per cent of  
the votes cast. The result will not do very much to alter  
the atmosphere of latent crisis in party circles—an atmo-  
sphere that has rather been heightened by the long  
deliberations of the Labour Party executive and by the  
open declaration of the newly-elected Liberal President  
in favour of ending the party truce.

As is always the case in party warfare, the words that  
are being used bear only a distorted relation to the truth.  
There is, for example, much talk of "disloyalty," when  
all that is in question is the best way of giving expression  
to the will of the people. Much play is made with the  
pleasure that the election of such-and-such a candidate  
will give to Dr Goebbels, or alternatively to Marshal  
Stalin, when none of the contests has shown any likelihood  
of altering the action of Britain towards either its allies or  
enemies. There is, finally, much invocation of "national  
unity." This is the most curious cry of all, for if by unity  
meant complete agreement on all political questions  
manifestly does not exist and cannot be created by  
refusing to admit the fact, while if by unity is meant united  
concentration on the primary aim of winning the war, no  
one but the fanatics is trying to disturb it.

The real explanation of what is happening is not to be

found in such high-falutin' phraseology; it is more simple.  
The party politician is caught in a dilemma. On the one  
hand, the leaders of all the major parties in the country  
are in the Government, and no one wants them out of the  
Government. It is a necessary part of the mechanism of the  
British constitution that they should be supported by their  
parties. But, on the other hand, the electorate shows a  
distressing tendency to vote against the candidates put  
forward by this all-party Government. It is not merely the  
nature of the politician to seek votes, but his duty, and he  
is naturally disturbed by the evidence that the voter does  
not like what he is doing. Just what it is that the voter  
objects to is not quite so clear. Like Alice, he is in that  
state of mind that he wants to deny something, only he  
does not know what to deny, "a nasty, vicious frame of  
mind," the Red Queen called it. So the party politicians  
run round like the mice in some of the psychologists' more  
tantalising experiments, very worried but unable to find  
the way out.

The *malaise* affects the politicians of the Left in the  
greatest degree. For whatever may be obscure about the  
public mood, it is clearly one of reaction against the habits  
of mind and action that ruled the country in the twenty  
years between the wars—in short, against Baldwinian or  
Chamberlainite Toryism. The Left parties consequently  
think that they have nothing to lose and much to gain

from a resumption of party politics, and though the party leaders are standing very firm, there is an increasing number of breakaways—by-election candidates who are orthodox Liberals or Labour men save for the formal label of "Independence" they hang round their necks.

But it would be wrong to suppose that the Tories are wholly on the defensive. There is, admittedly, a trend away from Baldwinism. But that does not necessarily mean that there is a trend to Labour. There are two possible cleavages of opinion—between the Right and the Left, and between the Old and the New—and there is some evidence that the voter's objection to Old Guard Toryism is not that it is Right, but that it is Old. It is certainly true that there are no signs of any enthusiasm for Labour. On one of the few occasions when the matter has been tested, at Kirkcaldy, very nearly as many electors voted for an extreme brand of Scottish Nationalism as for the official Labour candidate. And certainly, if the question is between the Old and the New, there can be nothing much Older than the Labour Party—unless it be the Trade Unions.

Moreover, the practical politicians of the Conservative Party have another argument. It is one thing to vote for the Independent at a by-election, or to vote Labour rather than Conservative in a Gallup Poll. It would be an entirely different thing to vote for Attlee rather than Churchill, which would be the issue at a General Election. The Tories are watching the tricks being taken against them, and their trumps can be played only in a General Election. So they, too, are getting restless.

Several ingenious compromise plans are being put forward. For example, it has been suggested that the parties should fight each other in the by-elections, but continue to collaborate at Westminster. This, it is true, appears to be what the electorate wants the politicians to do. But it is asking too much. It would work only if contested by-elections did not usually result in any change in party representation. But if, as seems probable, contested by-elections in present circumstances led to heavy losses of seats by one party (whether or not they were won by the other), the basis of the coalition at Westminster would certainly be undermined. Another proposal often put forward (though more frequently for application immediately

after the armistice than while the German war is still going on) is that the coalition should be dissolved, a general election held and the coalition promptly reformed. But, apart altogether from the inevitable post-election recriminations, how is it supposed that this would alter anything? Can it be imagined that some re-shuffle of the party representation in the Commons and the Government would effect any change in policy? The Labour Party may be able to win more seats, but what it needs is more characters.

There is, in fact, no escape from the dilemma. Either the coalition and its necessary counterpart, the electoral truce, will continue, or else there will be a return to one-party government with a General Election to settle which party it shall be. It is highly unlikely that there is any way of evading this dogmatism. What is not quite so certain is which of the two is preferable. It has always been asserted, as a matter that required no proof, that an all-party coalition is the proper form of government for war-time. But of all the democratic belligerents, Great Britain is the only one to prefer this solution. A return to party government would probably not be an unmitigated disaster. But it would certainly have its disadvantages. It would be a pity to lose Mr Bevin and Mr Morrison or Mr Eden and Sir John Anderson, let alone the Prime Minister himself. Though there can be no certainty, there can be very little doubt that a continuance of the present coalition, at least until Hitler is disposed of, is the best procedure.

This means that the electoral truce must be maintained, and that anyone with any sense of responsibility should assist in its maintenance. It does not mean that the electorate can safely be treated in the contemptuous way that has been all too frequently in evidence; they must be given good candidates and a policy of more than hero-worship. Nor does it mean that the present arrangement either can or should continue beyond the German armistice. Nor, least of all, does it mean that the two major parties should comfort themselves with the belief that the future lies between them. For the real root of the dilemma lies in the fact that there is no party in the land which in policy and personalities, in creed and competence combined, meets the wishes of the people.

## A Policy for Germany

MR CHURCHILL'S statement to Parliament on February 23rd suggested—what was in any case the general assumption—that the Conference at Teheran discussed the peace terms to be imposed on Germany. It is reported, too, that the European Commission is at work on the formulation of agreed terms. Obviously, the policy adopted towards Germany will be the core of the peace. Germany's central position between eastern and western Europe will give it ground for balancing and manoeuvring between Russia and Great Britain, if by the end of the conflict they have failed to concert their policy. After the last war, there was suspicion and misunderstanding between France and Britain from the first days of the peace because the attempt to achieve an agreed policy broke down. There were ambiguities in the Treaty—or at least there were serious differences between the interpretations put upon it by the British and the French, and when, in 1923, the French, acting, as they maintained, in accordance with the Treaty, imposed sanctions single-handed in the Ruhr, they aroused a storm of righteous indignation in Britain which Hitler was still able to exploit thirteen years later when he remilitarised the Rhineland. Nothing undermined the Anglo-French entente so potently as the growing divergence of views over Germany in the two countries. If Russia, Britain, and the United States fail to agree on their treatment of Germany, if they fail to embody that agreement without ambiguity in a treaty, and if they fail to enforce the treaty they have written, then the second German Peace will go the way of the first.

It is not merely a matter of agreeing on the terms of a treaty at the moment of signature. Much more vitally,

it is a matter of securing agreed enforcement of those terms. The settlement with Germany will be built to last. Its terms will have to stand the test of ten, twenty, thirty years' change in mood and power. If the peace settlement is such that by 1955 or 1965 any one of the victorious Great Powers is unwilling to use force to resist its violation, the tragedy of the 1920s and 1930s will be repeated. The need for mutual enforcement removes the problem from the plane of the imponderables—the degree of guilt of all Germans or most Germans or some Germans, their "rights" or lack of rights—and brings it down to a level on which the British politician is completely at home. For one of the limiting factors on mutual enforcement is what the British people are likely to accept in the burdens of enforcement. The politician is dealing here with something of which he has twice had experience in thirty years—the degree of willingness of the average citizen to go to war, and his views, when he is at peace, on what constitutes a reason for going to war or preparing for war. This is the test to which the peace terms for Germany must be submitted—the foreseeable reactions of ordinary people in ten years' time. Sixteen years after Versailles, they would not go to war to prevent the rearmament of Germany. Seventeen years after Versailles, they gave Hitler some emotional support when he reoccupied the Rhineland. The British mentality—and to a lesser extent the American—has no doubt been modified by the horrors perpetrated by Hitler. The British would now resist some infractions of the settlement which they previously treated with complacency. But how many? And in how many would they get support from America? For how many things will

it be possible to get the two peoples to take up arms when some new Baldwin sits in Downing Street and some new Coolidge in the White House? The answer will be somewhat different in the 1950s from the 1920s, but there is no evidence to suggest that the British have made the kind of mental somersault that the maintenance of a really Carthaginian peace would entail.

Those who support a Carthaginian peace sometimes argue that enforcement is no longer the crucial problem, because Russia will do the enforcing, however brutal the terms. This argument begs any number of questions. Will Russia be willing alone to maintain large armies of occupation in other lands and to divert any energies from the tremendous task of internal reconstruction? Would British or American failure to participate in the enforcement be accepted in Moscow as an amiable foible—or as ground for suspicion that Britain and America were more interested in coming to terms with Berlin than in enforcing the treaty? Would the domination of one Power over the whole of Germany be acceptable, in the long run, to the rest of the world? The terms for Germany must not only be agreed mutually. They must be capable of mutual enforcement.

When the Allied statesmen meet to discuss the peace terms for Germany—in the momentous atmosphere of Teheran or the leisurely atmosphere of St. James's Square—the British delegates should have the device "Remember the Rhineland" pinned to their desks. If that historic example of British preference for non-intervention is taken as the yardstick to judge the practicability of the terms, if nothing is put in the treaty that is not enforceable, it is possible that the settlement will last out this generation. It will not be a lenient settlement, for undoubtedly the general attitude towards Germany is stiffer than it was in 1919. It is not inconceivable—indeed it is probable—that in ten or twenty years' time the British would be prepared to go to war to enforce German disarmament or to prevent the coming to power of a militarist clique. They might well be persuaded to use force to maintain some territorial rectifications, although the size of the transfers and the manner in which they were effected would naturally influence the British attitude. They would very possibly be ready, in the first few years after the war, to intervene for the purpose of collecting reparations, provided that the method of collecting them did not obviously flout all common sense. It is even possible that the British would fight in ten or twenty years' time to keep Germany's major industrial areas under some system of international control. The strict maintenance of terms such as these would certainly cripple Germany's power to make war, but it would give the mass of the German people a reasonable chance of making a living and ultimately settling down with their neighbours. And the certainty that any infringement of the terms would be met instantly by armed force used in concert might have a stabilising effect.

But it is most unlikely that the British or the American

people would be ready to perpetuate, if necessary by war, anything resembling the system of forced labour which is very generally regarded as one of the worst features of totalitarian tyranny. They would hardly be ready to destroy Germany's industrial system and crush all attempts to rebuild it, since such a policy would impoverish Germany's neighbours quite as radically as Germany itself. Above all, can it be thought likely that they would fight a war in ten or twenty years' time to prevent Bavaria rejoining Saxony or the Rhineland rejoining Prussia? The dismemberment of Germany is of all policies the one on which the Allies are least likely to be agreed after the passage of years and least likely to uphold by force. And it should be borne in mind that the more the settlement itself is accompanied by massacres, exterminations and violence against German civilians, the more the resolution of Britain and America will be at the mercy of German propaganda later on.

Mr Churchill's statement in the Commons suggested that the yardstick used at Teheran was neither the practicable test of enforcement nor the impracticable test of the merits and demerits of the Germans. It suggested a new and very unhappy expedient—that the terms for Germany are being worked out by the negative process of fixing all the Allies' claims on Germany—to security, to reparations, to manpower, to land—and then accepting the aggregate as the basis of the final settlement. Mr. Churchill endorsed the principle of territorial compensation for the Poles, then passed on to the general principle that Germany could not claim "as of right" to be covered by the Atlantic Charter with its renunciation of territorial transfers made without the agreement of the people concerned. It is true that the German people have forfeited any claim to have their "rights" considered. But if this is put forward as the only principle of the settlement, the final result is not very likely to stand the only really valid test of a wise and enduring settlement—the readiness of the victors to uphold it not only on the morrow of victory when the German people will in any case be powerless, but ten or twenty years later on when, for good or evil, the Germans will have recovered from the prostration of defeat.

There can be no question of condoning the Germans. The peace terms must be severe and public opinion is ready for severity. But the limits of severity must be fixed not by the goodness or badness of the Germans but by the firmness and resolution of the victors. In all the discussion of German peace terms, the debate has always raged over the symptoms and diagnosis of the patient. Little thought has been spared for the skill and decision of the doctors. Now at last they have come together for consultation—first in Teheran, now by proxy on the European Commission. If they can agree on a cure and know that in 1955 and in 1965 they will still be as fully resolved to continue the treatment, Europe may be spared the inanities and tragedies of the interwar years.



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## South Wales in Transition

THE effects of the war on former "Special Areas," in Scotland and on the North-east coast, have been discussed in recent issues of *The Economist*. In South Wales the position is fundamentally the same. A highly industrialised area, depending largely on heavy industry and the export trade, it suffered acutely during the Great Depression. In 1936, 141,770 workers, 34.2 per cent of its insured population, were unemployed. To-day, as a result of armament production, it is experiencing conditions of full employment. Its concern is how to maintain this level of work when the war is over.

Wales, however, has certain characteristics, both positive and negative, which distinguish its position from that of the other Special Areas and make its problems in some respects easier, and in others more difficult, to solve. A sheltered and mountainous region, Wales has received a proportion of new war industry which seems lavish by comparison with the more vulnerable North-east coast. Nothing precise can be said about the numbers engaged in war production, but the figures are very large. Nearly a dozen Royal Ordnance factories, employing many thousands, manufacture shells and explosives, guns, small arms and ammunition, and fill shells. A number of engineering and electrical firms have been evacuated to Wales, or have established daughter plants there. Imperial Chemical Industries has opened a metal works in a town where nearly three-quarters of the insured population were out of work before the war. A new development has been the introduction of light alloys, magnesium and aluminium, though production has recently been curtailed. The trading estate at Treforest employs three times as many workers as before the war, and has switched wholly from the production of light consumer goods to war work. A most significant and novel feature has been the tremendous increase in the number of women employed.

The questions generally asked are whether the wartime plants can be used in peace and whether the evacuated firms will remain. The purely engineering ROFs could probably easily be converted to the production of light engineering goods, such as household equipment and fittings. The enormous capacity of shell-filling and explosives factories presents a more difficult problem. If they cannot be converted, some could be retained for storage or for arsenals. But in many cases the ROFs have been located, for strategic reasons, in remote sites and they involve a great deal of travelling.

In a sense South Wales is experiencing a foretaste of its transition problems. The curtailment of the Ministry of Supply programme has already led to a reduction in the labour force of certain ROFs and to the transference of mobile labour—a very sore point with the Welsh, who have bitter memories of industrial transference during the depression. There are still pockets of immobile labour, largely married women and semi-fit miners, and Wales is anxious to receive any new war work that may be planned. But it is difficult, at this stage of the war offensive, to envisage the establishment of new war industries on a scale sufficient to absorb the existing pockets of surplus labour. The decision to curtail the production of magnesium and aluminium—dictated by economic-strategic reasons at the highest level—has been received with apprehension. Certain evacuated firms are understood to be seriously contemplating permanent settlement in Wales. Their managements are enthusiastic about the quality and adaptability of the labour, though less so about the area's amenities and social life. It is obvious, if new industry is to be attracted to South Wales, that there will have to be a bold programme to improve amenities and communications and to build new houses, while shortage of suitable factory premises may be a serious deterrent.

The Welsh Reconstruction Advisory Council, under the chairmanship of Principal J. F. Rees, of University College, Cardiff, has just presented a memorandum to Sir William

Jowitt on the problems and future needs of South Wales. The Council has been limited by its terms of reference, which commit it to proceed at the Government's reconstruction pace. Until, therefore, the Government announces its decision on the planning and location of industry—the trinity of Barrow, Scott and Uthwatt—local effort must be frustrated. The Council, it seems, has also been hampered by a certain reluctance on the part of leading industries to give evidence or put forward concrete proposals. Their excuse is plausible: that the future of the coal and iron and steel industries cannot be determined locally; and with no knowledge of the plans for international trade or the terms of the peace settlement they cannot estimate their capacity or plan their organisation. They, too, are waiting for a lead from the Government.

South Wales is dependent on heavy industries. Before the war about a third of its insured population were employed in coal and about 11 per cent in iron and steel and tinplate. Whatever new industries may be developed or directed to the area, they will be subsidiary to the basic industries and cannot take their place. It is here that the negative features emerge; they concern efficiency and technique. The tinplate industry, which is practically confined to Wales, is a case in point. Its problems and prospects require separate examination, but they can be briefly indicated here. The industry, even before the war employing about 25,000 workers and producing 905,000 tons annually, was only working at 70-75 per cent of nominal capacity. Since the war, production has been concentrated, and about two-thirds of the mills have been closed or used for storage. Many will never reopen. It is generally accepted that the Ebbw Vale strip mill, with two or three other plants on the same lines, could supply all the tinplate needed. The old-fashioned, high-cost method of production is finished. Moreover, it is impossible to estimate the likely post-war demand for tinplate—half of the South Wales output is normally for export—especially if the use of plastic substitutes is developed. In any case, however, technological improvements and reorganisation will create unemployment, and work will have to be found for displaced tinplate workers. The short-term outlook for steel is more encouraging. There is bound to be a large demand for steel for post-war reconstruction in Europe and at home, and to implement the Government's policy of pre-fabricated temporary houses.

Of greater importance, and even more uncertainty, is the future of coal. South Wales is an old coalfield and technically less efficient than many other districts. The extent of mechanisation is relatively small, owing partly to geological difficulties and also to lack of capital investment. Some of its pits are already being financed as "necessitous undertakings." The manpower situation is acute. The numbers employed fell from 250,000 in 1924 to about 130,000 to-day, and are still declining. Some thousands are expected to be certified by medical boards as suffering from pneumoconiosis, and therefore to leave the industry—unless measures both for rehabilitation and for allaying coal dust are extended and accelerated. The position is particularly serious in the anthracite pits of West Wales. Lack of labour will make even more acute the pressure for efficiency in technique, for reorganisation and larger output per worker.

Immediately after the war, of course, there will be an enormous demand for coal, especially if Europe's pits are put out of action. The tendency to push coal exports, to counterbalance the loss of foreign investments, may be inevitable, but it can hardly be relied upon in the long run. The importance of efficient coal utilisation and of the development of coal by-products is now widely recognised. A first step should be a comprehensive survey of the area's coal resources, and eventually the aim should be the development of an integrated policy for the exploitation of the nation's fuel resources as a whole. A decision is required about an oil-from-coal industry in South Wales,

where the steam coal is particularly suitable for the Fischer-Tropsch process. There is already a low temperature carbonisation plant at Pencoed, which could be extended. Colonel W. C. Devereux, Chairman of International Alloys, Limited, has put forward an ambitious scheme for developing electrical and chemical industries, based on coal. But these are not questions to be settled simply on technological or social grounds. They are economic problems. To build up high-cost activities in Wales or any other Special Area, simply to keep work in the region, might be nationally disastrous and locally a very grave delusion. The cost of generating electricity from coal, for instance, may be prohibitive, especially if the upward trend of coal prices continues. It is uncertain whether the necessary finances would be forthcoming or whether such a project could be realised within the framework of private enterprise.

Part of the answer may be the Severn barrage. The scheme has considerable support locally, where it is represented as promising to do for South Wales what the Dnieper dam did for the Ukraine, the Tennessee Valley Authority for the Southern American states, and what the Hydro-electricity Bill may do for Scotland. The project would hardly take less than ten years to complete, but ten years is a short time in a long-term plan. It is also argued that work on the barrage might hold up the building of the Severn bridge, which has been approved by the Government and for which there is immediate need.

The whole question of improving transport and communications of South Wales is crucial. While the Severn bridge would provide a link with Bristol and the West of

England, there is an equal need for a road to join North and South Wales. Local railway services need to be overhauled, and the electrification of the lines running up the valleys deserves to be considered. The dock and harbour facilities are modern and could take greatly increased shipping, not exclusively coal. Before the war the six main Great Western Railway harbours between them handled nearly 28 million tons. Wales is hoping to get its share of transatlantic air transport, and it also aims at catering for an expansion in tourist traffic. In both these respects Wales is a rival to Scotland, but, if there are to be developments in civil aviation and universal holidays with pay, the rivalry could be friendly, and the criterion of success not national charity but local efficiency and adaptability.

In a limited space it is impossible to do more than draw attention to the most important needs. Wales's great resources cannot be too strongly emphasised. The prime necessity of the future will be to develop technique and encourage research, especially in coal utilisation and coal getting, and to increase the adaptability of labour and the mechanisation of methods. Some two million people cannot again be condemned to live in idleness and squalor; but they can only be given the work and opportunities they are entitled to within a policy of national full employment and productive efficiency, not regional protection. Each of the Special Areas is, understandably, pushing its wares and staking its claims; and while there are Special Areas, there can be no Full Employment. But the only right and economic way in which to proceed is to plan for each so that its resources will fit in best with the maximum national advantage.

## Army Education

IF the man in the street were asked "What is Army Education?" he would probably reply, if at all, "ABCA." This is partly because the Army Bureau of Current Affairs came in for much publicity at the time of the ban on Sir William Beveridge's summary of his report on social security, and partly because the method of ABCA, by discussion groups, has become increasingly popular. But ABCA is only a small part of the whole scheme of Army Education, and a very recent innovation.

Army Education is actually more than a century old. The first regimental school was established in 1811, and the rank of schoolmaster sergeant was created by Royal Warrant in 1846. There developed a special corps of army schoolmasters, whose function it was to provide recruits with an elementary standard of education. It is true that the early Army Education bore very little resemblance to the present system. Recruits were rough, rude and illiterate, fitted for nothing better than to take the King's shilling, and their schoolmasters were content to teach the three Rs, and inculcate the doctrines of sobriety and obedience. It was not, in fact, until the end of the last war that the modern scheme of Army Education began to take shape. Voluntary schemes for lectures and classes were provided for the troops in France, and these were co-ordinated and extended in 1918 under Lord Gorell.

After the armistice, a committee on adult education was appointed by the Ministry of Reconstruction, and its report set down as a guiding principle that

educational training must form an integral part of the daily life of members of the forces of the Crown.

The result was the formation of the Army Education Corps, charged with the soldier's general education, the provision of tests and examinations, the elementary education of his children, where civilian schools were not available, and provision for the education of officers. But the reforms were short-lived. Army Education was one of the first victims of post-war economy. For nearly twenty years, schemes for democratising the soldier's education stayed in cold storage. The personnel of the Army Education Corps tended to revert to the old

"army schoolmaster" type. Education, apart from technical instruction, remained a sideline to military training.

The outbreak of the present war provided an excuse for suspending education activity. Most of the members of the AEC were transferred to "other duties," and as the *Times Educational Supplement* commented:

It seems almost incredible that in these days, when the mental qualities of an army are as important as its military equipment, the Army Education Corps should have been disorganised and many of its personnel transferred to other duties.

It was left to the universities and voluntary bodies to provide some kind of educational facilities for the growing civilian army. Makeshift machinery was evolved for providing lectures, courses and classes on all sorts of subjects, some good, some bad, very many indifferent. In March, 1940, a committee was set up under General Haining, to investigate the problems of welfare, education and recreation for the army in wartime. It approached its task in much the same spirit as the earlier committee, and reported that

The first business of the army is to make a good soldier, but it is just as important to look after health of mind as health of body.

A civilian director was appointed to the War Office, and the AEC was expanded. The basis was laid for the present developments.

These developments have, on the face of it at least, been most remarkable. The modern soldier has a range of opportunity for learning and self-expression which would have been thought impossible in the last war. He can—in theory, at any rate—ask for and receive instruction on any subject, ranging from bee-keeping to astronomy, or how to play the trombone to the constitution of the United States. Lecturers, drawn from the panels supplied by the Regional Advisory Committees, travel round the country and lecture even to the most isolated units. Under the Winter Scheme, introduced in November, 1942, three hours a week out of training time are devoted to education. One hour is for "education as

oldier"—this includes such subjects as map-reading, mental history, calculation and message writing. Her hour is for "education as a citizen"; the object of the "citizen's hour" is to show the soldier what he is fighting for, to tell him something about his own country, and to equip him for taking an active part in democratic citizenship after the war. The series of pamphlets issued under the general title of "The British Way and Purpose," dealing with the British political and judicial system, economic organisation, social services, Imperial and foreign relations, and such subjects, provide the factual basis for discussion. In the third hour—"the soldier as an individual"—he can do more or less what he likes—handicrafts, languages, music, painting, or informed discussion. He can follow the numerous correspondence courses which have been organised under the education scheme, or undertake vocational training for the profession of his choice. In addition to the Winter Scheme, there is ABCA, one hour a week's compulsory discussion on current topics, between the officer and his unit.

The scheme is thus comprehensive and positive, in contrast to the early stages, when Army Education was primarily regarded as a means to relieve boredom. The returns of attendance at lectures, classes and correspondence courses are very large. But, though there is real interest, there are many limiting factors. One, probably the most important, is due to the shortcomings of the educational system which took boys and girls away from school at 14 and plunged them into industry, many of them in blind-alley jobs, which allowed no opportunity for further training or advancement. With such a background, it is not surprising to find indifference, ignorance and lack of interest among a considerable proportion of serving men and women. The officers who are responsible for instruction in the units may themselves be uninterested or unqualified. The idea of ABCA is to tighten the bonds between an officer and his men. This may work, but it may also have the opposite effect. It may often happen that men in the units have more knowledge of a subject than their officers. Adult education is a specialised job, for which some people have a gift, and others have not.

More scope could be given to the actual members of the Army Education Corps, which might well have the independent status, say, of the RAMC—a step which would follow logically from the Haining Committee's recommendation to treat health of mind on a level with health of body. Outside lecturers should get to know far more what kind of audiences they will have, with what

mental backgrounds, and what the intention of their talks is to be. There is still too much formal pretence, too much rhetoric, too much preaching and teaching above troops' heads and away from what they themselves really want and understand, too much organisation and administration, form-filling and statistics-taking, and too few real concrete results in terms of worth-while education. There is always the suspicion that in large part Army Education, apart from the straightforward schoolmastering of the AEC, tends to become the invention of those whose job it is to run it.

How far can the troops, in any case, hear or say what they wish? Is discussion free? In theory there is no ban on controversial subjects, and in practice many units do discuss freely all manner of contentious issues, political or religious. But, locally, lecturers have been withdrawn because their politics are not acceptable, and inevitably, perhaps, certain Commanding Officers have banned certain speakers or subjects. One CO barred a discussion on equality of opportunity in education as "sheer Socialism"; another refused a suggested course on the comparative theory of fascism, democracy and communism as "political" and "controversial." These examples are not typical, but censorship of this sort by local "Blimps" cannot but be harmful. It must increase the cynicism there from the start in the men's minds. Are they being given what they want to talk about, or what is good for them? Inevitably, COs have a dominating influence in their units; but it is desirable that, within the limits dictated by genuine military considerations, as much latitude as possible both in subject and discussion should be allowed.

As the end of the war approaches, Army Education assumes increasing importance. It will be crucial in the demobilisation period, as was seen twenty-five years ago. Apart from vocational training, which is important and popular, the ideal to be kept in sight is that every man and woman should come back to civil life better, not worse, equipped to contribute to the work of a democratic society in the post-war world. The army to-day is interested mainly in the problems of demobilisation and jobs after the war. It would greatly help the tasks of the Army Education authorities if closer links could be established between them and the various Government departments actively engaged in the making of post-war plans. Mr. P. R. Morris, who took up his appointment as Director of Army Education this month, enters the field at a crucial time. He will need the fullest co-operation from the army authorities, the civilian education departments, and from the men in the Forces themselves.

## NOTES OF THE WEEK

### Time in Finland

The Soviet Foreign Office has published the armistice terms for Finland which were communicated to M. Paasikivi in Stockholm. The Russian proposals have been almost universally recognised as reasonable and generous. The official Soviet statement puts particular emphasis on the fact that the Soviet Government has not demanded Finland's unconditional surrender. Nor is an occupation of Helsinki and other Finnish towns by Soviet troops envisaged. More surprisingly still, Moscow has not made the re-shuffling of the present Finnish Government a condition for negotiations, though the official communiqué stresses the Russians' distrust of that Government, and qualifies the agreement to negotiate with it by a clause which speaks about matters "concerning the cessation of hostilities." Once this objective is achieved—it may be deduced—a reconstruction of the Government in Helsinki may again be demanded. The more immediate demands presented to the Finns include: the rupture of relations with Germany and the internment of German troops in Finland, the latter to be carried out by Russian forces if the Finns consider this task to be beyond their powers; the re-

establishment of the Soviet-Finnish Treaty of 1940 as well as the withdrawal of the Finnish troops to the 1940 frontier; and the immediate repatriation of Soviet and Allied prisoners of war and deportees. The demand for the internment of German troops in Finland meets with considerable sentimental opposition from the Finns; an attitude with which there can be no sympathy in Allied countries. Should the Finns agree to this demand, Russian military action in Finland may be confined to the northern areas where General Dietl's seven or eight divisions are concentrated. The Finns would in this case be spared a massive Soviet occupation which they may have some ground to fear. It is in Finland's own interest not to give the Germans the time to switch their forces to the centre or to the south of the country. Three further issues—demobilisation, reparations for damage and the status of the Petsamo area—are to be left for negotiations in Moscow. What form of reparations the Russians will propose is not known, but they may very well wish to take over the Hangoe base permanently instead of leasing it from Finland. Facilities for Russia in the Petsamo area—if not its transfer to Russia—may also come under the heading of reparations.

Any forecast of peace terms is, however, speculative. What matters at this stage is that the Russian armistice terms imply no direct or indirect threat to Finland's independence, and that they have been worked out in agreement with the other Allies. The Finns—so it seems at the time of writing—have not yet made up their mind about their reply. The Diet has passed a vote of confidence in the Government, and the press is talking of difficulty in accepting the terms. But this may be only an attempt to play for time. Time, however, is an essential factor in strategy, as last summer's events in Italy have proved, and the Russians cannot be expected to be too generous about delay. A quick and comparatively lenient settlement with Finland would have a great effect on the other satellites. Bulgaria is already feeling its way towards an armistice. But the dilemma of all the satellites is the same: if their defection would be sufficiently valuable to the Allies to secure them lenient terms, it would also be sufficiently damaging to the Germans to make them resist it by all the means in their power.

### Frontiers and Independence

The crisis in Poland is rapidly developing to a climax. In January, a National Council, which is to rival the Polish National Council in London, was formed inside Poland by pro-Soviet groups; and now a pro-Soviet Commander-in-Chief—as rival to General Sosnkowski—is reported to have been appointed by that Council, and has already started his activities under the pseudonym of General Rola. The Polish underground organisations have reacted to these developments with a statement which amounts to a declaration of civil war. The analogy between Poland and Yugoslavia is almost self-evident. Yet, there are some important differences, too. The feud between Marshal Tito and General Mihailovich is predominantly a domestic Yugoslav issue, only indirectly connected with foreign policy. The cleavage in Poland is immediately and directly an international affair, because of the advance of the Soviet armies into Poland. The following of "General Rola" is probably not very large now. But it may become much larger in the not too distant future, for military if not for political reasons. "General Rola" will be able to arm his guerrillas from Soviet ammunition dumps, while the official Polish underground is only very inadequately armed. In a country which is the object of invasion and counter-invasion the ability to supply weapons to men who are eager to fight is in itself a potent political argument. If with the help of such "arguments," and of the advancing Red Army, the pro-Soviet military organisation in Poland asserts itself against the official Polish underground, then the independence itself of Poland may become little more than an appearance. "General Rola" has so far not received any official Soviet backing; and his appointment may still be a tactical move made in order to increase the diplomatic pressure on the Polish Government. The present tactics of the Polish Government, however—its refusal to consider a frontier settlement on the basis of the Curzon line—seem to bar the way to a compromise. By fighting for Poland's pre-war frontiers, M. Mikolajczyk's Government may well forfeit Poland's independence. Under such circumstances the rather bellicose speeches made by General Sosnkowski are of very doubtful service to his practical object; while they certainly provide Moscow with excuses for all sorts of action in Poland.

### Church Schools

The atmosphere in the Commons, during last week's debates on amendments to the Education Bill, appeared somewhat self-consciously tolerant. Most speakers were at pains to emphasise their sympathy with those of other convictions, and the desire on all sides to prevent a political scuffle which might endanger the safety of the Bill as a whole happily overcame, in most cases, the instinct to exploit sectarian differences and emotions for political ends. Chief among the proposed amendments were those arising from Nonconformist and Catholic interests. For the even tenor of the discussions in the Committee, it was a singularly fortunate coincidence that the question of Anglican schools in rural areas where no others are available for the children of non-Anglican parents should have arisen first. It was a matter which did not reveal such an unbridgeable cleavage of opinion as exists between the Catholic conscience and the Puritan's very different notion

of a fair bargain, and; by starting with the lesser question, the Committee was able to proceed with a little moralisation to the greater. The Nonconformist amendment was sought to secure, in substance, that in areas where there is only one school, it should be transferred from denburt to tional to local authority control. The difficulty of the school area was generally recognised, but members went concerned to see that any change-over of an auxiliary school to a controlled status—that is, from church school to local authority school—should be carefully undertaken so as to avoid the bitterness of local grievance against central coercion. It was pointed out that many Anglican schools will have to be handed over to the control of local authorities under the Bill as it stands, and that this may very largely end the problem of the single-school area. But it was also clear that there are some persons to whom a "single county school" area will be as distasteful as the "single church school" area is to the Nonconformists. Where the Anglican parents in one locality found the agreed syllabus unacceptable, to compel a transfer of authority would not only savour of compulsion, but would also take no account of the debt owed by the State to the work and sacrifice of the Church in building the schools—particularly village schools—which the Government has clearly recognised. It was clear that the interest shown by Parliament in the minority claim would necessitate a further reconsideration, before the Bill in its final form would be acceptable. On condition that the amendment would be dropped, Mr Butler has now promised to confer with interested members with the object of finding some other compromise, so that the question may be reconsidered when other relevant clauses (27 and 53) come up for discussion.

The discussion on Catholic schools and their claims on the community was in some ways only a preliminary canter, since Clause 14 does not offer the best opportunity for a debate on the respective liability of Government and denominational managers, and all reference to the actual proportion of liability was declared out of order. Both counter-proposals to the Bill made last week were considered to have grave disadvantages as methods of solving the Catholic problem. The first called for a stabilisation of the churches' liability at the 1939 figure, any excess over this being paid out of public funds. This was rejected on the grounds that an assessment of the 1939 liability would be open to criticism as to its accuracy, which would not be desirable. The second proposal was that certain schools with teachers wholly of one denomination should receive a 100 per cent. grant from public funds, thus lessening the total liability of the Catholic community. This was discussed concurrently with the first, but Mr Butler felt that it, too, placed too heavy a charge on the Government for denominational education. Thus the questions at issue between the Churches and the Government are still unsettled. However, some of the main principles of strategy on either side have now been made clear; Mr Butler has reiterated yet once more that Catholics cannot demand increased aid for their auxiliary schools that would not be extended to schools of other denominations, while any





aid to all the auxiliary schools would destroy the balance of the whole system. The Government consider arguments and proposals within limits, but clear that it would prefer to fight rather than injure by major amendment. Finally, the amendments are abandoned, but only as a mere outwork of the system of defences. The matter will come up again, perhaps more than once or twice, and it is not likely to be fought over with any less determination.

### RAF Report

Sir Archibald Sinclair has taken the opportunity of his annual report on the work of the Royal Air Force to announce a reorganisation of the original functional divisions of Allied Forces in the air. This step deserves particular comment only because it marks a further achievement in the gradual welding of a fighting weapon which will truly combine operations into a single striking force. The distinction between forces which are offensive and defensive in function is now the only one which is nominally preserved and even here there will be a unity of control at the highest levels of defective strategy, since both will be combined under the name of the Allied Expeditionary Air Force. For the defensive arm of the combined organisation, the old title of the Air Defence of Great Britain has been revived, to cover all units of Allied Air Forces which are responsible, by day or by night, for repelling enemy attacks on this country. More important, the offensive arm, now combining the 2nd British Tactical Air Force with the 9th American Air Force, is to be relieved of all defensive duties formerly undertaken by the old Fighter Command and Army Co-operation Command, and is now entirely free to attend to offensive operations over Europe. Coastal Command and Transport Command, apparently, will continue their separate, somewhat specialised, work, to which Sir Archibald paid generous tribute in his report. On the whole, the successes won and the progress achieved by the Royal Air Force in 1943 made good hearing for the Commons. The level of air warfare which the Allies are able to undertake on their own initiative is, more than anything else, an indication of growing power and increasing strength in every theatre of operations.

### Monte Cassino and After

It is useless to suppose, after the experience of Monte Cassino, that any individual building or monument can be spared, once it has come into the front line of battle. The military commanders showed the greatest forbearance; even so, the monastery could not be divorced from the Germans' general defensive position on the hill. The dilemma of Monte Cassino will be repeated all up the Italian peninsula and it is not a pleasant one. The Germans and the Mussolini government bear the first responsibility for exposing the treasures of Italy to destruction; but history tends to remember the immediately and not the ultimately responsible. It is, of course, possible that decisions on grand strategy will spare the country beyond Rome. Other fronts will be opened and it is unlikely that Italy will see the decisive action of the war. The Allied armies are already containing a superior number of German divisions and the Germans' long communications southwards to Rome are an added strain on their overstretched transport system. It is true that, for political as well as military reasons, the capture of Rome is the immediate objective of this campaign. An advance on Rome must mean fighting in Rome and if the battle rolls forward to the city it will be as impossible to spare Rome, building by building, as it was impossible to spare Monte Cassino. If, therefore, the greater strategy of the war dictates the advance to Rome and beyond, the only way of saving some of the treasures would be by a specific

As there is now a long waiting list for *The Economist*, subscribers who wish to renew their subscription are advised to do so before the date of expiry. If they fail to do so, their subscriptions will be automatically cancelled as soon as that date is passed, which will mean a gap of many months before the despatch of copies can be resumed.

agreement on neutral zones. It is difficult to say whether the Germans would make such a proposal, or even agree to it if made by others. But an attempt could be made through the Vatican to ensure that Rome itself and other areas of overwhelming cultural and historical importance be made into open cities or surrounded by properly supervised neutral areas—from which, of course, all hostile troops would have to be withdrawn. In this case, the Vatican and the neutral governments represented at the Vatican provide the machinery, not only for receiving such an offer, but for seeing it carried out by an impartial authority.

### Yet Another Argentine Regime

General Ramirez, the President of Argentina, has followed his Foreign Minister, General Gilbert, into "retirement." The circumstances surrounding the "resignation" of both generals were very similar. In both cases, their offices were surrounded by soldiers, the resignations occurred at an early hour in the morning and the new officials were in power before Buenos Aires was properly awake. The Young Colonels of the *Grupo de Oficiales Unidos* did not apparently wish to raise the question of the legitimacy of the new regime, for they announced that General Ramirez was resigning because he felt "tired" and had constitutionally handed his powers over to the Vice-President, General Farrell. General Ramirez, however, undermined the constitutional basis of the proceedings by sending his letter of resignation to the president of the Supreme Court, Justice Reppeto. Here there was no question of ill-health and weariness. The General blamed his resignation on "the force of circumstances," and there can be little doubt that force in this context was more than a turn of speech. The GOU and their leader, Colonel Peron, are the backbone of the new Farrell regime. Colonel Peron is acting War Minister, and a notorious pro-German. General Pistarini, has succeeded Admiral Sueyro as Minister for Marine. The supply of complacent admirals has, apparently, run out. That the Peron grouping are violently nationalist with Axis leanings is notorious, and although the Government has guaranteed that it will honour all its obligations, it is significant that the only two signatories of the decree breaking off relations with the Axis, Ramirez and Gilbert, have now "resigned." Naturally, the United States Government must reconsider its policy. The overthrow of General Ramirez by force brings the Farrell regime within the terms of the recent pan-American resolution not to recognise changes of Government brought about violently. Any action taken by the United States and Britain will presumably be concerted with the other Latin American governments. Without the backing of these states, there is always a danger that diplomatic action will be interpreted as "interference" and actually strengthen the regimes it is supposed to upset. The international implications of the new Argentine Government should not, however, be exaggerated. It is true that the Peron-Farrell group are nationalist and on the whole anti-American. Yet the military are now violently divided among themselves. Yet another attempted coup by yet another officer has apparently followed the setting up of the Farrell-Peron regime. Until these splits and quarrels are ended, no stable government and no consistent policy will emerge.

### A Difficult Course

The Consultative Assembly at Algiers began its third session on Tuesday last. Its debates centre on two major issues: the organisation of the Government and the status of the press in liberated France. The scheme for the organisation of the French Government has now been revised by the Committee of Liberation. It provides for three phases. In the first stage the Consultative Assembly is to continue in existence and to be enlarged by fourteen members from each liberated district. Communal elections will not be held at this stage; and the local councils will be appointed by the prefects who will be nominated by the National Committee. At the next stage a Provisional Assembly will replace the Consultative Assembly. It will consist of 440 members, the majority chosen in indirect elections by municipal bodies, the rest appointed by the National Council of Resistance. The powers of the Provisional Assembly are to remain chiefly consultative, though they are to be larger than those proposed in the earlier

Liberation in January. The Provisional Assembly will finally work out the electoral law for the Constituent Assembly, which will be chosen as soon as the return of prisoners and deportees to France allows for normal elections. The scheme for the organisation of the press is a peculiar novelty in legislation. Each region is to be allowed to have only one daily newspaper "obliged to publish all official announcements and a certain minimum of news." All political parties are to use the columns of this *journal unique*. Only in Paris will each of the political groups be allowed to start its own organ. Vichy publications will be stopped; newspapers are to be obliged periodically to reveal all sources of their income; the institution of *gérants* or figureheads to conceal the real control is to be abolished; and the publication of foreign advertisements is to be allowed only by special permission. The discussion on both these projects is sure to be lively. The Consultative Assembly has once again to steer a difficult course between the Scylla of quasi-totalitarian aspirations and the Charybdis of democratic weakness.

### Coal Consumption

The Minister of Fuel has imposed further limitations on domestic coal consumption. The quantities of house and kitchen coal and coalite available for the month of March are restricted to 4 cwts. in London and the south, and to 5 cwts. in the north. This is actually the same as the present maximum, but for the first time restrictions on coke supplies have been introduced. A maximum of 10 cwts. of coke, small anthracite, Welsh dry steam coal and manufactured fuel (other than coalite) is imposed. The official statement emphasises that these restrictions do not represent a ration, but a maximum. This method of limiting consumption certainly does not fulfil the same functions as rationing, since it does not carry with it equality of sacrifice. Under the present arrangements, householders who were in a position to lay in stocks in the early part of the autumn and winter will not be affected in the same way as smaller householders, without any cellar space. The man whose house is warmed and lit by gas or electricity will be better off than if he has an open fire, since there are no restrictions—other than voluntary effort—on gas and electricity consumption. The Minister admits that there are difficulties, and that stocks in some areas are insufficient to provide the maximum. It has been said that in these cases preference would be given to the small consumer without means of storage, but in practice the small consumer is the one who suffers. There are cases of working-class flats in London which have had no more than 1 cwt. of coal since Christmas—and rural dwellers have been very badly off. This winter has been much colder than last year's, and such privations may cause real hardship and illness. The Ministry may claim that it attempts to secure equitable distribution, and it may achieve it so far as the coal merchants are concerned. But there should be some means of securing equitable deliveries by the merchants themselves. Nobody will question the need for economy in fuel consumption, in order to provide coal for operational purposes, and the public willingly puts up with hardships in wartime, but it likes its hardships to be equally distributed. Lord Woolton's popularity as Minister of Food was largely due to the public's recognition of the fairness of food rationing. The moral, that it would have been better to ration fuel in 1942, has been repeated *ad nauseam*, but if the Beveridge fuel plan had been introduced then, or even last year, the situation might have been very different to-day.

### From War to Peace

Many thoughtful suggestions for overcoming the difficulties of the immediate transition period after the war are put forward by Sir Walter Citrine in his review, "The TUC in Wartime." Demobilisation, which he describes as "one of the biggest of the preliminary tasks of reconstruction," may also turn out to be one of the most controversial. Mr Bevin has stated that length of service is to be the sole criterion for the release of men and women from the Forces, and that industry will have to adapt itself accordingly. Sir Walter Citrine writes that the simple formula "first in, first out" will not work, and that certain grades of industrial workers must have priority of release, whatever their length of service. He sensibly suggests that the Government should draw up a schedule of reserved occupations in reverse. Perhaps the answer lies somewhere

between the two points of view. The experience of the last war showed that scientifically planned demobilisation was unworkable and that unplanned demobilisation was disastrous. The right policy would seem to be to adopt the length-of-service criterion as far as possible, but to release, according to carefully prepared priorities, those workers whose services are essential to the re-establishment of the national economy and, above all, to explain frankly the reasons for the policy. Sir Walter Citrine urges the Minister of Labour to take a census of people employed, to find out how many will want to stay in industry after the war. He also asks the Minister of Production, through his regional machinery, to undertake an immediate survey of all factories, to find out how long they will take them to re-tool and re-equip their plants and their likely requirements of raw materials and new machinery. This seems an essential step, and it would be surprising if it were not already being done.

On the long-term prospects, Sir Walter Citrine makes the first and most frank statement yet published about the trade unions' attitude to internal post-war reconstruction. He asks that control over labour should be kept at a minimum and that direction to work should be used only where necessary and after consultation with both sides of the industries concerned. He suggests compulsory registration, and the retention of certain parts of the Essential Work Order, such as the guaranteed week and the appeals machinery. The proposal that any unemployed worker who "unreasonably refuses to accept employment in an industry which the Government considers vital" should be deprived of unemployment benefit, represents a striking departure from previous trade union attitudes. Equally important, and new, is the recognition of the fact that "Industrial labour must be more mobile. . . . Immobility on the part of workpeople might handicap the achievement of full employment." To achieve such mobility may entail some relaxation of trade union demarcation rules, which were imposed "because of economic insecurity." The TUC, however, will not commit itself in advance on this issue, until it knows the policy and methods proposed for achieving full employment. Sir Walter renews the demand for public ownership of certain industries, and some degree of regulation of all industry, though he does not go into detail. If the trade unions at their Congress this year accept many of their General Secretary's recommendations, and carry them out in practice, they will be proving that the Left, as well as the Right, has, after all, learned something from the war.

### Care for the Aged

The Nuffield Foundation has decided to undertake a survey into the problems of old age, and for this purpose has set up two committees, a Survey Committee and a special sub-committee for medical research. Despite a sentimental wish that old people should not be deprived of tobacco and other comforts, which is shown in the strong pressure for higher pensions exerted by public, press and Parliament from time to time—especially after any rise in the cost of living—comparatively little attention has been paid in this country to the scientific welfare of the aged. Indeed, except when he is involved in personal difficulties as a result of the lack of suitable facilities, the average citizen knows very little of how this large part of the community lives—a part that is rapidly expanding, since the pensionable proportion of the population has nearly doubled

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since the beginning of the century and is likely to increase still faster in the future. With the old it is doubly a truism that money is not everything; what many of them need is not so much extra comforts as skilled attention and care. But the privilege of being looked after can, in so many cases, only be bought at the cost of despondency—either upon relatives and friends or, more humiliatingly, through residence in a public institution. Independence is strongly cherished by the old. There is a great and growing need for facilities to enable those who wish it to live on their own, while at the same time having certain services done for them, and with medical attention to hand. One solution to the problem lies in the building of blocks of flats or similar centres for the aged which are specially constructed for their needs, and where appropriate welfare services are available; these could be rented at moderate and perhaps inclusive charges, and there would, of course, be no interference with the individuals' independence. Experiments along these lines have already been successfully undertaken in Scandinavian centres, and a welcome feature of the Nuffield survey is that it will examine the provisions for the aged instituted by those countries which have given special consideration to the subject. Another way of meeting the needs of the solitary aged lies in bringing new social services to their door; for instance, by extending the powers of local authorities to appoint "home helps," so as to cover the aged as well as expectant mothers. Whatever the solutions eventually adopted, there can be no doubt about the importance and urgency of the problem. Mediaeval social services grew out of a formalised society in which each class had its recognised place, its reciprocal rights and duties. It is due to this tradition that many English villages and market towns contain almshouses for the aged, which may provide as well a varying degree of individual welfare; but the large centres and industrial towns are shamefully devoid of any such gentle bounty. The doctrine that *noblesse oblige* has necessarily given way to the belief that the state, as representing the whole body of its citizens, has a duty to those in need; and old people have an obvious call upon its protective arm. But private organisations have still their own special contributions to make to the welfare of the aged, and the Nuffield Foundation is surveying this field, not only in order to analyse the need and point to remedies, but also in order to be well equipped to take further action itself.

#### A New Means Test

In the debate on the Address last year, the Chancellor of the Exchequer promised to introduce legislation to cover the case of the Crown and local government pensioners, whose pensions, almost alone among all the salaries and pensions paid wholly or in part from public funds, have not been increased to offset the wartime rise in the cost of living. Sir John Anderson then said that attention would be concentrated on "cases of real, grave hardship," which should have warned the champions of these pensioners that the promised legislation would not be over-generous. The Pensions (Increase) Bill, which was introduced last week, certainly justifies the warning. Its main proposal applies to civil servants, teachers, police and firemen, the Royal Irish Constabulary, local government officers and "certain Collectors of Taxes." These will be granted increases of 25 per cent in cases where the pensioner is married, or has a dependant of under 16, and has a pension not exceeding £150 a year, and of 20 per cent where the pension is between £150 and £250. For pensioners who are unmarried or have no dependants the increases will apply to pensions up to £100 and £175 respectively. Thus, this particular clause only affects the pensioners at the bottom of the scale, and even they will have to satisfy certain conditions as to age and infirmity and to undergo a means test—no increases will be granted which, when added to a pensioner's other income (less the first £52), will bring his total income up to more than £250 a year if he is married or has dependants, or £175 in other cases. The Bill also contains another scheme which applies only to ex-civil servants and certain retired officers of the Forces for whom pensions are payable in respect of death or retirement after February 21, 1922. These pensions were liable, in respect of the bonus element in them, to variation in relation to the cost of living and were finally stabilised in 1935 in relation to a cost-of-living index of 155. Persons in receipt of these pensions will be given increases, irrespective of their means, varying from 10 per cent where the pension is £200 a year or less to 5 per cent for pensions between £400 and £600. The Bill is unlikely to have an

easy passage; in fact, a motion for its rejection has already been tabled. The Government may be justified in refusing to tie the pensions of state servants to the cost of living, if only because of the difficulty in reducing them when prices fall. But, since it has countenanced wage increases greatly in excess of the wartime rise in the official index and war bonuses in respect of the salaries of state servants, it can hardly be surprised if it has to face pleas for similar treatment for its pensioners.

#### The Academic Chairs

An extraordinary situation is developing in the profession of academic economics. The Professorships of Political Economy at both Oxford and Cambridge are falling vacant this year through the retirement of Professors Macgregor and Pigou. The Cambridge vacancy has already been filled—and most admirably filled—by the election of Professor D. H. Robertson, who, in spite of his brief *hegira* to London, is not only a lifelong Cambridge man, but also one of the founder-members of the Cambridge School of Economics, very well worthy to carry on the line of Sidgwick, Marshall and Pigou. The Oxford vacancy has yet to be filled. Moreover, Professor Robertson's departure from the London School of Economics leaves a gap there, and the Adam Smith chair at Glasgow is also empty. Furthermore, there are other Professorships of closely related subjects vacant. The Chairs of Economic History at Oxford and London, of Industrial Relations at Cambridge, and one of the Chairs of Commerce at London, are all empty. On top of this, many of the holders of other chairs are on leave of absence for Government service, and it may be that not all of them will wish to return to academic life. Add to this a few more chairs that will be vacated within the near future by the arrival of their occupants at the retirement age, and a state almost of academic vacuum is created. The Government, which has absorbed so many economists, will not disgorge them all after the war. It seems probable that there will be both a Central Statistical Office and an Economic Section of the Cabinet Office, and they will be in direct competition with the Universities for their staffs. All in all, it is apparent that the demand greatly exceeds the supply. It remains to be seen whether the aspiring young men have sufficient faith in their own doctrines to insist that this disparity be allowed to have its classical effect.

#### Shorter Notes

In replying to the debate in Parliament last week upon the Anglesey County Council (Water, etc.) Bill, Mr Willink reiterated his promise of the appearance, very shortly, of a Bill to facilitate the supply of piped water to rural areas, and of a White Paper to cover the whole question of the measurement, supply, and distribution of water. The Scott Report estimated that one-seventh of the rural population were still without a supply of piped water, but the fact that the majority of these are living on farms points to the seriousness of the position. Further assistance from the Exchequer to rural authorities—£1 million has already been made available under the Rural Water Supplies Act of 1934—is to be expected, but the cost of supplying outlying farms and hamlets will clearly be considerable. It may be doubted, indeed, whether some of the smaller and poorer authorities are suitable statutory undertakers. The debate in Parliament showed, not a critical attitude to the proposals for Anglesey, but impatience that it was still necessary to tackle the problem piecemeal.

Up to February 18th, according to a parliamentary answer, 1,806 appeals had been heard by the war pensions appeals tribunals; of these, 395 had been allowed and 1,128 had been refused.

The amalgamation of the BBC's Forces programme and the General Overseas Service into a General Forces programme has now been in operation for a week. Presumably, the BBC has a better knowledge of what the Forces, at home and abroad, like to listen to than the average home service listener; but the new programme appears to be divided into an extraordinarily large number of small items, and it may be doubted whether the frequent readings of news and news headlines are really necessary.

## AMERICAN SURVEY

### Water in Dry Land

(By a Correspondent in Colorado)

Denver, January 15th

THROUGHOUT the vast arid and semi-arid regions of the world, where the scanty rainfall will not grow crops year in and year out, the limiting factor of human expansion has been the amount of water that may be made available by storage, to be parcelled out according to the communally wisest use. The pattern has persisted through the ages: "Thus saith the Lord, Make the valley full of ditches." The economics of the Bible are fully to be grasped only by those who have lived long in a rainless land.

Despite popular insistence on the tradition of the cowboy and the gold-pro prospector, the true story of the development of the American West is largely that of the engineer who plans, builds and operates great dams, and of the irrigation farmer who sloshes in hip-boots along his fertile furrows with a shovel, apportioning the "rain" he has ordered by telephone, and on which he can draw as long as he has a balance in the water-master's account. The stage is mighty—it comprises 40 per cent of the nation's land area west of the 100th meridian, over almost all of which there are only from three to 20 inches of precipitation yearly.

Four hundred and three years ago, Coronado found the Pueblo Indians building crude dams to divert water to their little fields of maize. Later, when the gold-seekers rushed into the semi-arid lands, they were followed closely by farmers who found more gold in diverting the waters to grow vegetables than in prospecting. Whole communities were founded by colonists from the East; places where water could be stored for large-scale irrigation replaced the fading gold camps as the region's potential population centres. Many large irrigation projects were constructed by private capital, such as those of the Imperial Valley and the lower Rio Grande. However, the projects most easily built, and those that, because they would repay their cost through irrigation alone, were profitable for private development, have long since been completed.

Through various Acts, over the years, the Government sought to encourage development; but it was not until the Newlands Act was passed in 1902 under Theodore Roosevelt, that the Federal policy took its finally effective form, creating the Bureau of Reclamation and, later, authorising "multiple-purpose" projects; among these are Boulder Dam and Grand Coulee, the latter the planet's most massive masonry structure. Boulder, in storing enough water to cover the face of England nearly a foot deep, performs three functions: the water is used for irrigation and domestic purposes as far away as Los Angeles; for power; and for control of the vicious floods that used to ravage the lower Colorado River valley. In regions where there is navigation by river, stored water also aids that enterprise. By apportioning the cost among such objectives, a dam can be usefully built where a one-purpose structure would be uneconomic; thus practically all the great dams are "multiple-purpose."

#### Power for War Industry

Throughout the years, as the irrigation farmers have run into difficulty in repaying their share of costs, repayment features have been modified until now the standard agreement is that they pay back the original cost in 40 years without interest. Thus the Federal Government actually bears about half the expense; though the revenue needed largely comes from the West by way of royalties on mineral lands, etc., this policy is often under attack in the East, especially in those regions with whose products the irrigation-grown products compete; but Westerners find its justification in the general strengthening of the nation's economic structure, beside the increase in regional population and resources.

For example, the tremendous expansion in war industry on the Pacific Coast might have been much more difficult, if not impossible, had it not been for a tremendous contri-

bution of hydro-electric power from dams owned by the Bureau of Reclamation (the Bureau is now the nation's single largest power-purveyor with a capacity of 2,060,000 kilowatts, and an expected output of 18,000 million kwh in 1944), and of food grown near the West Coast cities on irrigated farms. Yet, according to a study of the Office of Defence Transportation, the West as a whole failed to meet its own food requirements in 1942 by 38,000 railroad carloads. So there is still room for expansion of the farming programme.

The cost of the whole irrigation programme in the West now approaches two billion dollars, of which the Bureau has contributed nearly one billion—which will be doubled when present plans are completed. Acreage with a present whole or partial artificial water supply from public and private sources is about 20 millions, or slightly more than half the whole acreage of England; another 20 million acres are held to be ultimately irrigable. The largest single enterprise now definitely under way is for the irrigation of 1,200,000 acres below the Grand Coulee dam, across the Columbia River in Washington State.

#### A New Frontier?

Here and in similar projects is a "new frontier" for returning US Service men, according to Secretary of the Interior Harold L. Ickes, overlord of the Bureau. Reclamation enthusiasts talk about spending half a billion dollars a year after the war to provide such projects for the men now in service.

Three trends may be discerned for the immediate future:

1. So far as the Far West is concerned, the water resources have been fairly well apportioned for present and future use. There will be no more Boulder or Grand Coulee dams.
2. But some water will be drawn across the Continental Divide by means of tunnels driven as far as 20 miles through the living granite, to be used in the Mississippi and Rio Grande basins instead of the Colorado.
3. States sharing a river-basin will play a larger part than at present in sharing its water among themselves, through interstate compacts approved by Congress, thus shouldering the federal government out of direct control. The pattern for these agreements is the Boulder Dam compact dividing up the Colorado's waters, which is about to be finally approved by all States after a long inter-state war—Arizona has held out for more than 20 years, claiming the original compact would have strangled development.

The most promising region for future development is now thought to be the vast High Plains, which slope from the Rockies down to the Missouri and Mississippi Rivers. Particularly has the Missouri Basin, comprising 528,000 square miles, been characterised as our least-developed major basin. In its mid-region rainfall is sufficient in wet years to grow crops without irrigation, but during a drought cycle the states here suffer terribly—six of them lost population during the decade 1930-40, the "dust bowl" decade.

There is, however, a forthcoming conflict of interests. For generations the Corps of Army Engineers has developed the lower rivers for navigation and flood control, and the Bureau of Reclamation has built its irrigation works above. Now the Bureau has moved so far into the lowlands, and the engineers so far into the highlands, that they are often rivals for the same regional development. On the lower reaches of the Missouri and the Arkansas lie large cities amid a humid environment, which insist on development for flood control, navigation, and sanitation, under the Army Engineers. Higher up, such states as North and South Dakota, Montana and Wyoming see their best (and almost their only) chance for continued large development in the use of these same waters for irrigation and power, and they prefer the Bureau of Reclamation as the master-planner. This serious clash of interests probably will be resolved in compromise, but only after a long struggle.



Incidentally the Great Plains states are after 70 years coming around to the viewpoint of John Wesley Powell, first man to run the Grand Canyon of the Colorado, and economic seer of the West, who said the states would try for generations to get along without irrigation, but would finally come to it. A proper system of irrigation development, says the Bureau, could make room for half a million more people on the land of the Missouri Basin alone.

As a war instrument, the lands served wholly or in part by Bureau installations grew \$272 million worth of food in 1942; and half the power used in the war-plants of the West Coast came from Bureau hydro-electric projects, which

more than doubled in capacity between 1941 and 1943.

To round out the picture: people from the humid East find themselves, in the arid West, in a topsy-turvy land where, instead of following the riparian doctrine of an equal share in public waters, the use of the waters goes first to the first beneficial user, who can monopolise the whole supply if it is no more than his water-right calls for. An intricate system of law, administered by "decrees" granted by district courts, has thus grown up, under which in drought years only the owners of lands with the oldest or "firmest" water-rights can get water, and "junior appropriators" are willy-nilly reduced to the hazards of dry-land farming.

## Uncertainties About Labour

(From an American Labour Correspondent)

IN the rather confusing labour picture in the USA, the strike issue is at the centre of prevailing disturbance. Is the strike situation threatening, or not? Is war production being impeded because of many strikes or many days of work lost? Is labour's insistence on adjusting pay to rising living costs justified; are its demands as they are being made fair? Is labour abusing its power when it threatens a strike, and achieves an adjustment in consequence of such threat, even though the strike does not, and often is not even expected to, materialise? The public gropes for answers.

Primarily, it is the strike issue, not the wage angle, that lies at the core of public anxiety. On the face of visible facts, anxiety even on the score of strikes would appear to be unfounded; a loss of some 14,000,000 working man-days in 1943, one-third of one per cent of the nation's working man-power, is not enough to cause real concern. Yet discussion of the matter is getting to be progressively more heated, and labour's "public relations" have appreciably deteriorated in recent months. The causes of this phenomenon, like those of other developments in complex social circumstances, derive from more than one source. For one thing there is the conscious whipping up of public indignation against "the rising power of labour," with the accompanying charges that "its leaders are reckless," etc., coming from quarters antagonistic to labour unionism, and more particularly to its growing political assertiveness. In the United States, recognition of the status of organised labour still remains something one goes out of his way to grant.

A further factor is the widely felt undercurrent of insecurity as to whether there will be a ready responsiveness to the demands on labour that are certain to be tremendous when the invasion of the European continent passes from the planning and preparatory stages. Complicated by the tensions of an election year, this sense of insecurity is spreading and communicating itself to men in the armed forces. Undoubtedly, it is reflected in the President's call for a National Service Act at this time.

Then there are two long-term causes of the disturbance in the public mind about the labour situation. One, derives from the structure of the American labour movement, the other from the average unionist's community background. American labour has no political party to act as its spokesman, and to give voice to labour's attitudes on matters which are of national importance, and which go beyond strictly union affairs. Pronouncements, either by the AFL or by the CIO, on extra-curricular issues, are not always a safe gauge of what labour may actually think or do. They are at best "gentlemen's agreements." For these federations of labour themselves are not only not tied by mutuality of outlook or bound by an opinion that may have majority weight; beyond the clearly definable domain of common union organisation issues, the constituent national unions of each federation are free to formulate their own attitudes, or not to have any at all. And so, in turn, are their respective sub-divisions or local units.

This explains in part why public opinion may, under certain circumstances, feel thrown out of gear by the action of a single union, regardless of its importance in the whole field or of how much out of tune with the rest it may be. The jitters of the general public were quite understandable when Mr John L. Lewis staged four week-end "stoppages" of his 400,000 coal miners, and incidentally accounted for the heaviest part of the 14,000,000 working man-days lost last year. The importance of the coal industry in the war

effort, and in every other way, invited such concern. But that fear was augmented by the expectation of what others might follow the example set by Mr. Lewis. Undoubtedly, the Lewis performance, and the gains he was able to wrest, have tended to deteriorate the strength of labour leaders of a more positive brand.

Perhaps the most puzzling part of labour behaviour is the seeming disparity, if not contradiction, between the record of war production at home and fighting fire on the war fronts, and the picaresque, often petty, attitude toward matters of public, social and national policy, observable in the same workers. The public cannot see how John Doe can at once fight unselfishly for flag and country and insist tenaciously on the "maintenance of membership clause," the "union agreement," revision of the "Little Steel" formula, etc.

The discrepancy is implicit in the co-existence, in John Doe, the average American worker, of several parallel personalities. But on close examination, this trait is hardly the peculiar propensity of John Doe, the trade unionist. It is largely also the picture of John Doe, the average American. As union member, John Doe is wage-conscious. He did not join the union for his health, even as neighbour Richard Roe did not enter business for such reasons. John Doe wants his union to push for him during the war—to better his earnings even as Richard Roe's trade association aids him to profits in war business. He wants as good pay as the traffic will bear. At the same time, as an American in his community, John Doe does all the regulation wartime chores: contributes to war charities, the Red Cross, the Blood Bank. When he is called into service and gets to the front he fights to win.

There is something else too, which is quite American, and that is the isolation from the main highways of world-wide living which derives from past history, and from the general nature of American economic and political reality rather than from specific group orientations. The disappearance of both isolation and isolationism seems to be an unavoidable consequence of United States participation in world-wide, total war, the toll of human lives the war is taking, the bringing together of the various peoples of the four corners of the world as partners in the struggle to save and preserve humanity as an integrated whole. But influences so deeply rooted in the national character die hard. The rather caustic remark made by Mr John H. Jones, a British unionist on exchange visit in the US, about some of the American labour leaders: "They are like a kid in a sixty horsepower automobile, who ought to be riding a bike," correctly depicts an existing disparity between courses of action and requirements of the emergency. These men are patriotic Americans. But they have a tendency to act at various times from the various personality units that somehow continue to co-exist, independently of each other, in the traditional producer, wage-conscious unionist, American.

American labour leaders have not done overmuch to help integrate the split personality of their followings. Some who rose to power in an America that is no longer, though they still continue, may not know that such a problem exists. Some may not have seen anything wrong about it. Some certainly sought to exploit the situation. Comparatively few have given effective leadership in the battle against surviving yesterdays. Yet there is new leadership. Indication of the newer leadership, and assurance that new forces are rising to the needs of the situation, is to be found in the fact that the "no-strike" pledge was kept in 1943 to the extent of 99½ per cent.

## American Notes

### Congress vs. President

From its first meeting the keynote of the present Congress has been its desire to free itself from "Executive domination." But in the long series of engagements between the White House and the Capitol, none has stirred up more noise than last week's battle over the Tax Bill. The Bill had been passed by Congress in a form that increased the burden of taxes by only some \$2 billions, instead of the \$10 billions that the President asked for or the still larger sums that would have pleased the economic realists. Rather unexpectedly, the President vetoed the Bill. This, in itself, was provocative, since by long-standing convention taxation is a Congressional matter. But Mr Roosevelt added to his offence by a very sharply worded veto message, in which he accused Congress of being more concerned with the greedy than with the needy. The result was an explosion. Senator Barkley, Democratic leader of the Senate and hitherto (in the idiom of American politics) a "faithful wheel-horse," resigned his office and made a spirited protest. The Bill was promptly re-passed by 299 to 95 in the House and by 72 to 14 in the Senate. The necessary two-thirds majorities were easily secured and the Bill thus becomes law; 99 Democrats in the House and 39 in the Senate voted against the President.

These events are sensational in the form they took: it is not every day that the public is treated to hot words between the President and his chief lieutenants. The Republicans and all the President's enemies are naturally jubilant, and some ingenuity is being shown—for example, by Mr Willkie and the *New York Times*—in arguing that the President was wrong in vetoing, and the Congress right in re-passing, a Bill that is by general admission hopelessly inadequate. (Mr Willkie was calling only the other day for additional taxes to the tune of more than \$16 billion.) But in spite of all the sound and fury, it is doubtful whether anything has been changed. Mr Barkley has been re-elected to the leadership of the Senate, and has expressed his affection for Mr Roosevelt. If he is now to be regarded as the representative of the Democratic Senators vis-à-vis the President, rather than of the President to the Senators, that is merely a recognition of a long-established fact. The President has never been in control of this Congress, in spite of its Democratic majorities. Nor does it affect the election prospects. There is no chance of the Democratic party nominating another candidate if Mr Roosevelt wants to run again, and almost no chance of the Democratic Senators doing anything but support the party nominee. To a British observer it is all very puzzling; but the clue lies in the sharp distinction that the American politician draws between office-holding and policy-making. A Democratic Senator is being perfectly consistent if he thinks Mr Roosevelt the best man to have in the White House and is also determined to keep him out of the legislative process.

### 1943 Films

The results of the twenty-second annual poll of motion picture editors, critics, commentators and columnists, by *Film Daily*, one of the motion picture industry's chief trade journals, showed the following vote on the "Ten Best Pictures" released in the United States between October 31, 1942, and November 1, 1943:

| Picture                            | Votes |
|------------------------------------|-------|
| 1. "Random Harvest" .....          | 305   |
| 2. "For Whom the Bell Tolls" ..... | 285   |
| 3. "Yankee Doodle Dandy" .....     | 285   |
| 4. "This is the Army" .....        | 276   |
| 5. "Casablanca" .....              | 259   |
| 6. "The Human Comedy" .....        | 241   |
| 7. "Watch on the Rhine" .....      | 220   |
| 8. "In Which We Serve" .....       | 208   |
| 9. "So Proudly We Hail" .....      | 210   |
| 10. "Stage Door Canteen" .....     | 162   |

The finding of a formula for pictures in war-time to meet the desires of the nation's 80,000,000 weekly picture-goers has led Hollywood through a period of trials and errors. Among the trials of the industry have been the change from costume to uniform of a considerable proportion of its male

actors, the restrictions placed upon new construction of sets and the limitation of supplies of film to about 76 per cent of a company's 1941 usage. Among its errors were what appeared from public reaction to be an overproduction of harrowing "war pictures" in the early months of America's participation in the conflict, followed by a compensator shift into the "escapism" of extravagantly frivolous farce. More recently something closer to a balance of entertainment has been struck. Few features are released that do not use the war motif in some way or other as story background, whether romantic, comic, melodramatic (the cops and robbers formula is always good), or occasionally tragic. In spite of the civilian hue and cry against "war pictures," such films share popularity equally with the "escapist" releases among men in uniform at the War Department theatres in training camps.

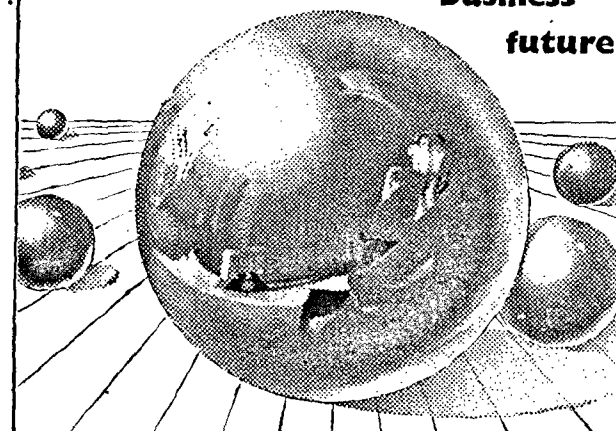
### Shorter Notes

Eleven states have now made it possible for soldiers to vote at primaries. Since Federal provisions for the soldiers' vote were turned down by Congress, responsibility now rests with the states themselves.

The Senate Committee of Agriculture has been told by Major-General Hershey, National Director of the US Selective Service, that 1.3 million more men are needed for the services by July, and many of the 240,000 to be taken each month would have to come from farm work. Farm organisations are protesting that this may denude farms of nearly half their essential young workers.

The Senate Banking Committee have approved a measure prolonging the life of the Commodity Credit Corporation till June, 1945. The Committee is the body through which the major part of Government subsidies in aid of the prices of foodstuffs have been paid.

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# THE WORLD OVERSEAS

## A Fascist Swan Song

(By a Correspondent)

ON January 11th, the Republican Fascist Government, "under the Presidency of the Duce," proclaimed the principles of its new economic policy; on February 12th it passed the decree on the "socialisation of industry," which claims to carry the new policy into effect. The decree consists of three sets of measures: arrangements for the participation of workers in the administration of industrial establishments; provisions for the transfer of industries of national importance from private to state ownership; and regulations concerning the distribution of industrial profits between owners and workers.

The new decree has been hailed by the Fascist Press in German-occupied Italy as the return of Fascism to its "revolutionary origin," or—more grandiloquently still—as the beginning of the "Century of Labour" once promised by Mussolini. In Milan, Genoa and Turin, and in the other great industrial centres of Northern Italy, Fascist propagandists have been busily blowing all their "proletarian" trumpets and praising the decree as the act of final reconciliation between Fascism and the social radicalism of the workers of the north.

The actual text of the decree does not substantiate the claims of socialisation. The main emphasis has been laid on the overhaul of the administrative system in industry. Private ownership has been retained; but, nominally at least, it is to be further restricted in its freedom to draw profits from industrial activities. It is also to be compelled to share industrial control with the representatives of the workers.

The decree makes provision for separate administrative systems for businesses owned by joint-stock companies, by individuals, and by the state. Each joint-stock company with a capital of 1,000,000 lire or more is to have the following administrative bodies: the head of the concern, the Meeting, the Board of Directors and the Board of Auditors. The main innovation is that representatives of workers are now entitled to take part in the meetings of shareholders with a number of votes equal to the total vote of the latter. The Meeting thus composed elects a Board of Directors, on which again the workers' delegates are to have the same number of seats as the representatives of the shareholders. (The representatives of the workers on the Board are exempt from having to produce security deposits, an obligation which apparently continues to be in force for the representatives of the shareholders.) Similarly, provision has been made for the representation of workers on the Board of Auditors. In this way, the rôle of the head of the concern acquires a special importance, because it is he who has the

casting vote. Only in joint stock companies with a capital of less than 1,000,000 lire have the owners themselves the right to appoint the head of the concern. In all larger businesses, he is to be appointed jointly by the workers and the shareholders.

In businesses owned by individuals, the entrepreneur remains, under the new decree, the head of the concern. But he, too, is to be assisted by a Board of Directors on which the employees are represented by at least three elected members. The entrepreneur has to convene the Board at least once a month and to discuss with it all questions relating to production. At the end of the financial year he has to submit to it the balance-sheet and the proposals for distributing the profits. This provision applies to all private concerns with a capital of more than 1,000,000 lire and employing 50 workers or more. The decree does not, however, make it clear whether the Board of Directors has purely advisory powers or whether it has the right to veto the balance-sheet and the distribution of profits proposed by the owner.

In concerns owned by the state, the head of the business is appointed by the Minister for Corporative Economy; he is not elected by the general meeting, as in the case of joint stock companies. But here, too, provision is made for a Board of Directors consisting of representatives of the workers and technical staff, as well as of the delegates of the state's economic agencies. The balance sheets, however, and the proposals for the distribution of profits are to be drawn up mainly by governmental agencies; and, unlike the balance sheets of privately owned concerns, they are not subject to approval by the meetings in which the employees participate.

The reorganisation of all industrial enterprises in accordance with the new scheme is to be carried out within the next few months, and is to be completed not later than June 30, 1944.

### Expropriations Possible

The main feature of the new system so far is the establishment of dual control in industry. But some of the measures clearly open the door for expropriation as well. Thus, for instance, the owner of an industrial enterprise is personally responsible to the state for managing his business. "He may be removed and replaced . . . if his activity falls short of the production schemes of the state." In joint stock companies, both the shareholders and employees at the meeting and the Minister for Corporative Economy are entitled to remove the head of a concern if "he lacks responsibility and fails in his duties." In individually-owned enterprises, the owner can be removed by a sentence of the Labour magistratus, though he may appeal against the sentence. The removal of the owner may result in the transformation of a private enterprise into a workers' co-operative.

Article 30 of the decree provides that the state may take over the property of concerns of national importance. It also provides for the state's share in subscribing to the capital of private businesses. A special decree was issued on the creation of an Institute for Administration and Finance, which is to be responsible for the management of all businesses transferred from private to state ownership.

The distribution of industrial profits is subject to the usual wartime limitations. Apart from this, profits are to be distributed among manual workers, salaried employees and administrative staffs in proportion to their yearly wages and salaries. The profits thus distributed can in no case amount to more than 30 per cent of the wage and salary list of any given establishment. Excess profits have to be paid into the account of the Institute of Administration

and Finance to serve "social and productive purposes." It may be doubted whether these sensational reforms have more than propaganda value. The participation of workers in the control of undertakings is largely a sham, even from the letter of the decree itself. The workers have not been given an unconditional right to elect their representatives to the meetings or boards of directors of the "socialised" enterprises. They are only free to elect delegates from a list drawn up by the Fascist syndicates, and are not themselves allowed to propose their own candidates. This typical totalitarian technique makes the provision for "a secret ballot of all workers of the concern" altogether pointless, and the dual control of capitalists and workers over industry boils down to control by industrialists and Fascists, a state of affairs which is not very much different from the conditions prevailing even before the proclamation of the "century of labour."

### Shareholders' Panic

Even so, the announcement of the reforms caused an understandable panic among shareholders and industrialists in Northern Italy. Throughout January and part of February the Stock Exchanges of Milan and other Northern Italian cities experienced a sharp slump in quotations. Mussolini's Minister of Finance was compelled to counteract the panic by assurances in which he stressed the moderate character of the reform. He also pointed to article 46 of the decree, which says that the new measures "will become valid on the date to be fixed in a subsequent decree promulgated by the Duce of the Italian Social Republic." In the light of this escape clause, expropriation does not appear so imminent as it might have done at first sight. It seems that the only cases in which expropriations are really to be carried out at once are those where the owners of industrial enterprises are Jews. Almost simultaneously with the decree on "socialisation" decrees about Aryanisation were published.

The decree clearly represents nothing more than Mussolini's last attempt to regain political contact with the workers of Northern Italy, who were the first to turn

their backs on Fascism even before its collapse. The tactics of "Republican Fascism" are in a sense dictated by the political outlook in Southern Italy. The Allies have recognised the rights of the Italian dynasty. Fascism, deserted by the dynasty, has raised the Republican banner. Allied policy in the south seems to make the protection of property one of its objectives. Fascism, therefore, stages a theatrical attack on property—which it formerly claimed to protect against Communism. That the attack is merely demagogic is almost certain; but what is indirectly reflected in it is the social radicalism of the working classes in Northern Italy. That radicalism is very likely to survive the new version of Fascism with its sham socialisation. It is in this context that Mussolini's recent reforms may well acquire some new significance; they may easily provide the starting point for the programmes of the Left Wing in Italy after the country has been finally freed. The economic swan song of Fascism may echo long in the social aspirations of its prospective successors.

## Empire Wool Problems

[BY A CORRESPONDENT]

BEFORE the war Australia, New Zealand and South Africa accounted for about two-fifths of the world's wool supplies, and for more than three-fifths of its wool exports. In Australia, wool used to account for between 30 and 40 per cent of total exports; in New Zealand, between 20 and 30 per cent; and in South Africa, for more than 10 per cent. It is not surprising, therefore, that the future of the raw wool trade has for some time past been attracting great attention in the Empire producing areas. Recently, exchanges of views between the various organisations in the Empire have taken place, and, on the initiative of Australia, a full Empire wool conference is likely to take place within the next few months.

The position with which Empire wool producers are confronted is fairly clear. During the greater part of the

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During the War, quality can be only what we are able to make it. Nevertheless, we find, somewhat to our surprise, that in spite of Hobson's choice in the matter of ingredients, we are able to make Chocolate and Clear Gums which the people who eat them are kind enough to call excellent. Even so, owing to Zoning we can sell them only in certain parts of the country, mainly in the North and East.

After the War, when at length the quality of our products again comes completely under our own control, we shall make our post-war products to our pre-war standards. Unhurriedly, as the right materials come into the country, we shall again produce Black Magic, Chocolate Crisp and the others — and sell them from Penzance to the Pentland Firth. And that's a promise.

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inter-war period, wool production and wool consumption, despite an increase in supplies in the two pre-war decades of almost two-thirds, were more or less balanced, so that surplus stocks in the autumn of 1939 were unimportant. Since then, the financial stability of Empire wool growers has been assured by the Imperial Wool Appraisal Scheme, which was introduced in the first few weeks of the war, and will remain in force for the duration and the first post-war wool season. Under this scheme, the Imperial Government agreed to acquire the entire wool clips of Australia and New Zealand, and since 1940 that of South Africa, at a fixed average price. This price was originally based on a rough average of market prices in the inter-war period, that is, roughly, 13.44d. per lb. in Australia and just under 12.25d. per lb. in New Zealand. From July 1, 1942, it has been increased by 15 per cent, owing mainly to wartime increases in production costs.

The appraisal scheme has brought a fair measure of prosperity to Empire producers. In the first four war seasons, Australia's wool receipts reached a total of £263,000,000, compared with £193,500,000 in the last four pre-war seasons. New Zealand's combined "wool cheque" advanced simultaneously from £43,900,000 to £71,200,000. [Figures expressed in Australian and New Zealand currency.] These increases were only partly due to the higher prices; they also reflected the larger production achieved since the autumn of 1939. There are, indeed, indications that the world's production of raw wool has risen to a new record level during the war. It appears to have reached an annual average of slightly over 4,000 million lb., compared with the pre-war record of 3,930 million lb. reached in 1938-39.

Against these increased supplies, world wool shipments and consumption have been seriously dislocated during the war. The shipping shortage limited exports from the producing regions, while the shortage of machinery and manpower enforced stiff restrictions on wool manufacture for civilian purposes. Simultaneously, the blockade of the Axis and Axis-controlled areas, which own probably as much as one-half of the world's wool manufacturing facilities, has had a considerable effect on wartime world consump-

tion. Stocks of wool have consequently been accumulating on a very large scale.

As official data on stock movements have been withheld since the outbreak of war, and private estimates differ very much, the probable size of the post-war wool surplus cannot at present be assessed. It may be mentioned, however, that the New Zealand Loan and Mercantile Agency Company, in its recently published and carefully prepared review on wool, arrives at the conclusion that by the end of the 1944-45 season (June 30, 1945), the raw wool surplus in the chief producing areas and the United States (where the British Government has accumulated a large reserve of Empire wool), "will certainly exceed 3,000 million lb., and may even exceed 3,500 million lb." The latter figure is roughly equal to a year's world consumption at the last pre-war rate.

### Marketing Problems

It is obvious that the liquidation of such an enormous surplus in the face of an increased current supply of new wool will cause great difficulties. After the last war, for instance, the British-Australian Wool Realisation Association required three and a-half years to liquidate a surplus of no more than 800 million lb. The position after this war, apart from the much increased raw wool surplus, will be aggravated by the fact that rayon and staple fibre have become very important factors in textile raw material supplies, and compete to no mean extent directly with wool. According to *Rayon Organon*, the world production of rayon and staple fibre, which was virtually non-existent after the last war, amounted in 1942 to no less than 3,473 million lb., and a new increase has taken place in 1943. This means that the world's production of these processed fibres has now almost reached the total weight of world wool production. The great bulk of the rayon and staple fibre is produced in wool-importing countries like Germany, Japan and the United States. These three countries alone before 1939 used to import up to 800 million lb. of wool per annum, or almost two-fifths of world exports, a fact which is likely to impede the readjustment of the world wool market after the war.

The problems with which the Empire's wool trade, and, indeed, the whole world wool trade, will be faced after the war will thus be extremely difficult. The first preliminary to the restoration of a normal market is an orderly liquidation of the accumulated surplus. Discussions on this point appear to have taken place already, although details have not been made public. But even if the surplus supplies are liquidated with care, a bigger market for wool is required to absorb the growing supplies from new production.

The problem of extending the post-war markets for wool has occupied producers in the Empire surplus areas for many months past, and a course of action has already been proposed after consultations between the woolgrowers' organisations of Australia, New Zealand and South Africa. Measures so far suggested by the Empire wool trade include the improvement of the health of the sheep flocks and in the quality of raw wool, the improvement of the quality of manufactured wool, and market development both in advanced and in backward consuming countries. They also include proposals to increase the competitive strength of wool through the rationalisation of both raw wool production and wool manufacture. These are measures which cannot be solved by individual producing areas, but require world-wide co-operation not only of wool producers, but also of wool manufacturers. The planned Empire wool conference, therefore, is likely to be only a preliminary to a world conference. Whether the moves so far proposed will succeed in re-establishing a balance of the world wool market after the war depends very much on the general trend of the world's post-war trade.

### Books Received

*Milk Production. A Study of Variations in Costs. 1934/5 to 1938/9.* By A. Bridges. (Oxford) Agricultural Economics Research Institute. 79 pages. 2s. 6d. net.

*Summary of the World Federation Plan.* By Ely Culbertson. (London) Faber and Faber. 78 pages. 5s. net.

*Make This the Last War.* By M. Straight. (London) Allen and Unwin. 276 pages. 10s. 6d. net.

*Our Economic Problem.* By P. A. Wadia and K. T. Merchant. (Bombay) New Book Co. 336 pages. Rs. 6.8.

## Letters to the Editor

### How Many Houses?

TO THE EDITOR OF THE ECONOMIST

SIR,—In the interesting article "How Many Houses?" in your issue of February 5th one statement at least calls for amendment, viz., that "there are some 4,000,000 houses over 80 years old" (page 187). The number of houses more than 80 years old now standing could not be larger than the total enumerated in 1861, which was 3,924,000 houses. Of these, however, a considerable number has been demolished since to make room for railways, gas-works, factories, schools, blocks of flats and so forth, by slum clearance and through air raids.

The demolition rate between 1861 and 1921 may be assumed to have been something like 20 or 30 per cent of houses erected. (In Glasgow, demolitions between 1871 and 1914 amounted to over 40 per cent of houses built, but this is probably higher than the average for England and Wales.) The number of houses pulled down may be estimated at 200,000 between 1921 and 1931 and at 300,000 between 1931 and 1939. The air raids destroyed approximately 250,000 houses.

On the assumption that 90 per cent of the houses demolished and 75 per cent of the houses destroyed by air raids were standing in 1861, the number of houses more than 80 years old would by now have been diminished by 1,550,000 to 2,200,000. This means that only between 1,725,000 and 2,375,000 of these old houses are still standing.

A factor whose size is unknown and which is not accounted for above is the conversion of old houses into several flats since 1921. (In 1911, the number of structurally separate dwellings exceeded that of houses by approximately 140,000.) Structurally separate dwellings created by conversion are included in the number of "houses built." The total of existing dwellings in old houses is therefore somewhat higher than the total of old houses. This understatement is, however, to some extent counteracted by the discontinued use as dwellings of houses turned over to non-residential users.—Yours, etc.,

KATE LIEPMANN.

85 Holland Park, W.11.

TO THE EDITOR OF THE ECONOMIST

SIR,—Miss Liepmann has been good enough to send me a copy of the letter which she sent you and in which she commented on your article "How Many Houses?" (February 5th), and on the estimate in my *Agenda* article that at the outbreak of the war there were approximately four million dwellings which were at least 80 years old. May I comment on her suggested corrections?

1. Her figure of 3,924,000 houses in 1861 relates not to Great Britain, but to England and Wales. With the inclusion of Scotland the total houses recorded at that census was 4,591,000.

2. My own estimate relates to dwellings (in the customary sense). In 1861 the census enumerators dealt with "houses" and not dwellings; that is, a block of 100 tenement flats would be recorded as one unit and not as 100. On the basis of the 1911 census the Registrar-General has converted "houses" into "dwellings," and if we use the relationship established for that year, then it is highly probable that in 1861 there were roughly 4,750,000 dwellings in Great Britain.

3. Miss Liepmann's assumed rate of demolition seems to me to be much too high. At September, 1939, there were approximately 12,850,000 dwellings in Great Britain—an increase of 8,100,000 since 1861. If we adopt Miss Liepmann's assumption that the number of houses demolished in the period equalled between 20 and 30 per cent of the dwellings erected, then the number of dwellings erected was 10,800,000 (75 per cent of 10,800,000 plus 4,750,000 equals 12,850,000); and the number demolished was 2,700,000—or an average of 35,000 per annum. Such a figure is highly unlikely. In the years 1921-31 approximately 20,000 dwellings were pulled down annually—and this reduction was being made from a stock of over 12 million dwellings; during most of the period under discussion we are dealing with a stock of 6 to 7 million dwellings. In the light of these figures it would be reasonable at least to halve

Miss Liepmann's rate of demolition and place the total at 1,250,000 pulled down during the years 1861-1939. (This is, of course, a very conservative reduction in Miss Liepmann's rate of demolition. It is much more likely that her suggested rate should be reduced by two-thirds.)

4. It must be remembered that some of the houses demolished in the past 80 years were built after 1861. If we assume that 90 per cent of all demolitions were of pre-1861 construction, then about 1,100,000 of the 4,750,000 dwellings standing in 1861 have been demolished. This leaves standing in 1939 at least 3,650,000. We say "at least," since a high proportion of the houses which in the '20's and '30's were sub-divided so as to turn one-family structures into multiple-family structures, were houses which had been built in the middle of the nineteenth century. A survey carried out in London in 1937 showed that 70 per cent of all working-class families in London occupied sub-divided nineteenth century structures.—Yours, etc.,

M. A. ABRAMS.

110 St. Martin's Lane, W.C.2.

### Miners' Earnings

TO THE EDITOR OF THE ECONOMIST

SIR,—There is one passage in the interesting article in your issue of February 19th upon which I should like to make an observation. You state that weekly earnings in the coal industry were about 111s. 6d. in January, 1943, "compared with 148s. 7d. in motor vehicle and aircraft manufacture, 130s. 8d. in shipbuilding, and 126s. 3d. in electrical engineering."

But these figures include overtime earnings, which are substantially higher in the engineering and munition industries than in coal mining. In the latter they average 9s. 6d. a week as compared with about 25s. in the engineering industry (see figures given by the Amalgamated Engineering Union during discussions with the engineering employers in March last).

Moreover, in *The Times* of February 22nd Mr J. Tanner, the President of the AEU, is reported as saying that average piece-work earnings in the engineering industry are 97s. 6d. for skilled workers. This figure excludes overtime, and compares with 126s. 3d. for 5.1 shifts per week for piece-work coal-getters in the coal-mining industry.

Actually, taking into account the known increases in earnings per shift that have taken place since June, 1942, but before the Porter Award, the figure of average weekly earnings in coal mining became 115s. 6d. for all adults and 118s. 6d. for adults employed underground. Allowing for overtime earnings, these figures compare favourably with those in other industries.—Yours, etc.,

H. J. GILLESPIE.

The Mining Association of Great Britain.

### Powell Duffryn Amalgamation

TO THE EDITOR OF THE ECONOMIST

SIR,—I am surprised that in your issue of February 12th you should be in agreement with the principle of the recently announced Powell Duffryn amalgamation terms. It would appear that this is a direct challenge to the rights of preference shareholders of all companies who might find in these days of cheap money that they have inconveniently high prior charges which they would like to liquidate. If this scheme goes through without very strong opposition and proves to be the precursor of similar schemes in other directions, I think it will deal a very severe blow to the confidence of the investing public and to the sound principles which have always been the basis of British company finance.—Yours etc.,

J. H. WILLIAMS.

"Cobnor," Cimla Road, Neath.

[The meeting to consider the amalgamation scheme, held on March 1st, passed the resolutions with only two dissentients. Preference shareholders had no right to vote.—Editor.]

## NEWS of WHITE HORSE

No. 3

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You pour out a modest measure of this genial spirit into your glass. What is your immediate reaction? First you recognise the delicate and distinctive aroma of the White Horse you have known in times of peace. Then, you raise the glass to your lips and at once your palate confirms your first impressions—that White Horse Whisky was never better than it is today.

This is quite true, and here is the reason. The White Horse Whisky in your glass is a whisky of the past and was growing old when this war was young. Stocks laid down long ago, matured and maturing, provide the White Horse supplies for tomorrow as well as today. Whisky as great as the White Horse you knew in time of peace, whisky which will always be 'fine as a fine liqueur.'

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# THE BUSINESS WORLD

## Relics of Dear Money

DISCUSSIONS of British credit and monetary policy all too often assume that the fight for cheap money has been won and won for ever. They ignore the fact that over a wide part of the structure of interest rates the benefits of cheap money have scarcely penetrated. In the money market, in the issue of securities by the Government and other trustee borrowers, in the yields which industrial debentures command, in short-term finance for certain privileged classes of commercial and industrial borrowers, the price of borrowed money has established itself at a level which deserves the adjective "cheap." But at many points at which the interest rate touches the private individual borrower, money still remains comparatively dear. Four types of credit operations may be mentioned where rates currently quoted do not adequately reflect the cheapening of basic interest rates which occurred twelve years ago and which, but for a slight aberration in the few weeks that straddled the outbreak of the war, has held ever since. They are bank loans and advances, building society mortgages, hire-purchase operations and advances made by life-assurance offices in respect of premiums on their own policies.

The rule, in the case of bank loans, is to charge "what the traffic will bear." The terms on which such loans are given, still adhere to a long-established traditional formula: "one per cent over Bank rate with a minimum of five per cent." If the traffic will bear 5 per cent, that is the rate which will apply. Admittedly, the traffic often refuses to bear this rate. In practice, the rates charged may vary from 5 per cent to 2½ per cent. The monster industrial concern, compelled to borrow from its bankers for a few days over the turn of the financial year, or at some similar season of stress on its liquid resources, will pay little more than the money market price for such accommodation. Certain industrial advances guaranteed by one of the supply departments will be charged at 3½ per cent. The general run of industrial advances will bear interest at 4 to 4½ per cent. Any individual who can influence business or who has the required pertinacity may succeed in beating down his overdraft rate below 5 per cent. But the vast bulk of personal overdrafts (and they are still the main constituent of the banks' advances) and the loans made to small shopkeepers and industrial borrowers of the same calibre, will pay 5 per cent however good may be the security behind them. Taking the whole of the banks' loans and advances, excluding from this total those on which temporary default may have occurred, and dividing it by the banks' gross revenue from this source, the average will probably work out at about 4½ per cent or slightly under that figure. For the large majority of the banks' borrowers, who still pay 5 per cent for their accommodation, the Bank rate might still be at 4 per cent, for if it were, they would still be charged the price they are now paying. The personal borrower perhaps does not deserve special sympathy, particularly at this time when every effort is being made to discourage private spending and consumption. The 5 per cent rate imposed on his overdraft cannot convincingly be defined as a burden on industry, though it must not be forgotten that this rate also applies to a large number of modest industrial and commercial borrowers. Except for a select class of borrowers, bank advances are still comparatively dear.

In recent times interest rates have found their most direct and visible impact on the general public through the charges on building societies' mortgage loans. These rates have not made a startling response to the cheap money revolution, though there have been recent stirrings of some such adjustment. Until the last few weeks, 5 per cent was still the representative mortgage rate. It is now settling down at 4½ per cent and the adjustment is being made to apply to old as well as to new mortgages (the latter are virtually non-existent). Even the lower rate may still seem comparatively high when viewed in the context of post-war

rehousing policy. It cannot be reduced without some lowering of the rates at which building societies raise their funds, which themselves are somewhat out of line and might well stand a further cut. But the main hope for substantial lowering of building society mortgage rates must lie in the grant of central or local authority guarantees for approved housing projects. Such guarantees would enable the building societies to raise funds far more cheaply than they do to-day and would, in their turn, make possible a further lowering of the mortgage rate. The difference between, say, 3½ per cent and the present 4½ per cent, translated into terms of weekly rentals, is enough to have a considerable effect on the scope of the post-war rebuilding programme. The building societies are *par excellence* the channel through which to bring cheap money to the people.

Hire-purchase interest rates may not have great relevance to the present-day cheap-money problem. Hire-purchase business is virtually at a standstill and is formally forbidden over large types of transactions in which it flourished before the war. After the post-war period of transition and scarcity, during which it will still be necessary to discourage consumption, hire purchase will undoubtedly come into its own again. The rates of interest applied in hire-purchase business vary within extraordinary margins, and their movements in the decade before the war bore little relation to the lowering of basic short-term and long-term interest rates. The true interest rates applied in such transactions might range from 7 to 30 per cent and the variations were largely explained by the great diversity of the risks involved in this business (some articles depreciate far more rapidly than others) and by the even greater diversity in the standing of the many firms engaged in the trade. The normal hire-purchase contract made no mention of a rate of interest, but merely provided for repayment in a number of equal periodical instalments. The curious buyer inquiring about the charges he was bearing was probably given a notional rate of interest which at first may not have appeared unreasonable. For example, an article with a cash price of £20 may have been sold on hire purchase repayable over five years in quarterly instalments of 27s., the hire-purchase price thus amounting to £27. The hirer might in such a case be told that he was paying 7 per cent interest, since £20 at 7 per cent for five years would amount to £7. Since, however, he was repaying capital steadily at the rate of 20s. per quarter throughout the period, the true rate of interest would in effect be double the notional rate, or 14 per cent. Admittedly the rates charged had to allow for costs of collection and for comparatively high credit risks. But these reservations cannot obscure the fact that the effective rates charged in certain hire-purchase transactions were very high indeed. At present the matter is regulated by the Hire Purchase and Credit Sale Agreement Charges Order. This forbids hire-purchase and credit sale transactions except in certain specified goods and requires that in such cases

the total sum payable under the new agreement to complete the purchase of goods comprised therein does not exceed the amount outstanding under the original agreement together with an amount not exceeding 10 per cent per annum calculated on such outstanding amount.

This maximum notional rate of 10 per cent is an indication of the rates that normally prevailed before the war. There is a strong case for perpetuating an even more stringent form of control over hire-purchase agreements after the war than was provided by the Hire Purchase Act passed in 1938. In addition to specifying the cash price of goods covered by a hire-purchase contract, the true rate of interest should be given.

The final example refers to a much smaller sector of the credit structure, namely the advances made by life assurance societies to finance the payment of premiums by their

own policy-holders. In most cases such advances can be arranged at a rate of 5 per cent per annum. This may not seem unreasonable, though it should not be overlooked that in such cases the companies are in effect lending against the security of their own policies. No lender could desire more familiar and solid collateral; 5 per cent for such advances seems high remuneration. But any unreasonableness of this rate is insignificant when it is compared with the rates that emerge from arrangements for staggering yearly life insurance premiums into half-yearly or quarterly payments. Here, again, the contrast between the notional and the true rate of interest may be striking. A typical example in which one of the most reputable life offices is concerned may be mentioned. The annual premium of £80 on a life policy is, by arrangement, paid in two half-yearly instalments of £41. The additional payment of £2 a year on a premium of £80 may, at first sight, appear a very moderate interest charge. Closer investigation does

not confirm this impression. The company is, in effect, lending slightly less than half the premium for six months. Instead of taking £80 on January 1st, it takes £41 on January 1st and £41 on July 1st. In other words, it lends £39 for six months and takes £2 as the price for this accommodation. This works out at £10 5s. per cent per annum. Allowing the 5s. for the additional expense of collecting the premium half-yearly instead of yearly, this still leaves the rate of interest at 10 per cent, which, for this type of accommodation, is not cheap money.

These diverse examples suggest that the battle for cheap money has only been half won. There are large and important sectors of the interest-rate structure where the benefits of cheap money have not percolated sufficiently. Before the battle for the perpetuation of cheap money after the war is joined, some thought and effort might be devoted to completing and consolidating the victory already achieved.

## Business Notes

### Banks and the Small Trader

Since Lord Wardington made his interesting remarks on the desirability of British joint stock banks granting longer-term loans to industry after the war than had hitherto been deemed proper for deposit banks, there has been much questioning whether in fact a new chapter in the history of British banking was to be opened. Speaking last week at a meeting in London of the British Chamber of Commerce of Paris, Mr Colin Campbell, president of the British Bankers' Association, made it clear that any such venture by British banks would only be concerned with the provision of capital for the small man. It would be the bankers' job, he said, to put the merchant and the small trader on their feet again after the war "for it is they who can best carry on private enterprise." He instanced the type of business which before the war employed a small staff and which because of war service or damage had virtually closed down and would have little capital left at the end of the war. A six-months loan from a bank would be of little use to them; they would need money for several years in building up their businesses again.

The banks, therefore, are carefully considering the practicability of making the required advances and of allowing the small trader to pay them back by instalments spread over a reasonable number of years.

The one idea which is evidently not in the bankers' mind is the provision of finance—whether directly or indirectly—through actual participations in the equity of industry. On this point Mr Campbell was quite categorical.

The banks have no intention of adopting the fatal Continental system by which the banks became shareholders in almost every industrial concern.

It therefore appears that there will be no new chapter in the history of British banking. The long-term advances to the small man would represent no innovation. What will be new is the interesting motive with which such accommodation will be granted, namely the upholding of private enterprise by those best calculated to carry its standard.

### Industrial Banking in Canada

Canada shows the way in planning the financial structure for post-war industrial development. A Bill has been introduced in Parliament at Ottawa to incorporate an Industrial Development Bank. This institution is to be a subsidiary of the central bank, the Bank of Canada. It will have a capital of \$25,000,000 and is specially designed to assist small industries in re-establishing themselves after the war. It will thus implement the promise made in the Speech from the Throne as part of the programme of reconstruction. Although the new bank will be a wholly owned subsidiary of the central bank, its character and the proposed scope of its activities should not be confused with the Bankers' Industrial Development Company, the industrial subsidiary of the Bank of England. That organisation was essentially an instrument of salvage. By choosing the objects of its rescuing operations well, by putting the right man in charge and by exercising due patience, the BID has done excellent work. But it would not be proper

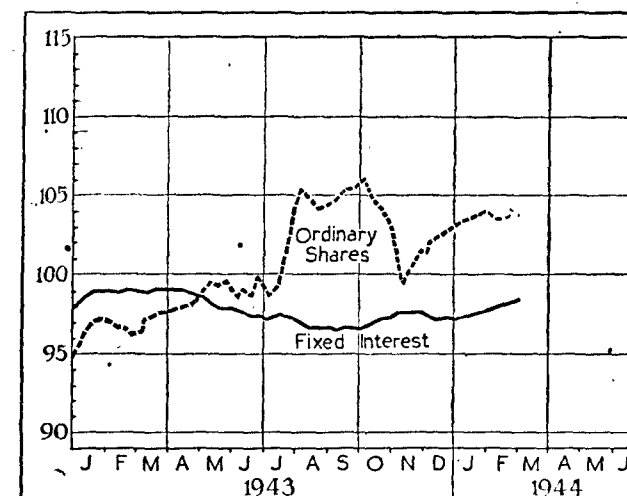
to regard it as an instrument of constructive industrial policy. It may re-emerge as such in the distant post-war years. Meanwhile, it will be interesting to note the career of the new official industrial bank in Canada. It will tackle a new field for this kind of enterprise and the precedents it will create are bound to prove both interesting and valuable.

### "Blitzed" Equities

The doubts expressed last week whether the upward movement in British industrial equities could be expected to continue, even at the reduced rate then ruling, have been justified by events. The resumption of bombing on a rather increased scale and for five nights on end was sufficient to cause, certainly not a rush of selling, but a general drying-up of business and a cautionary marking down of prices. As a result the index of *The Financial*

### FIXED INTEREST AND EQUITY SECURITY MOVEMENTS (July 1, 1935 = 100)

Financial News Indices of 20 fixed-interest securities (converted to new base) and 30 ordinary shares.



*News*, which had touched 104.6 on Friday, February 18th, the highest for four months, was on Monday last down to 103.0, the lowest for over two months. Since then there has been some recovery, but it has occurred mainly in the shares which were most heavily depreciated by the "blitz," that is entertainment shares, public utilities, including the railways, and London property and brewery shares. The general tone of the market shows little improvement and it is a reasonable assumption that it is the impending invasion, the imminence of the Salute the Soldier weeks, the expectation that there will be in the near future some further light on post-war policy and similar matters which are the real determinants. Bombing is a mere last straw, an added annoyance and uncertainty



which, considered in isolation, is likely only to affect certain specific securities, mainly in the groups already mentioned. How long these factors will be sufficiently powerful to counteract the effects of the rising tide of savings, some of which must always be invested outside the gilt-edged market, is not easy to say. In each of the past three years, the upward trend was resumed before the end of the first quarter, but in each of those years there was a February setback which came earlier in the month than on this occasion. Meanwhile, the expectation, since confirmed, that there would be no change in the terms of the Government "tap" issues, has had a slightly depressing effect on the Funds. This, coupled with some doubts about the value of prior charges in railway and London property and brewery companies, may account for a slight weakening in the fixed interest index of *The Financial News* from 135.4 to 135.0.

### Location of Industry

Since Mr Dalton's somewhat inconclusive statement in the House of Commons on December 8, 1943, there has been no further announcement by the Government on the subject of the location of industry. Barlow, Scott and Uthwatt remain part of the stock-in-trade of the cartoonist and the comedian. The absence of a statement of policy does not mean, of course, that the location of industry is not given the consideration it deserves; on the contrary, it is understood that policy is being shaped. To ask for a detailed statement of policy at this stage, for a blue-print of the future industrial map of Great Britain, would be asking for the impossible. But the time has surely come when the principles that are to guide the distribution of industry should be formulated and submitted to Parliament and the public for discussion. True, the problem of industrial location is a political no less than an economic and social and even strategical one; it raises the large issue of the freedom to trade and manufacture in any part of the country. But it would be a pity if the formulation of a body of principles were delayed at the political level. Industrialists, public utilities, local authorities, and indeed Government departments, can hardly plan ahead in confidence without at least some general guidance about the intentions of the Government. If, for example, the aim is to ensure the fullest possible geographical freedom to trade and manufacture consistent with the need for avoiding pockets of long-term unemployment, it would be necessary to combine a measure of controlled location of new works with greater mobility of labour. New enterprises would have to be induced to go to areas containing declining industries and any remaining surplus of population would have to be induced to move to other areas. Such a policy would involve a minimum state interference with the free re-distribution of industry. If the aim is to maintain the existing distribution of the industrial population, the geographical freedom to trade and manufacture would have to be severely limited; except insofar as transferred war workers would wish to return to their homes, plant and machinery would be the only mobile element. The location of industry is only one aspect of economic policy, but it is one that should be clarified without much more delay. An article on page 295 shows how the absence of a decision on location is impeding the progress of plans in an area—South Wales—where unemployment was higher before the war.

### Advertising in the Press

The accompanying table, compiled by the London Press Exchange, Ltd., compares expenditure on press advertising by industry in 1938 and 1943. Its most significant feature is not that total expenditure has been halved, but the difference in the cut by various industries. These differences cannot be attributed to any single factor, such as the reduction in the supply of the products or services offered by the various industries. Some of the industries which have had to reduce the volume of sales substantially have also cut their advertising expenditure drastically; but others have only slightly reduced their advertising expenditure, and the footwear industry has actually spent more. Again, industries which now operate in a seller's market have by no means pursued similar policies. The tobacco trade, for example, has drastically cut its advertising expenditure, but cinemas and theatres have reduced theirs only slightly. Another factor that has probably influenced expenditure is the Excess Profits Tax; com-

panies whose earnings exceeded the pre-war level and which were subject to EPT, especially those that operate in a competitive market, have probably been more disposed to maintain a high rate of expenditure on press advertising than others. Apart from the difference in the rate of the cuts, many industries have obviously been able to reduce their costs quite appreciably, often more than proportionate to the fall in the volume of their sales. Insofar as the reduction in costs has been reflected in selling prices it has been of advantage to the consumer.

COMPUTED PRESS ADVERTISING EXPENDITURE

|                                      | 1938       | 1943       | Expenditure in 1943 as a Percentage of Expenditure in 1938 |
|--------------------------------------|------------|------------|------------------------------------------------------------|
| <b>Industries with Least Cut:—</b>   |            |            |                                                            |
| Boots and shoes                      | 219,277    | 279,547    | 127.5                                                      |
| Toilet—Dental preps.                 | 561,072    | 501,545    | 89.4                                                       |
| Cinemas and theatres                 | 358,491    | 277,465    | 77.4                                                       |
| Horticultural and veterinary         | 386,792    | 280,471    | 72.5                                                       |
| Medicines                            | 3,147,046  | 2,254,786  | 71.6                                                       |
| Food, drinks                         | 1,150,308  | 793,105    | 68.9                                                       |
| <b>Industries with Largest Cut:—</b> |            |            |                                                            |
| Household equipment                  | 1,450,017  | 162,440    | 11.2                                                       |
| Educational                          | 216,338    | 27,724     | 12.8                                                       |
| Cigarettes                           | 1,378,453  | 180,056    | 13.1                                                       |
| Magazines and newspapers             | 1,031,958  | 137,611    | 13.3                                                       |
| Travel                               | 781,025    | 113,222    | 14.5                                                       |
| Toilet—Hair preps.                   | 516,624    | 104,858    | 20.3                                                       |
| Total, including other industries    | 28,619,552 | 13,851,416 | 48.4                                                       |

### In Defence of Mr Rank

During the debate on the film industry in the House of Lords on February 23rd, Lord Selborne, Minister of Economic Warfare, rose to the defence of Mr Rank. In his view the country owed a "very great debt of gratitude" to Mr Rank for the services he has rendered to the film industry. He was the type of man that industry required, particularly the film industry. Neither the Board of Trade nor the Government was antagonistic to Mr Rank, but—this is the crux of the whole matter—he added that the Government would like to see several Mr Ranks. The domination of an industry like the film industry by a single personality or firm would be disastrous; the emergence of a number of strong personalities or firms, competing with each other, might put the industry on its feet. But even then there should be opportunity and scope for the small producer and exhibitor. The Government cannot create a vigorous film-producing industry in this country; but it can at least ensure the conditions of healthy growth.

### The Indian Budget

The Indian Budget proposals should be judged by one overriding criterion: the manner in which they set out to absorb the inflationary potential which now dominates the economic situation in India. Sir Jeremy Raisman's Budget, opened before the Central Assembly this week, does not pass this test with striking success. True, additional taxation is proposed which should raise the equivalent of £17,600,000. This, however, will still leave a prospective deficit of about £41 million for the coming year on the Indian Government's estimated expenditure of £272,380,000. This is quite apart from the expenditure of the British and United States Governments, for which, of course, no provision is made in the taxation proposals, but which are again likely to exceed the whole of the Indian Government's outlay and which, therefore, promise to provide the main source of monetary inflation. The main additions to taxation come from an increase from 20 to 50 per cent in the customs surcharge on tobacco and spirits and from increased duties on tea, coffee and betel nuts. The supertax is to be increased on incomes over £2,625, but since the tax exemption limit on incomes is being raised from £112 to £150, the charges in direct taxation are not likely to prove very helpful in mopping up redundant purchasing power in the hands of the population. The deficit for the year now ending is £69,320,000, compared with the estimate of £30,440,000. The difference between these two figures is wholly due to increased defence expenditure. Next year's expenditure is estimated at £272,380,000, and with taxation on the existing basis this would leave a prospective deficit of £58,600,000, a figure which is being reduced to £41 million by the proposed additions to taxation. The Finance Member evidently relies for his main anti-inflationary solvents on the sale of Govern-

ment securities, which should be stimulated in the coming year by the issue of new premium bonds, and on official sales of gold. On the latter subject, Sir Jeremy Raisman made the interesting revelation that the gold now being sold on official account is being acquired from the United States as well as from Great Britain and that this metal is being provided by these two Governments towards meeting their rupee expenditure.

\* \* \*

### The Client's Interest

The recent alteration in the rules of the Stock Exchange, London, so as to make it obligatory for brokers to deal with fellow members, unless they can do the business more profitably for their clients outside, has caused a considerable stir. According to some critics, the effect is to set up a monopoly and to substitute protection of the London jobber for the duty to the broker's client. Admittedly, there is an element of protection for the London jobber in the arrangement since, if the price outside is as good as that inside, the latter must be accepted. But that is surely not unreasonable, and it is hard to see how it injures the client. He has now, as he always has had, the right to complain if a bargain is done at a price which he considers unreasonable. If he complains to the Committee for General Purposes, they will investigate and take disciplinary action if that is called for. They will take this action irrespective of whether the bargain was done inside the market or else-

where. The objects of the new rule are two; to ensure that all bargains, other than those done on foreign exchanges, are marked and to diminish the temptation which a broker might feel to place orders with an outside firm, which could give him business, without checking whether he could not deal to as good, or even better, advantage within the market. The question has particular reference to dealing in Canadian securities in which the volume of business is scarcely sufficient to make operations through two sets of channels, the London jobbers and the outside houses, lucrative. There would appear to be no reason why one should invariably be cheaper than the other, and there is a good deal to be said for keeping both in being, but it must be realised that the outside house relies to some extent upon being able to square its position by dealing in the official markets at either end when that is convenient.

\* \* \*

### February Debt Changes

Although revenue continued at a high level during February, it was not sufficient to repeat the January feat of exceeding expenditure and allowing debt to be repaid. In the four weeks ended February 26th, a net amount of £99,741,000 was raised by the creation of debt, of which £68,740,000 represented the increase in the floating debt. Since ways and means advances alone yielded £81,970,000 during this period, the borrowing made no direct encroachment on market resources; on the contrary, it was expan-

## THE CHARTERED BANK OF INDIA, AUSTRALIA AND CHINA

(INCORPORATED BY ROYAL CHARTER, 1853.)

CAPITAL, STOCK, Authorised and Issued - - - £3,000,000  
RESERVE FUND - - - - - £3,000,000

Head Office: 38, BISHOPSGATE, LONDON, E.C.2.

West End Branch: 28, CHARLES II. STREET, HAYMARKET, S.W.1.

Manchester Branch: 52, MOSLEY STREET.

### BALANCE SHEET 31st DECEMBER, 1943.

(The Figures of Branches in enemy-occupied territories are taken from the latest returns received.)

| LIABILITIES                                                       |             |       | ASSETS                                                       |             |       |
|-------------------------------------------------------------------|-------------|-------|--------------------------------------------------------------|-------------|-------|
|                                                                   | £           | s. d. |                                                              | £           | s. d. |
| Capital, Stock, Authorised and Issued                             | 3,000,000   | 0 0   | Cash in Hand and at Bankers                                  | 13,428,182  | 2 3   |
| Reserve Fund                                                      | 3,000,000   | 0 0   | Cash (including Hong-kong Government                         |             |       |
| Notes in Circulation                                              | 1,499,651   | 0 9   | Certificates of Indebtedness for Surrendered                 |             |       |
| Current and other Accounts, including Provision for Bad and       |             |       | Coin) lodged against Note Issue                              | 383,843     | 15 0  |
| Doubtful Debts and Contingencies                                  | 68,593,612  | 17 9  |                                                              |             |       |
| Fixed Deposits                                                    | 10,118,649  | 9 11  | Bullion on Hand and in Transit                               |             |       |
| Bills Payable                                                     | 238,779     | 14 1  | Government and other Securities                              | 38,956,354  | 12 8  |
| Acceptances on Account of Customers                               | 783,256     | 17 11 | Securities Lodged against Note Issue                         | 900,000     | 0 0   |
| Due to Agents and Correspondents                                  | 17,703      | 19 0  |                                                              |             |       |
| Sundry Liabilities, including Rebates and Exchange Adjustments    | 1,070,232   | 4 3   | Allahabad Bank Ltd.—23,403 Ordinary Shares of Rs. 100 each,  |             |       |
| Profit and Loss                                                   | 596,372     | 1 11  | of which 14,665 are fully paid and 8,738 are paid up to the  |             |       |
| Liability on Bills of Exchange re-discounted, £740,375 18s. 6d.,  |             |       | extent of Rs. 50 per Share, at cost                          | 534,401     | 1 1   |
| of which £978,769 7s. 1d. has run off at 28th February, 1944.     |             |       | Bills of Exchange, including Treasury Bills                  | 2,179,403   | 11 2  |
| There is a contingent liability in respect of outstanding Forward |             |       | Bills Discounted and Loans                                   | 20,338,842  | 9 8   |
| Exchange Contracts.                                               |             |       | Liability of Customers for Acceptances, per Contra           | 783,256     | 17 11 |
|                                                                   |             |       | Due by Agents and Correspondents                             | 64,822      | 4 4   |
|                                                                   |             |       | Sundry Assets                                                | 439,066     | 11 6  |
|                                                                   |             |       | Bank Premises and Furniture at the Head Office and Branches, | 1,584,296   | 3 3   |
|                                                                   |             |       | Balance of Head Office and Inter-Branch Remittances, Drafts, |             |       |
|                                                                   |             |       | etc., in Transit                                             | 9,319,076   | 19 0  |
|                                                                   |             |       |                                                              |             |       |
|                                                                   | £88,918,258 | 5 7   |                                                              | £88,918,258 | 5 7   |

### PROFIT AND LOSS ACCOUNT.

For the Year ended 31st December, 1943.

| Dr.                                                                            |          |       | Cr.                                                                                                                       |          |       |
|--------------------------------------------------------------------------------|----------|-------|---------------------------------------------------------------------------------------------------------------------------|----------|-------|
| To Interim Dividend at 30th June, 1943 .....                                   | £        | s. d. | By Balance at 31st December, 1942 .....                                                                                   | £        | s. d. |
| „ Balance proposed to be dealt with as follows:—                               | 75,000   | 0 0   | Less Dividend for half-year to 31st December, 1942 .....                                                                  | 482,132  | 5 0   |
| Dividend at the rate of 5 per cent. per annum, for the half-year to date ..... | £75,000  | 0 0   | Officers' Pension Fund .....                                                                                              | £75,000  | 0 0   |
| Officers' Pension Fund .....                                                   | 50,000   | 0 0   |                                                                                                                           | 50,000   | 0 0   |
| Contingencies Account .....                                                    | 100,000  | 0 0   |                                                                                                                           |          |       |
| Carried forward to Profit and Loss New Account .....                           | 371,372  | 1 11  |                                                                                                                           | 125,000  | 0 0   |
|                                                                                |          |       |                                                                                                                           | 357,132  | 5 0   |
|                                                                                | 596,372  | 1 11  | „ Profits, after providing for all Bad and Doubtful Debts, except as regards Branches in enemy-occupied territories ..... | 314,239  | 16 11 |
|                                                                                | £671,372 | 1 11  |                                                                                                                           | £671,372 | 1 11  |
| W. R. COCKBURN, Chief Manager.                                                 |          |       | V. A. GRANTHAM                                                                                                            |          |       |
| R. W. BUCKLEY } Managers.                                                      |          |       | H. MACNAGHTEN } Directors.                                                                                                |          |       |
| R. P. MILDREN }                                                                |          |       | J. L. MILNE }                                                                                                             |          |       |
| G. H. TANKARD, Chief Accountant.                                               |          |       |                                                                                                                           |          |       |

### REPORT OF THE AUDITORS TO THE STOCKHOLDERS.

We have audited the above Balance Sheet and Profit and Loss Account with the Books, Vouchers and Securities in Head Office, and with the information, received by cable or the Returns from the Branches. No verification or valuation of assets at Branches in enemy-occupied territories can, under present conditions, be obtained. Subject to these remarks, in our opinion, such Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Bank's affairs, according to the best of our information and the explanations given to us and as shown by the Books of the Bank.

LONDON, 1st March, 1944.

D. C. WILSON } Auditors,  
R. C. K. STILEMAN }  
Chartered Accountants.

sionist in its effect. Some £32,250,000 of the money raised in ways and means advances represented direct borrowing from the Bank of England; this largely explains the exceptional expansion in bank cash revealed in last week's Bank return. There was a net repayment of £14 million of Treasury Deposit Receipts last month, thanks to the pre-encashment of no less than £39,500,000 of these securities by the banks. By far the biggest flow of new subscriptions to any of the Government's tap loans was directed to Tax Reserve Certificates, of which £51,300,000 were taken up; but no less than £85,908,904 of these certificates were used in the discharge of tax liabilities, a monthly total only once exceeded, namely by the January, 1944, figure of £100,087,870. The present issue of 2½ per cent National War Bonds which brought in £22,750,000 and of 3 per cent Savings Bonds which yielded £17,650,000 last month are to continue on unchanged terms, despite the fact that each series has now reached another interest date. The National War Bonds issued after March 1st will be designated "A" series, the present 1952-54 bonds having been on tap since last September. The Savings Bonds now in issue will be called "D" series since the original series of 1960-70 bonds has already been followed by three others, "A," "B" and "C," each covering a period of six months.

### Department Store Results

Preliminary announcements have now been made in respect of the year to the end of January by five of the London department stores and by Lewis's, Ltd. Except in the case of the last of these, it is not possible to arrive at any detailed conclusions on the figures available, but the general picture is sufficiently reassuring to controvert the statement of the Jeremiahs who were a year ago preaching an immediate and startling fall in earnings. It is true that, with the exception of Lewis's, Dickins and Jones and, possibly, Whiteley, the net profit figures are rather lower on the year, but Lewis's, Harrods and Whiteley are all distributing more, while Barkers and Swan and Edgar maintain their payments, the former out of rather reduced earnings on the equity capital. The Whiteley distribution is still restricted to clearing off preference dividend arrears, but this year the payment is two year's dividends, bringing the position up to date, against 18 months arrears in each of the two preceding years. Of the three London stores which have declared ordinary dividends, Barkers yield £3 6s. 8d. per cent, or some 2s. 8d. more than eleven months ago, and Swan and Edgar £4 6s. 6d. per cent, or 7s. 6d. less than a year ago, while the return on Harrods, which alone of these three have raised their distribution, is £3 4s. per cent, against only £2 12s. 2d. per cent in April last. When it is remembered that the results of a year ago were extremely good, those now disclosed are all the more encouraging. The reasons for the maintenance of earnings in the face of progressive austerity are presumably three: the further curtailment of the service element in the costs of the stores, the expansion of London's population and the rapid rise in prices of all uncontrolled goods. This rise seems to be in direct proportion to the growth of control. The retail trade statistics of the Board of Trade show a fall in total sales, including food, of 1.8 per cent for the eleven months to the end of December, but the London Central and West End have consistently made a better showing than the aggregate figure. At the same time, most of the large centres of population will probably be able to show results not markedly inferior to those of London, and some may do at least as well.

### Crosses and Winkworth Scheme

The original scheme for the capital reconstruction of Crosses and Winkworth was defeated at the end of last year because it failed to obtain the three-fourths majority of preference votes by a narrow margin. Now, after a delay of only two months, the board is submitting an alternative arrangement. This leaves the position of the "Heaton" debenture holders unchanged; they receive no compensation for accepting preference capital instead of their prior charge, and they obtain in satisfaction of arrears of interest the net amount in ordinary capital of the company at par. The new scheme provides, however, that the contribution of the existing equity holders to the satisfaction of the debenture holders shall be increased and that of the preference holders reduced. The latter, having accepted conver-

sion of their holdings into ordinary shares and a 33½ per cent writing down, were to abandon £276,902 worth to the old debenture holders. This is reduced to £239,421, while the contribution of the old equity holders is raised from £187,406 to £224,887. The net result of these changes is that, whereas under the old scheme the preference shareholders received some 30 per cent of the equity under the new capitalisation, they now obtain 34.5, while the share of the old equity holders falls from 13.7 per cent to 9.1 per cent—that is, by one-third. The existing debenture holders in each case obtain 56.4 per cent. Granted that they are satisfied with the position, there can be no valid objection to the further recognition of the contractual rights of the preference shareholders which the adjustment has brought. Both classes may, indeed, be regarded as fortunate to secure such good terms.

### Road Transport Organisation

The efforts made to organise the road transport industry on a national basis appear to be making headway. In 1942 seven independent associations set up the Road Transport Organisation Joint Conference under the chairmanship of Lord Perry. In a first report issued a year ago it was proposed to create national associations for each of the three sections of the industry—the road hauliers, who carry goods for others, the "ancillary users," that is firms carrying their goods in their own vehicles, and passenger vehicle operators. These three associations, it was suggested, should combine to form a National Road Transport Federation. After the publication of the report, shadow councils were set up for each of the three proposed associations; these, in turn, created planning committees to work out the details of the scheme. In a second report, now published, the Joint Conference urged that the new organisation should be set up as soon as possible; it is understood that it will be formally constituted within a few months. The report also contains a preliminary statement of the policy of the proposed National Road Transport Federation. Among other things, its aims would be:

To secure the recognition by the Government of the Federation with its constituent organisations as a competent authority to speak on behalf of the industry.

To encourage the principle of self-government within the industry; to secure official recognition of that principle; to obtain such statutory enforcement as the industry finds necessary; to oppose unregulated re-entry into the industry after the war as a means of avoiding the chaotic conditions and unbridled competition which would otherwise result.

To press for a modification in the incidence of commercial motor taxation, to secure that the whole of the motor vehicle taxation and fuel duties are to be re-allocated towards the cost of road construction, improvement and maintenance, and to oppose the principle of imposing taxes which discriminate against the whole or any part of the industry.

To confer with other forms of transport to secure that state of inland transport that will afford the maximum benefit for the public at large.

There is, of course, no reason why the road transport industry should not set up a strong national trade association; indeed, there is much that such an organisation could do to further the interests of the industry. But the creation of a private road transport monopoly, armed with statutory power, would be highly undesirable.

### Heating the Home

In an address to the Fuel Luncheon Club, on February 18th, Mr J. G. Bennett, Director of the Coal Utilisation Research Association, made some interesting comparisons between coal, gas and electricity as a means of heating the living room in a small private house. He pointed out that, from the point of view of coal conservation, it is at present almost a matter of indifference whether the living room is heated by coal, gas or electricity. The net efficiency factor in all three methods of heating is about 16 per cent. Commenting on improvements in utilisation that are either in sight or have reached the experimental stage, he estimated that the working efficiency of coal could be raised to 45-50 per cent, and those of gas and electricity to about 33 and 24 per cent respectively. In other words, Mr Bennett expects far greater progress in the efficiency of the utilisation of crude coal than in those of gas and electricity—the great difference between present methods and expectations is another reflection of the past neglect and future importance of research. But efficiency in utilisation, as he was quick

# FACTORY COAL URGENT announcement

The industrial coal situation is extremely serious. Nothing short of drastic measures can meet the emergency.

Demands of military operations on a vast scale are putting an acute strain on transport. This is aggravating the fuel position, already critical.

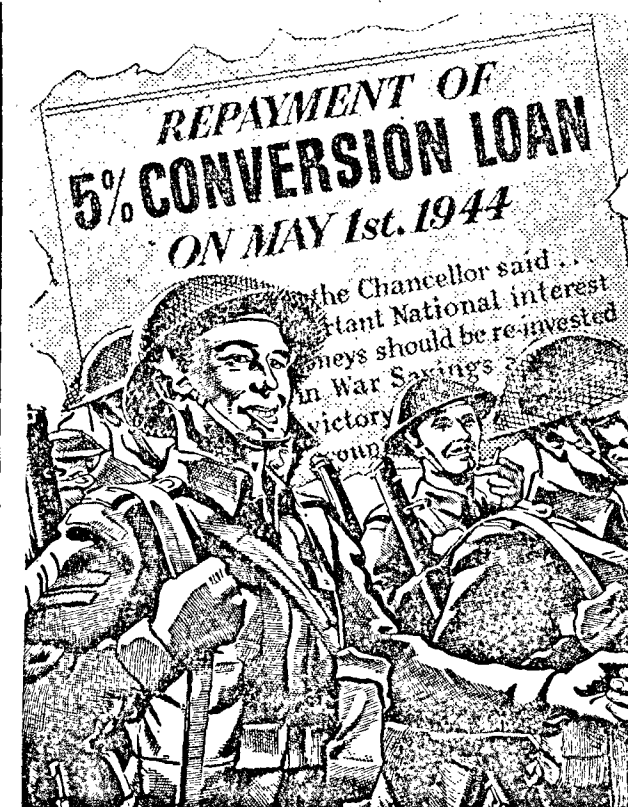
Managers in industry now have two immediate responsibilities: to reduce their daily coal consumption still further, and to set rail trucks free with the least possible delay.

### How managements should act

- ★ Call together your departmental heads. Get at once a list of all possible savings of coal, steam, water, oil, electricity and gas that may be made in their departments. Impress upon them that industry is faced with an emergency.
- ★ Make it your personal duty to see that every point of heat usage is checked for unnecessary consumption. Space heating, in particular, is making heavy demands on the coal supply: great savings are possible in mild weather.
- ★ Tighten up your Fuel Watching System. Encourage co-operation, keenness and ingenuity.
- ★ Do not delay another day in carrying out the recommendations made by the Regional Fuel Efficiency Committee Engineers who surveyed your factory.
- ★ Search through the Ministry's Fuel Efficiency Bulletins for every economy suggestion which can be put into practice immediately. There are many.
- ★ Your next consignment of coal may be held up for those wagons standing in your works. Release them quickly.

Every fresh economy now is added provision against a possible further decline in the coal supply position.

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to point out, is not the sole determinant of demand. Both gas and electricity are more convenient in use, but they are also more expensive. Quoting from his own experience, Mr Bennett said that he was paying 3d. per therm for coal, 1s. 6d. per therm for gas, and 4s. 8d. per therm for electricity. If these figures are broadly representative of relative prices of coal, gas and electricity, and if Mr Bennett's estimates of the relative increase in their efficiency of utilisation are soundly based, the elimination of coal as a means of heating the living rooms would considerably add to the cost of living of those who now use it. Clearly, there should be freedom of choice for the consumer, which will continue to be governed by relative costs and convenience. The problem of smoke abatement should be solved—and it can be solved—by burning coal without smoke in the home, as is done in modern power stations and factories.

### Miners' Welfare

Steady progress continues to be made by the Miners' Welfare Commission in improving conditions and amenities at the pits. By the beginning of this month, 96 per cent of the men were catered for in 881 colliery canteens, while a further 46 under construction or in course of preparation brings the total to 712,418 men or 98 per cent. Of the canteens in operation, 441 provide full meal service, covering 395,745 miners, while a further 157 under construction or in preparation would bring the total serving full meals up to 598, to cover 72 per cent of the miners. Most of the canteens in the latter category are developments from the "snap or snack" service which has in the past been provided. Progress has also been made in the provision of rehabilitation centres for injured miners, and during this month, when the centres in the Northumberland and Durham coalfields will be ready, the main coal producing districts will each have a rehabilitation centre or arrangements with the local hospitals. The most up-to-date figures show 455 beds in existence, sufficient for 488,100 miners or 67 per cent of the men employed, 212 in course of provision for 200,600 miners, or 27 per cent (this includes Northumberland and Durham), and 28 under consideration which would provide for the remainder. The work of the Commission in these spheres is not only of the very greatest wartime importance in maintaining and restoring the industry's manpower, but has a long-term importance. The miners, and indeed the public, will insist that the recent improvements are maintained after the war.

### The Herring Industry

The acceptance by the Government of the recommendations of the Herring Industry Committee in their report (Cmd. 6503) would provide a most hopeful sign that the decisions of the Hot Springs Food Conference are to be given reality. The herring is one of the most valuable foodstuffs and rich in protein content, yet, observes the Committee, "it is doubtful if consumers in some large centres of population ever have known what it is to enjoy a herring in the very best condition." Home consumption of herrings before the war was only about half what it had been in 1913, and in Scotland, the home of the industry, an average of only one herring per person was eaten in a year. The Herring Industry Board, set up in 1935, was mainly concerned with reviving the export trade, and its attempts to increase home consumption were very limited. The present Committee, wisely, takes the view that, in the long run, the industry must "look to increased sales at home to compensate for the contraction which may be ex-

perienced in exports," though immediately after the war enormous quantities of herrings will be needed to relieve hunger in European countries. As a first step towards the rehabilitation of the industry, the Committee recommends the reconstitution of the Herring Industry Board, with wider powers. It should be enabled to operate boats experimentally; to buy, sell, process and export herrings and herring products; to dispose of surpluses and arrange for the manufacture of herring products; to arrange pooling schemes and fix differential minimum prices; to prescribe standard brands for pickled herrings; and to develop home markets and promote marketing schemes. Fishermen should be given financial assistance for buying boats and gear, and arrangements should be made now to ensure the availability at the end of the war of an adequate fishing fleet and sufficient manpower, and to improve the pay and conditions of fishermen, whose low earnings were one of the features of the depression. The Committee also recommends the setting up of a joint industrial council for the industry.

### Canadian Company Profits

Of the British investor's many interests in the Americas, only those in Canada stand at a substantial proportion of their pre-war value, as judged by current quotations. In all other cases, either vesting or continued default has reduced the current value very heavily. It is now possible to carry the story of Canadian company profits up to the end of 1942. The figures of the Bank of Canada, covering all important companies which publish accounts and 100 smaller concerns—a total of 628—show a further rise in net operating profit from \$905 million to \$1,013 million. This increase compares with \$150 million for 1940 and \$190 million for 1942, so that the indications of the general indices of business activity are confirmed by a substantial slowing down in the rate of increase. No figures of operating profit are given for separate industries, but the net distributable profits now show a decline in six industries, namely the extraction of gold and of coal and petroleum, both of which fell in 1941, and four new industries, pulp and paper making, paper products, non-ferrous metals, excluding gold and electrical, and chemical manufacture. No profit figures are available for any part of last year, but the indices of business activity are either lower for the twelvemonth to October last than in the calendar year 1942, or only very slightly higher, with the exceptions of electrical distribution and aggregate payrolls. While in Britain the profits after tax showed a modest increase in 1942, in Canada the improvement was from \$606 million to \$645 million. Owing to heavier depreciation charges and other writing off, the net figure available for distribution and reserves fell from \$380 million to \$360 million, but of this fall virtually the whole \$19 million is accounted for by additional EPT refundable after the war. In the event, the amount distributed fell by only 2.1 per cent, managements having, it would seem, regarded the refundable EPT as available for addition to reserves in due course, a significant difference from the practice in this country.

### East African Currency Board

The report of the East African Currency Board for the year ended June 30, 1943, shows all the familiar symptoms of steadily expanding currency circulation and of increasing sterling assets backing that circulation. The expansion in circulation last year amounted to £7,063,000, which is the highest annual increment yet recorded. The

expansion is attributable chiefly to the continued military expenditure in East Africa and to the use of the Board's currency in occupied territories in East Africa. From a figure of £8,223,000 on June 30, 1941, the Board's circulation in notes and coin had risen to £21,118,000 by the end of last June. As a result of this expansion the Board was able to increase its sterling investments by £6,943,000 last year, bringing the total up to £15,560,000. The report states that, owing to certain technical difficulties in the minting of East African silver coin, the Board were faced with the possibility that supplies of one-shilling coins might not be available in sufficient quantities. Arrangements were therefore made for the printing of a supply of one-shilling notes to supplement the silver coinage if necessary. The return of currency in circulation on June 30th last shows that 4,094,000 of these one-shilling notes were outstanding at the time, but that the whole of this amount had been issued to the Occupied Territories Administration. This report adds its small but significant quota to the mounting evidence of sterling debt being accumulated here in favour of Empire countries.

### Rubber Supplies

Last week-end the Combined Raw Materials Board issued a timely reminder that it is essential to exercise the greatest possible economy in the use of natural rubber and that every step should be taken to increase the amount of natural rubber available to the United Nations. Production of synthetic rubber in the United States is rapidly attaining large proportions. According to Mr Bradley Dewey, US Rubber Director, production in January totalled almost 50,000 long tons, against an average of 41,000 tons in the fourth quarter of 1943; it will reach 75,000 tons per month by the second half of this year. Although synthetic rubber can at present replace natural rubber to the extent of 70 to 75 per cent, substantial supplies of natural rubber are still necessary, and their procurement remains one of the chief material problems of the United Nations. As stocks of natural rubber in the United States and the United Kingdom have been drawn upon, tyre manufacturers will this year be more dependent on current supplies. Production in Ceylon last year appears to have approached 125,000 tons, against 90,000 tons in 1941. There have been sizable supplies from a number of African regions, although the total is unknown. In Latin-America, however, hopes for an output of 50,000 tons and more have been disappointed. Brazil produced in 1943 under 30,000 tons, of which just over two-thirds appear to have been shipped to the United States. In other Latin-American countries, too, production has remained well below expectations. Recently a new agreement has been signed between the Brazilian Government and the official United States Rubber Development Corporation, which provides that the country's output should be raised to 40,000 tons this year, to 50,000 tons next year, and to 60,000 tons in 1946. Even if this 1944 goal is reached, supplies of natural rubber, including the sizable supplies of shrub rubber, will remain short. A new attempt is being made to step up production in Ceylon, the only important source of natural rubber left at the disposal of the Allies. The Ceylon Government, acting on behalf of the Colonial Office, recently announced price increases ranging from 2d. to 6d. per lb. over the present basic price of 1s. 2d. per lb. The increases are in the nature of production premiums and will be paid only if the individual plantations exceed their basic production. The new price scheme will be treated as an alternative of, and not a supplement to, the slaughter tapping compensation scheme by which the Government pays an allowance of £45 per acre towards the cost of replanting trees exhausted within the next two years owing to excessive tapping. The higher prices will probably not fail to stimulate production, although Ceylon plantations have frequently complained that war taxation largely counteracts the effects of higher prices. The future top price in Ceylon, 1s. 8d. per lb., equals roughly the base price of 34 cents per lb., which the United States' Government originally agreed to pay to Brazilian producers, who are working under much less favourable conditions than Ceylonese plantations. The actual cost of Latin-American rubber to the United States, however, is far higher. If all the United States capital investments in Latin-American rubber developments—about \$83 million until the beginning of this year—are taken into account, the cost per pound is between twice and three times the new Ceylon top price.

### Another Brewery Conversion

The process of converting brewery debentures to lower rates of interest continues, the latest concern to benefit being Peter Walker (Warrington) and Robert Cain. They propose to repay £2,086,633 of 4½ per cent debenture stock on June 30th next at 105 and to offer holders the right to convert, pound for pound, into a new issue of 3½ per cent stock offered at 98 and redeemable by a 1 per cent sinking fund between 1945 and 1988. The stock may be repaid in whole after 1959 at 101. The amount of this new issue is to be only £1,800,000, so that the debt will be substantially reduced out of existing security holdings, while the rate of both interest and sinking fund charges will be diminished. This should result in appreciable benefit to the ordinary shareholders, who have, however, in front of them £2,000,000 of 8 per cent cumulative preference stock. The terms of the offer give the rather meagre flat yield of £3 11s. 5d. per cent, but there is a minor speculative attraction in the possibility of a capital profit of two points on redemption at an early date. Arrangements have been made for any stock not accepted in conversion to be taken up.

### Shorter Notes

In a Note under the heading "Licensed Stock Dealing" in *The Economist* of February 5th it was stated that membership of the Association of Stock and Share Dealers would confer the right to a licence, under the Prevention of Fraud (Investments) Act, without further investigation. This does rather less than justice to the Association, which is recognised under the Act, so that no application for licence is necessary. Particulars of the statutory declaration required by the Board of Trade from applicants for a licence show that a very detailed questionnaire has to be completed. This requires details of the whole business history of the applicant, details of business associations over the five years prior to application and certain personal information.

A claim for a flat rate increase of the war wages of all railway workers is being presented collectively by the three railway trade unions—the National Union of Railwaymen, the Associated Society of Locomotive Engineers and Firemen, and the Railway Clerks' Association. The claim affects about 450,000 workers in all grades. The last advance to railwaymen was made last summer, when an additional 4s. 6d. a week to men and women workers was granted, bringing the war wage up to 20s. 6d. Increases in the minimum rates of workers in retail drapery, outfitting and footwear trades have been announced by the trades' National Joint Industrial Council. The increases, which will take effect on March 13th, amount to 4s. a week for men and 3s. a week for women workers.

Gas consumption has increased by 16 per cent since 1938, and if allowance is made for the decrease in street lighting, the rise is about 21 per cent. In 1938, 340,000 million cubic feet of gas was made. In 1940 it was 334,000 million, and it has increased year by year since then to 395,000 million cubic feet in 1943.

## Company Result

### Bolsover Colliery Company.

|                                        | 1941      | 1942      | 1943      |
|----------------------------------------|-----------|-----------|-----------|
| Profit.....                            | 1,099,638 | 801,933   | 887,074   |
| Taxation.....                          | 691,000   | 375,000   | 465,000   |
| Debenture interest and redemption..... | 33,000    | 10,862    | ...       |
| Fees.....                              | 6,420     | 6,420     | 6,420     |
| Preference dividend.....               | 62,500    | 62,500    | 62,500    |
| Ordinary Shares:—                      |           |           |           |
| <i>Earned</i> .....                    | 306,718   | 347,151   | 353,154   |
| Paid (net).....                        | 200,593   | 200,593   | 200,593   |
| <i>Earned %</i> .....                  | 22.9      | 26.0      | 26.4      |
| Paid %.....                            | 15        | 15        | 15        |
| Development reserve.....               | 60,000    | 82,651    | 34,521    |
| General reserve.....                   | 50,000    | 50,000    | 100,000   |
| Carry forward.....                     | 136,121   | 150,029   | 168,069   |
| Net fixed assets†.....                 | 3,161,248 | 3,147,491 | 3,063,871 |
| Net inter-company items.....           | 475,806   | 522,917   | 575,334   |
| Net liquid assets.....                 | 1,374,598 | 1,229,191 | 1,628,428 |
| Gross liquid assets.....               | 2,611,276 | 2,695,893 | 3,202,100 |

† After deducting a reserve for redemption of capital values of £1,800,000.

The ordinary shares of £1, standing at 48s. 3d., ex dividend, yield £6 4s. 4d. per cent.

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|-----------------------|---------------|
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| Reserve Fund ...      | \$24,000,000  |
| Total Assets over ... | \$400,000,000 |

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## POWELL DUFFRYN STEAM COAL COMPANY, LIMITED

### SCHEME OF AMALGAMATION APPROVED

#### CAPITAL STRUCTURE SIMPLIFIED

#### MR E. L. HANN'S STATEMENT

A separate general meeting of the holders of the ordinary stock of the Powell Duffryn Steam Coal Company, Limited, was held, on the 1st instant, at the Incorporated Accountants' Hall, Victoria Embankment, London, W.C., to consider a scheme of amalgamation with the Welsh Associated Collieries, Limited, and the Powell Duffryn Associated Collieries, Limited.

Mr Edmund L. Hann (chairman of the company) presided.

The secretary (Mr Alfred Read) having read the notice convening the meeting,

The chairman said: Ladies and gentlemen, you have all received details of the scheme of amalgamation which has necessitated the calling of this meeting. You have also been furnished, through the circular letter which accompanied the scheme, with explanations of the necessity for the scheme and the form which it is to take. These explanations are so complete as to make it unnecessary for me to amplify them, and it is my intention only to refer to certain criticisms which have arisen since the notices and circulars were sent out and to emphasise the necessity and urgency of the proposals therein contained.

The board of your company welcomes criticism and suggestions from its members at all times, but whilst much has been said by and on behalf of holders of different classes of the company's shares and stock, I am able to say that nothing has been suggested either as an amendment or as an alternative which was not thoroughly investigated and considered during the preparation of this final stage of the amalgamation.

#### DIFFICULTIES OF PRESENT CAPITAL STRUCTURE

I need not dilate upon the difficulties of our present capital structure, but I think I should make it clear that it is not only a source of constant confusion to the average investor, but that it constitutes a grave embarrassment to the development of the organisation. The inability to issue equity capital in the operating company means that any expansion of its activities has to be financed out of additional priority stocks, which rank in front of the whole of the capital of your company, or else out of its liquid resources. Thus in 1938 £500,000 of the company's unissued debenture stock was issued to provide additional working capital. Again in 1942, when the opportunity arose to purchase the very valuable business of Cory Brothers, the purchase price was found by the issue of a further £500,000 in debenture stock and by £1,250,000 from liquid resources. It is obvious that development cannot be financed indefinitely in this manner.

It is, I think, everywhere admitted that a scheme for the simplification of the complicated capital structure of our group of companies is necessary, but it has been suggested that it might have been left until some later date. In fact some critics have said that it is an amalgamation of expediency and not one of necessity.

#### A VITAL AND URGENT NECESSITY

On this point I should make it clear that your directors regard the amalgamation scheme as being something very much more than a desirable simplification in the capital structure. They regard it as being a vital and urgent necessity. Were it not so your directors would most certainly have postponed it until after the war, as they realise that in war conditions it is difficult for

shareholders either to give the necessary time to master the details of the scheme or to attend the meetings at which the scheme is to be put forward and discussed.

The coal mining industry is the subject of many conflicting views and political influences, and it is expected that far-reaching changes in the organisation of the industry will be called for and that these changes may be imminent. With our present capital set-up it would be difficult, and it might be impossible, for us to co-operate in a course of action which may be urgently required in the national interest and in that of your organisation.

We who are responsible for the administration of the affairs of this great undertaking realise that many difficulties lie ahead of us and that we must be prepared to meet them if, as we desire, we are to retain any measure of control of our industry. It is our intention to play our proper part in the furtherance of plans for intelligent and manageable grouping and, with practical experience in matters of this kind, we believe that we shall be able to play as important a part in the future as we have been privileged to play in the past.

#### POSITION OF PREFERENCE SHAREHOLDERS

Criticism has principally been directed to the treatment of the two classes of 6 per cent. preference shares in your company and the 5½ per cent. cumulative preference stock in Welsh Associated Collieries. The necessity for the liquidation of the two holding companies required that the most careful consideration should be given to the treatment of these preference shareholders.

On the one hand there is the legal position, that every person who buys preference shares buys them with the knowledge that they confer upon him certain contractual rights as regards dividend and as regards capital on a winding-up—an event which may occur at any time when the shareholders holding the requisite voting power so decide. If this view were rigidly maintained there could be no justification for the preference shareholders receiving anything more or less than their strict contractual rights on a winding-up of the company—in this case repayment of capital at par.

On the other hand there was the feeling that it would not be in keeping with the reputation and standing of Powell Duffryn to enforce these strictly legal rights against the preference shareholders, whose goodwill and interest in the organisation we wish to maintain, but that some regard must be had to current market quotations for these preference shares. It was thought, moreover, that the ordinary shareholders would support the directors in this view, although it was clear that any extra benefit accorded to the preference shareholders must be directly or indirectly at the expense of the holders of the ordinary shares.

#### EQUITY PROSPECTS

Your directors have had the opportunity during the past three weeks, in the light of support and of criticism, of reflecting upon the proposals submitted to you. We did not consider ourselves justified in asking ordinary shareholders to make any sacrifices greater than those they are asked to make under the provisions of the scheme, and we are now more than ever convinced that these proposals are the most equitable that could have been formulated.

It has, however, been suggested from some quarters that the Scheme of Amal-

gamation should have provided that the holders of Preference Shares in your Company and in Welsh Associated Collieries should, in the liquidation of those two Companies, have been given the right to exchange into new Preference Shares of a class or classes to be created in Powell Duffryn Associated Collieries. Alternatively, it has been suggested that in the liquidation of the two Companies these Preference Shares should be repaid with cash premiums, or that holders should have been given the choice of those two alternatives. Other critics have said that the rights and priorities of the different classes of fixed interest stocks, including the 5 per cent. Preferred Ordinary Stock in your Company, should have been exactly reproduced in the capital structure of Powell Duffryn Associated Collieries.

#### DIFFICULTY OF EQUATING RIGHTS

I propose to deal first with this point. The difficulties of equating and satisfying the respective rights and priorities of these four different classes of shares have not been fully appreciated. On the present capital structure the full dividend on the two classes of 6 per cent. Preference Shares in your Company is earned before 1 per cent. is earned on the 5½ per cent. Preference Stock in Welsh Associated Collieries. The dividend on the 5 per cent. Preferred Ordinary Stock in your Company is earned in full when only 2 per cent. is earned on the 5½ per cent. Preference Stock in Welsh Associated Collieries. Before the full dividend is earned on these Preference Shares in Welsh Associated Collieries a dividend at the rate of more than 1 per cent. is earned on the Ordinary Shares in your Company. On the other hand, of the four Preference classes concerned, the 5½ per cent. Preference Stock in Welsh Associated Collieries, though the last to get its dividend in full, is the only one with cumulative rights.

This makes it clear that it would have been impossible to reproduce existing rights and priorities in a simplified capital structure.

#### A SUGGESTION NEGATIVED

The suggestion that a new class or classes of priority shares should be created in Powell Duffryn Associated Collieries, into which holders of existing priorities should be given the right of exchange, was negatived by your directors on the ground that in their opinion it would be contrary to the best interests of the organisation. There are already in Powell Duffryn Associated Collieries more than two and a quarter million pounds in 4 per cent. debentures and three and a half million pounds in 4½ per cent. cumulative preference stock. The creation of a further two million pounds preference share capital in Powell Duffryn Associated Collieries would have served to perpetuate the present high ratio of priorities to equity in the group—in the opinion of your directors one of the weakest features of the present capitalisation.

The alternative suggestion, that in the liquidation of the two holding companies the preference shares should be repaid with a cash premium to represent current market values, was considered unacceptable. Your directors felt that they could not properly recommend to you that you should agree to make cash payments to individual classes of shareholders which are not provided for in the articles of association and for which there is no known precedent in a scheme of this nature.

I hope that I have dealt fully and fairly with the points raised by those who have adversely criticised the scheme. Other critics of at least equal standing have acclaimed it for its fairness having regard to the admitted necessity for the liquidation of the two holding companies.

#### ORDINARY SHAREHOLDERS' PROSPECTS

Your directors in recommending the scheme were fully conscious that ordinary shareholders might think the terms too generous to the holders of priority shares. They did not lose sight of the fact that the ordinary share capital of Powell Du-

March 4, 1944

March 4, 1944

fryn Associated Collieries would be some two million pounds greater than the present ordinary capital of your company, and that if profits justify the continuance of ordinary dividends at recent rates, it will cost more to pay such dividends on the additional shares than it costs to pay the priority dividends. At the same time they thought the terms of the offer would not be considered unreasonable by the ordinary shareholders and would not impose an undue burden on the company. In assessing the prospects of the ordinary shares I would mention that shareholders have so far derived no benefit from the acquisition of Cory Brothers.

The response from ordinary shareholders has completely endorsed the views of your directors. As you are aware, the forms of proxy were issued in a form that is new. Shareholders were invited, at their choice, to vote for or against the adoption of the scheme. There has been an overwhelming majority in favour of its adoption, and it is clear that the ordinary shareholders of the company regard the scheme as being in the interests of the organisation, and confirm the action of your directors in recommending it for your adoption.

The chairman concluded by moving the resolution approving the scheme.

The Right Hon. Lord Brassey seconded the resolution.

Mr A. J. Miller, representing the Prudential Assurance Company, Limited, then put forward the company's reasons for opposing the scheme, and pointed out that he represented the views also of the Investment Protection Committee of the British Insurance Association.

The resolution was carried on a show of hands.

At an extraordinary general meeting which followed all the resolutions in connection with the scheme were carried and the proceedings terminated with a hearty vote of thanks to the chairman and directors.

## POWER SECURITIES CORPORATION, LIMITED

### MR WILLIAM SHEARER'S STATEMENT

The twenty-first annual general meeting of Power Securities Corporation, Limited, was held, on the 2nd instant, in London. Mr. William Shearer, the chairman, presiding.

Before commencing the business of the meeting, the chairman referred to the great loss the corporation had sustained by the death on February 25th of Mr William C. Lusk.

The following is an extract from the statement by the chairman, circulated with the report and accounts: Our activities and those of our subsidiary companies have again been almost entirely directed to the execution of works of national importance. The works handled during the year aggregated in value some £3,000,000.

When the present emergency has passed there should be many opportunities of developing, not only at home, but in various parts of the Empire and certain foreign countries, projects of a type similar to those in which we have hitherto specialised.

The gross profit for the year is £113,631, a reduction of £4,860. Administration expenses and directors' fees amount to £10,996, against £11,565 last year. The figure of income-tax is £49,802, or a reduction of £6,460 on last year, leaving a net profit of £52,834, an increase of £2,170.

After crediting the amount brought forward from last year, and debiting the dividend on the issued preference shares and the proposed dividend of 6 per cent. on the ordinary shares, the resultant balance to be carried forward is £49,737, an increase of £11,334 on the amount brought in.

You will not expect me to make any forecasts as to the future, but I can say that we have a considerable volume of work on hand which will keep us fully occupied for some time.

The report was unanimously adopted.

THE ECONOMIST

319

## CHARTERED BANK OF INDIA, AUSTRALIA AND CHINA

### MR. V. A. GRANTHAM'S STATEMENT

The ninetieth ordinary general meeting of the Chartered Bank of India, Australia and China will be held at the bank's head office, 38, Bishopsgate, London, E.C. 2, on Wednesday, the 15th instant, at noon.

The following is the statement by Mr V. A. Grantham (chairman) circulated to the shareholders, with the report and accounts:—

The stockholders will doubtless realise that we have had many difficulties to contend with, and that with the further surrender of men called for during the year, added burdens have been cast upon those left with us. These burdens, I am happy to say, have been shouldered without complaint, and on your behalf, as well as on behalf of the court of directors, I extend thanks to all concerned. A special word of praise is due to the officers and local staffs of the bank in the Indian zone, who have rendered ungrudging service during an exceptionally busy period.

In accordance with the resolutions passed last March, our £5 shares have been converted into stock, and our hope that this change would lead to greater convenience and a saving of labour has been amply realised.

The total of the balance-sheet at £88,918,258 shows an increase of £2,943,064. On the liabilities side, current and other accounts are up £1,774,138 and deposits £1,344,973. On the assets side there are increases in cash, securities, and bills discounted and loans, of £1,005,357, £3,576,916, and £1,142,300 respectively. The last item shows that our business in India is progressing satisfactorily. Bills of exchange and Treasury bills are down £1,801,636, and the balance of head office and interbranch remittances, drafts, etc., in transit is down £956,647. These two items reflect the lesser volume of trade financed by means of bills, owing largely to Government regulation. The percentage of cash to call liabilities to our depositors is just over 20.1 per cent., and our increased investments in Government securities are largely held in short-dated stocks. The total of these investments represents 58.1 per cent. of our call liabilities to our depositors, and it will thus be seen that the liquid position of the bank is exceptionally strong.

#### PROFIT AND LOSS ACCOUNT

In view of the disabilities under which we are suffering, I think the profit of £314,239 16s. 11d. will be considered satisfactory. Including the balance brought forward from last year, we have a total available of £671,372 1s. 11d., out of which an interim dividend at the rate of 5 per cent. per annum was paid last September. We propose that a final dividend for the half-year to December 31st last at 5 per cent. per annum should be paid, costing £75,000, that £50,000 be transferred to officers' pension fund, and £100,000 set aside on account of contingencies, leaving £371,372 1s. 11d. to be carried forward.

Until we are safely out of the wood in the Far East, we still consider it prudent and advisable to strengthen our internal funds by every means possible.

#### INDIA

The past year has been a favourable one in the economic development of India, where the bank's operations abroad are mainly centred at present. Industrial expansion has proceeded apace under the stimulus of the war effort and as a result of restrictions upon the free movement of cargoes from the United Kingdom and other former sources of supply, while, on the other hand, there has been a continuous

and urgent overseas demand for most of India's raw products and manufactures. Under these conditions India has prospered greatly, but this prosperity has not been free from monetary inflation and heavy rise in prices, so that the incidence of prosperity upon the population has been unequal and has marched hand in hand with real distress. The increased purchasing power which found its way into the hands of many of the people was aggravated by the shortage of goods on which it could be spent. In the absence of more extensive loan programme or heavy taxation, some relief might have been obtained if it had been possible to increase agricultural production, but, in fact, local crop failures, coupled with transport difficulties, brought famine to certain areas. The food situation is now happily much improved, mainly through imports of wheat, and measures have been instituted to control further inflationary tendencies including sales of gold, but it is hoped that early and adequate steps will be taken to increase the output of food crops within India, for it is certain that India must, in future, to a greater degree than ever before feed herself.

#### INDIGENEOUS BANKS

A feature of the rising tide of prosperity in India has been the founding of a considerable number of indigenous banks. Some of them, having highly influential and representative boards and satisfactory capital structures, have already made marked progress. There is, of course, a wide and growing field for their operations, but apart from this, the great increase in the note circulation which has taken place has rendered the extension of banking facilities throughout the country desirable as a means whereby the control of the currency may be more effectively exercised. Managed conservatively and with vision, these banks will doubtless attract some of the existing surplus purchasing power into Government loans, while helping at the same time to serve the growing needs of industry and production, and thereby assisting to bring about that balanced economy which must be one of the aims of the post-war period.

#### CHINA

Turning to China, it seems appropriate to mention the visit of the Chinese Goodwill Mission, which aroused a new interest in China throughout this country. Last year we sent representatives to Chungking to open a branch of the bank, and although, owing to the lack of any means of transport between China and the outside world, except by air, there is practically no trade to finance at present, the opening of this branch has greatly assisted us in considering the problems which face us in our post-war future in China.

The question of the reconstruction of our branches at present in enemy occupation engages our constant consideration and plans are steadily being worked out against the day when it will be possible to return to them. In the greater field of effort covering the reconstruction of British trade, dependent as we are upon imports for our very livelihood, it has been held that no task is more important than the re-establishment of the export trade of this country. The agencies and branches of this bank, stretching as they did from Bombay and Karachi, eastward across the world to New York, were indispensable links in that trade, and it is my earnest hope that the time is not far distant when they will again fulfil the function for which they were originally opened, and which they so faithfully performed in the past.



## BOOKER BROTHERS McCONNELL AND COMPANY, LIMITED

### DIVIDENDS MAINTAINED

The annual general meeting of Booker Brothers, McConnell and Company, Limited, was held, on the 25th ultimo, in London.

Sir Alfred Sherlock (chairman and managing director) presided.

The following is an extract from the chairman's statement circulated with the report:—The profits for the year amount to £141,601, which I think you will agree is very satisfactory, although approximately £18,000 less than the previous year. They are, however, equal to the results of 1941. The net result is that after having reserved £10,000 against goodwill, the reserves and surplus otherwise than for goodwill have been increased by £5,000. In other words, we have been able to maintain our dividends out of earnings and put aside something like £15,000.

Prospects for next year are not so good, because we shall undoubtedly receive smaller dividends from our sugar subsidiaries. We expect our crop will be reduced by something like 33½ per cent. There should, however, be some relief from taxation.

Once more I would like to record our deep appreciation of the services rendered by our staff overseas and at home in the face of great difficulties, and our gratitude to the Government authorities on this side for the help they give us. It is unfortunate, however, that we do not seem to have been

able, in recent years, to obtain in Demerara, either from the labour leaders or from the local administration, the degree of co-operation without which it seems to us it is impossible to make much progress as regards the welfare of the Colony. The report was adopted.

## GENERAL INVESTORS AND TRUSTEES, LIMITED

The thirty-seventh annual general meeting of General Investors and Trustees, Limited, is to be held on the 9th instant at 68, King William Street, London, E.C.

The following is an extract from the statement of the Chairman (Mr. W. C. Cripps) circulated with the report and accounts:—The revenue has been well maintained, and allows us to repeat once more the dividend of 9 per cent. on our Ordinary stock; and the improvement in the capital position, which has been shown for the last year or two, has continued. The valuation of our portfolio shows that during the year there has been a further increase in values of approximately £175,000, so that we are able to say to-day that not only is our capital intact with a small margin, but that the reserves, totalling over £319,000, are also intact. And I would remind you that this very substantial amount of reserve has all borne tax.

This is the thirty-seventh annual report of the company, and, with the dividend recommended to-day, we shall have paid to our Ordinary stockholders dividends aggregating 330 per cent., or almost exactly an average annual dividend of 9 per cent. That is a record of which I think we may be justifiably proud.

## THE STERLING TRUST, LIMITED

### BRAZIL AND HER CREDITORS

The annual general meeting of the Sterling Trust, Limited, was held, on the 29th ultimo, in London.

Mr. Richard S. Guinness, the chairman, presided, and, in the course of moving the adoption of the report and accounts, said: I am glad to report an increase of over £13,400 in gross revenue. The average yield on our total investments is over 4 per cent., and we are thus enabled to meet all charges and maintain the same dividend as before, viz., 4½ per cent. upon the ordinary stock.

The book value of investments is shown at £4,481,600, after allowing for contingencies fund. In 1941 the depreciation, as compared with their market values, was 21 per cent., in 1942 the depreciation fell to 11 per cent. and to-day I am able to report a further reduction to 4.65 per cent. From the capital standpoint then, we show a progressive advance on valuations. We can anticipate an increased margin in net revenue in the current year.

I can only express a hope that possibly in the not too far distant future the unhappy position as to revenue returns both from South America and from Europe may show prospects of gradual improvement. In such event our revenue will materially increase.

Last year I enlarged upon the importance of the political and financial developments in South America. The whole-hearted assistance that Brazil is affording to the Allied cause and the impulse given thereby to her trade position has caused a growing improvement in her finances. The report and accounts were adopted.

## GOVERNMENT RETURNS

For the week ended Feb. 26, 1944, total ordinary revenue was £77,692,000, against ordinary expenditure of £130,257,000, and issues to sinking funds of £75,000. Thus, including sinking fund allocations of £12,167,119, the deficit accrued since April 1st is £2,503,126,000 against £2,559,146,000 for the corresponding period a year ago.

## ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

| Revenue                            | Estimate 1943-44 | Receipts into the Exchequer (£ thousands) |                          |                          |                          |
|------------------------------------|------------------|-------------------------------------------|--------------------------|--------------------------|--------------------------|
|                                    |                  | April 1 to Feb. 27, 1943                  | April 1 to Feb. 26, 1944 | Week ended Feb. 27, 1943 | Week ended Feb. 26, 1944 |
| ORDINARY REVENUE                   |                  |                                           |                          |                          |                          |
| Income Tax                         | 117,500          | 845,642                                   | 1,025,016                | 60,040                   | 42,032                   |
| Sur-tax                            | 80,000           | 60,159                                    | 64,112                   | 2,560                    | 3,180                    |
| Estate, etc.                       | 100,000          | 84,311                                    | 87,850                   | 1,450                    | 1,940                    |
| Stamps                             | 17,000           | 13,180                                    | 15,240                   | 1,150                    | 1,500                    |
| N.D.C.                             | 500,000          | 26,449                                    | 29,205                   | 330                      | 790                      |
| E.P.T.                             | 1,000            | 308,752                                   | 429,508                  | 5,528                    | 8,470                    |
| Other Ind. Rev.                    |                  | 790                                       | 728                      | 10                       | ...                      |
| Total Ind. Rev.                    | 187,300          | 1,339,283                                 | 1,651,659                | 71,068                   | 56,412                   |
| Customs                            | 525,320          | 411,230                                   | 498,320                  | 4,134                    | 5,526                    |
| Excise                             | 450,180          | 396,400                                   | 439,007                  | 17,400                   | 13,807                   |
| Total Customs & Excise             | 975,500          | 807,630                                   | 937,327                  | 21,534                   | 19,333                   |
| Motor Duties                       | 25,000           | 27,992                                    | 26,920                   | 765                      | 169                      |
| Canadian Govt. Contribution        | ...              | 224,719                                   | ...                      | Dr.                      | ...                      |
| P.O. (Net Receipts)                | 400              | 9,500                                     | ...                      | 2,250                    | ...                      |
| Wireless Licences                  | 4,700            | 4,200                                     | 4,340                    | 370                      | 400                      |
| Crown Lands                        | 800              | 960                                       | 980                      | 90                       | 30                       |
| Receipts from Sundry Loans         | 4,100            | 3,333                                     | 6,390                    | 18                       | 7                        |
| Miscellaneous Receipts             | 24,000           | 84,746                                    | 70,079                   | 285                      | 1,341                    |
| Total Ord. Rev.                    | 2,907,500        | 2,502,363                                 | 2,697,694                | 91,880                   | 77,692                   |
| SELF-BALANCING P.O. & Broadcasting | 110,632          | 97,000                                    | 102,150                  | 4,250                    | 2,150                    |
| Total                              | 3,018,132        | 2,599,363                                 | 2,799,844                | 96,130                   | 79,842                   |

| Expenditure                        | Estimate 1943-44 | Issues out of the Exchequer to meet payments (£ thousands) |                          |                          |                          |
|------------------------------------|------------------|------------------------------------------------------------|--------------------------|--------------------------|--------------------------|
|                                    |                  | April 1 to Feb. 27, 1943                                   | April 1 to Feb. 26, 1944 | Week ended Feb. 27, 1943 | Week ended Feb. 26, 1944 |
| ORDINARY EXPENDITURE               |                  |                                                            |                          |                          |                          |
| Int. & Man. of Nat. Debt           | 375,000          | 288,845                                                    | 324,878                  | 1,107                    | 1,434                    |
| Payments to N. Ireland             | 9,500            | 7,521                                                      | 7,328                    | 559                      | 553                      |
| Other Cons. Fund Services          | 7,500            | 7,182                                                      | 6,925                    | 76                       | 10                       |
| Total                              | 392,000          | 303,548                                                    | 339,131                  | 1,742                    | 1,998                    |
| Supply Services                    | 546,675          | 474,689                                                    | 484,952                  | 11,253                   | 12,829                   |
| Total Ord. Exp.                    | 588,875          | 505,047                                                    | 518,654                  | 14,241                   | 15,027                   |
| SELF-BALANCING P.O. & Broadcasting | 110,632          | 97,000                                                     | 102,150                  | 4,250                    | 2,150                    |
| Total                              | 599,507          | 514,747                                                    | 520,804                  | 18,491                   | 17,177                   |

A change has been made in the method of showing an excess of Post Office Expenditure over Post Office Revenue. Such excess is now included as ordinary expenditure (under "Total Supply Services") instead of being shown, as up to July 24 inclusive, as a deduction from ordinary revenue.

After decreasing Exchequer balances by £240,204 to £2,919,757, the other operations for the week (no longer shown separately) raised the gross National Debt by £53,486,387 to £19,343 million.

| NET ISSUES (£ thousands)   |       |
|----------------------------|-------|
| War Damage Act             | 899   |
| P.O. and Telegraph         | 200   |
| Overseas Trade Guarantees  | 20    |
|                            | 1,119 |
| NET RECEIPTS (£ thousands) |       |
| Defence Loans Act          | 32    |

(Continued on page 322.)

## MONTH'S CHANGES IN DEBT (£ thousands)

| NET INCREASES               |         | NET REPAYMENTS     |        |
|-----------------------------|---------|--------------------|--------|
| Treasury Bills              | 837     | Other Debt:        |        |
| Nat. Sav. Certs.            | 17,850  | External           | 231    |
| 3% Def. Bonds               | 6,250   | Treasury Depts. by |        |
| 21% Nat. War Bonds, 1951-53 | 341     | Banks              | 14,000 |
| 21% Nat. War Bonds, 1952-54 | 22,750  | Tax Res. Certs.    | 34,609 |
| 3% Sav. Bonds, 1960-70      | 17,650  |                    |        |
| Other Debt:                 |         |                    |        |
| Internal                    | 932     |                    |        |
| Ways and Means Advances     | 81,970  |                    |        |
|                             | 148,580 |                    | 48,840 |

## FLOATING DEBT (£ millions)

| Date    | Treasury Bills |        | Ways and Means Advances |                 | Treasury Deposits by Banks | Total Floating Debt |
|---------|----------------|--------|-------------------------|-----------------|----------------------------|---------------------|
|         | Tender         | Tap    | Public Depts.           | Bank of England |                            |                     |
| 1943    |                |        |                         |                 |                            |                     |
| Feb. 27 | 980.0          | 1829.7 | 230.1                   | 24.7            | 1000.5                     | 4065.1              |
| Oct. 30 | 1200.0         | 1872.5 | 326.5                   | 16.7            | 1213.0                     | 4628.5              |
| Nov. 6  | 1210.0         |        | Not available           |                 |                            |                     |
| " 13    | 1210.0         |        | "                       | "               |                            |                     |
| " 20    | 1210.0         |        | "                       | "               |                            |                     |
| " 27    | 1210.0         | 1868.9 | 363.6                   | 27.0            | 1291.0                     | 4760.5              |
| Dec. 4  | 1210.0         |        | Not available           |                 |                            |                     |
| " 11    | 1210.0         |        | "                       | "               |                            |                     |
| " 18    | 1210.0         |        | "                       | "               |                            |                     |
| " 25    | 1210.0         |        | "                       | "               |                            |                     |
| " 31    | 3115.2         |        | 367.0                   | 65.2            | 1401.0                     | 4948.4              |
| 1944    |                |        |                         |                 |                            |                     |
| Jan. 8  | 1210.0         |        | Not available           |                 |                            |                     |
| " 15    | 1200.0         |        | "                       | "               |                            |                     |
| " 22    | 1190.0         |        | "                       | "               |                            |                     |
| " 29    | 1180.0         | 1936.2 | 290.6                   | "               | 1390.0                     | 4796.8              |
| Feb. 5  | 1170.0         |        | Not available           |                 |                            |                     |
| " 12    | 1170.0         |        | "                       | "               |                            |                     |
| " 19    | 1170.0         |        | "                       | "               |                            |                     |
| " 26    | 1170.0         | 1946.9 | 340.3                   | 82.5            | 1376.0                     | 4865.5              |

## TREASURY BILLS (£ millions)

| Date of Tender | Amount  |             | Average Rate of Allotment % | Per Cent. Allotted at Min. Rate |
|----------------|---------|-------------|-----------------------------|---------------------------------|
|                | Offered | Applied for |                             |                                 |
| 1943           |         |             |                             |                                 |
| Feb. 26        | 75.0    | 172.8       | 75.0                        | 19 11.86                        |
| Nov. 5         | 90.0    | 213.1       | 90.0                        | 20 0.04                         |
| " 12           | 90.0    | 197.5       | 90.0                        | 20 0.29                         |
| " 19           | 90.0    | 190.4       | 90.0                        | 20 0.23                         |
| " 26           | 90.0    | 197.1       | 90.0                        | 20 0.23                         |
| Dec. 3         | 90.0    | 201.0       | 90.0                        | 20 2.19                         |
| " 10           | 90.0    | 197.2       | 90.0                        | 20 2.54                         |
| " 17           | 90.0    | 198.2       | 90.0                        | 20 1.68                         |
| " 24           | 90.0    | 183.2       | 90.0                        | 20 2.10                         |
| " 31           | 90.0    | 217.0       | 90.0                        | 19 10.83                        |
| 1944           |         |             |                             |                                 |
| Jan. 7         | 90.0    | 206.4       | 90.0                        | 20 2.76                         |
| " 14           | 90.0    | 202.5       | 90.0                        | 20 2.50                         |
| " 21           | 90.0    | 202.0       | 90.0                        | 20 2.54                         |
| " 28           | 90.0    | 193.2       | 90.0                        | 20 1.48                         |
| Feb. 4         | 90.0    | 203.3       | 90.0                        | 20 0.86                         |
| " 11           | 90.0    | 206.5       | 90.0                        | 20 0.81                         |
| " 18           | 90.0    | 199.4       | 90.0                        | 20 1.12                         |
| " 25           | 90.0    | 191.0       | 90.0                        | 20 1.28                         |

On Feb. 25 applications at £99 15s. 1d. per cent. for bills to be paid for on Monday of following week were accepted in full. Applications at £99 15s. for bills to be paid for on Tuesday and Saturday of following week were also accepted in full. Applications at £99 14s. 11d. for bills to be paid for on Wednesday, Thursday and Friday of following week were accepted as to about 31 per cent. of the amount applied for, and applications at higher prices in full. £90 millions of Treasury Bills are being offered on March 7. For the week ending March 4, the banks will be asked for Treasury deposits to a maximum amount of £90 millions.

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

| Week ended      | N.S.C.   | 3% Defence Bonds | 3% Savings Bonds | 2½% War Bonds 1952-54 |
|-----------------|----------|------------------|------------------|-----------------------|
| Dec. 21         | 3,537    | 1,362            | 3,770            | 5,493                 |
| " 28            | 3,320    | 997              | 2,786            | 3,977                 |
| Jan. 4          | 5,126    | 1,618            | 5,658            | 10,285                |
| " 11            | 5,348    | 2,442            | 5,623            | 11,566                |
| " 18            | 5,768    | 2,073            | 5,200            | 9,430                 |
| " 25            | 5,422    | 1,976            | 4,961            | 3,040                 |
| Feb. 1          | 5,255    | 1,993            | 5,779            | 7,364                 |
| " 8             | 5,311    | 1,950            | 5,125            | 7,565                 |
| " 15            | 4,744    | 2,024            | 5,119            | 5,243                 |
| " 22            | 4,982    | 1,584            | 4,047            | 3,594                 |
| " 29            | ...      | ...              | 3,649            | 6,197                 |
| Totals to date: | 103,441* | 665,022*         | 1,471,824*       | 232,608†              |

\* 222 weeks. † 165 weeks. ‡ 26 weeks.  
Interest free loans received by the Treasury up to Feb. 29th amounted to a total value of £63,943,766. Up to Feb. 26th principal of Savings Certificates to the amount of £143,772,000 has been repaid.

## BANK OF ENGLAND RETURNS MARCH 1, 1944 ISSUE DEPARTMENT

| £                   |              | £                                           |               |
|---------------------|--------------|---------------------------------------------|---------------|
| Notes Issued:       |              | Govt. Debt...                               | 11,015,100    |
| In Circulation      | 1086,332,223 | Other Govt. Securities                      | 1,088,272,563 |
| In Bank: Department | 13,909,495   | Other Secs.                                 | 700,059       |
|                     |              | Silver Coin                                 | 12,278        |
|                     |              | Amt. of Fid. Issue                          | 1100,000,000  |
|                     |              | Gold Coin & Bullion (at 168s. per oz. fine) | 241,718       |
|                     |              |                                             | 1100,241,718  |

## BANKING DEPARTMENT

| £              |             | £                    |             |
|----------------|-------------|----------------------|-------------|
| Props. Capital | 14,553,000  | Govt. Secs.          | 222,207,151 |
| Res.           | 3,470,266   | Other Secs.          | 9,270,750   |
| Public Depts.  | 10,429,868  | Discounts & Advances | 25,345,001  |
|                |             | Securities           | 34,615,751  |
| Other Depts.   | 179,916,410 | Notes                | 13,909,495  |
| Other Accts.   | 63,161,373  | Gold & Silver Coin   | 798,520     |
|                | 243,077,783 |                      | 271,530,917 |

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

## COMPARATIVE ANALYSIS (£ millions)

|                                | 1943   |         | 1944    |        |
|--------------------------------|--------|---------|---------|--------|
|                                | Mar. 3 | Feb. 16 | Feb. 23 | Mar. 1 |
| Issue Dept.:                   |        |         |         |        |
| Notes in circulation           | 922.5  | 1075.8  | 1077.5  | 1086.3 |
| Notes in banking department    | 27.8   | 24.5    | 22.8    | 13.9   |
| Government debt and securities | 949.3  | 1099.4  | 1099.4  | 1099.3 |
| Other securities               | 0.7    | 0.6     | 0.6     | 0.7    |
| Silver coin                    | 0.0    | 0.0     | 0.0     | 0.0    |
| Gold, valued at s. p. fine     | 0.2    | 0.2     | 0.2     | 0.2    |
| Deposits:                      |        |         |         |        |
| Public                         | 6.9    | 8.7     | 8.9     | 10.4   |
| Bankers'                       | 164.9  | 167.4   | 200.3   | 179.9  |
| Others                         | 57.7   | 53.8    | 53.7    | 63.2   |
| Total                          | 229.5  | 229.9   | 262.9   | 253.5  |
| Banking Dept. Secs.:           |        |         |         |        |
| Government                     | 186.6  | 205.5   | 240.4   | 222.2  |
| Discounts, etc.                | 4.6    | 2.2     | 2.1     | 9.3    |
| Other                          | 27.6   | 14.9    | 14.8    | 25.3   |
| Total                          | 218.8  | 222.6   | 257.3   | 256.8  |
| Banking depart. res.           | 28.6   | 25.3    | 23.7    | 14.7   |
| " Proportion "                 | 12.4   | 10.9    | 8.9     | 5.8    |

\* Government debt is £11,015,100; capital £14,553,000. Fiduciary issue raised from £1,050 million to £1,100 million on December 7, 1943.

## PROVINCIAL BANK CLEARINGS £ thousands

|                   | Week Ended    |               | Aggregate from Jan. 1 to |               |
|-------------------|---------------|---------------|--------------------------|---------------|
|                   | Feb. 27, 1943 | Feb. 26, 1944 | Feb. 27, 1943            | Feb. 26, 1944 |
| Working days :—   | 6             | 6             | 49                       | 48            |
| Birmingham .....  | 2,204         | 1,379         | 23,682                   | 15,385        |
| Bradford .....    | 2,947         | 1,668         | 19,383                   | 15,669        |
| Bristol .....     | 656           | 609           | 6,133                    | 5,782         |
| Hull .....        | 772           | 648           | 7,137                    | 5,324         |
| Leeds .....       | 1,585         | 1,198         | 12,161                   | 10,891        |
| Leicester .....   | 841           | 684           | 8,231                    | 7,077         |
| Liverpool .....   | 4,685         | 4,270         | 37,315                   | 42,320        |
| Manchester .....  | 12,346        | 3,084         | 110,395                  | 28,752        |
| Newcastle .....   | 1,577         | 1,697         | 13,291                   | 15,480        |
| Nottingham .....  | 478           | 329           | 5,137                    | 3,571         |
| Sheffield .....   | 735           | 845           | 10,397                   | 9,412         |
| Southampton ..... | 150           | 153           | 1,395                    | 1,440         |
| 12 Towns .....    | 28,976        | 16,564        | 254,657                  | 161,103       |
| Dublin* .....     | 7,056         | 8,446         | 61,663                   | 65,269        |

## OVERSEAS BANK RETURNS

U.S. FEDERAL RESERVE  
Million \$'s

|                                             | Feb. 19, 1943  | Jan. 28, 1944  | Feb. 4, 1944   | Feb. 11, 1944  | Feb. 18, 1944  |
|---------------------------------------------|----------------|----------------|----------------|----------------|----------------|
| 12 U.S.F.R. BANKS                           | 25, 10, 17, 24 | 25, 10, 17, 24 | 25, 10, 17, 24 | 25, 10, 17, 24 | 25, 10, 17, 24 |
| Resources                                   | 20,441         | 20,417         | 19,374         | 19,311         | 19,311         |
| Gold certifs. on hand and due from Treasury | 20,441         | 20,417         | 19,374         | 19,311         | 19,311         |
| Total reserves                              | 20,441         | 20,417         | 19,374         | 19,311         | 19,311         |
| Total cash reserves                         | 382            | 351            | 347            | 336            | 336            |
| Total U.S. Govt. secs.                      | 5,931          | 11,169         | 11,394         | 11,816         | 11,816         |
| Total loans and secs.                       | 5,931          | 11,169         | 11,394         | 11,816         | 11,816         |
| Total resources                             | 28,512         | 32,958         | 33,815         | 33,651         | 33,651         |
| LIABILITIES                                 |                |                |                |                |                |
| P.R. notes in circ.                         | 12,511         | 17,085         | 17,114         | 17,186         | 17,186         |
| Excess m. bank res.                         | 1,790          | 1,550          | 1,300          | 1,100          | 1,100          |
| Mr. bank res. dep.                          | 12,917         | 12,482         | 12,244         | 12,109         | 12,109         |
| Govt. deposits                              | 258            | 8              | 360            | 64             | 64             |
| Total deposits                              | 14,346         | 14,197         | 14,571         | 14,699         | 14,699         |
| Total liabilities                           | 28,512         | 32,958         | 33,815         | 33,651         | 33,651         |
| Reserve ratio                               | 77.7%          | 64.0%          | 63.1%          | 62.4%          | 62.4%          |
| BANK AND TREASURY RESOURCES                 |                |                |                |                |                |
| Monetary gold stock                         | 22,643         | 21,836         | 21,802         | 21,742         | 21,742         |
| Treasury & bank currency                    | 3,925          | 4,094          | 4,093          | 4,090          | 4,090          |
| LIABILITIES                                 |                |                |                |                |                |
| Money in circulation                        | 15,952         | 20,586         | 20,610         | 20,695         | 20,695         |
| Treasury cash and dep.                      | 2,481          | 2,323          | 2,695          | 2,982          | 2,982          |

RESERVE BANK OF INDIA  
Million rupees

|                       | Feb. 19, 1943 | Jan. 28, 1944 | Feb. 4, 1944 | Feb. 11, 1944 | Feb. 18, 1944 |
|-----------------------|---------------|---------------|--------------|---------------|---------------|
| ASSETS                |               |               |              |               |               |
| Gold coin & bullion   | 444           | 444           | 444          | 444           | 444           |
| Rupee coin            | 145           | 156           | 147          | 137           | 135           |
| Balances abroad       | 883           | 1,330         | 1,208        | 1,176         | 1,264         |
| Sterling securities   | 3,827         | 7,448         | 7,528        | 7,638         | 7,638         |
| Ind. Govt. rup. secs. | 1,825         | 583           | 583          | 583           | 583           |
| Investments           | 66            | 81            | 82           | 82            | 82            |
| LIABILITIES           |               |               |              |               |               |
| Notes in circ.        | 6,117         | 8,537         | 8,631        | 8,706         | 8,691         |
| Deposits: Govt.       | 384           | 526           | 503          | 518           | 540           |
| Deposits: Banks       | 517           | 774           | 635          | 568           | 597           |
| Reserve ratio         | 68.5%         | 91.5%         | 91.6%        | 91.8%         | 91.9%         |

CENTRAL BANK OF IRELAND  
Million £'s

|                      | Jan. 22, 1944 | Jan. 29, 1944 | Feb. 12, 1944 | Feb. 19, 1944 |
|----------------------|---------------|---------------|---------------|---------------|
| ASSETS               |               |               |               |               |
| Gold                 | 2.65          | 2.65          | 2.65          | 2.65          |
| British Govt. secs.  | 22.91         | 23.16         | 22.91         | 22.91         |
| Sterling balances    | 1.59          | 1.19          | 1.51          | 1.58          |
| LIABILITIES          |               |               |               |               |
| Notes in circulation | 27.46         | 27.44         | 27.63         | 27.61         |

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

|                        | Dec. 14, 1943 | Nov. 29, 1943 | Dec. 6, 1943 | Dec. 13, 1943 |
|------------------------|---------------|---------------|--------------|---------------|
| ASSETS                 |               |               |              |               |
| Gold and stg. exch.    | 27.95         | 33.23         | 32.97        | 33.05         |
| Advances to State      | 27.94         | 38.40         | 38.40        | 40.55         |
| Investments            | 4.46          | 10.32         | 10.32        | 10.32         |
| LIABILITIES            |               |               |              |               |
| Bank notes             | 29.99         | 35.42         | 35.95        | 36.90         |
| Demand liab. : State   | 10.88         | 15.45         | 15.73        | 16.07         |
| Banks and others       | 18.53         | 28.89         | 29.29        | 29.88         |
| Reserve to sight liab. | 47.0          | 40.5          | 40.70        | 39.59         |

## AUSTRALIAN COMMONWEALTH BANK—Million £A's

|                           | Jan. 4, 1944 | Dec. 27, 1943 | Jan. 3, 1944 | Jan. 10, 1944 |
|---------------------------|--------------|---------------|--------------|---------------|
| ASSETS                    |              |               |              |               |
| Gold and English ster.    | 31.39        | 41.79         | 41.79        | 41.79         |
| Other coin, bullion, etc. | 9.07         | 10.00         | 9.08         | 10.55         |
| Call money, London        | 53.09        | 60.45         | 57.86        | 52.85         |
| Secrts. and Treas. bills  | 158.96       | 239.57        | 244.37       | 244.41        |
| Discounts and advances    | 20.57        | 17.88         | 19.00        | 18.72         |
| LIABILITIES               |              |               |              |               |
| Notes issued              | 124.11       | 163.76        | 165.26       | 164.26        |
| Deposits, etc.            | 159.67       | 180.84        | 181.85       | 176.05        |

## LONDON ACTIVE SECURITY PRICES AND YIELDS

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

| Prices,<br>Year 1943 |         | Prices,<br>Year 1944<br>Jan. 1 to Feb. 29 |         | Name of Security              | Price,<br>Feb.<br>22,<br>1944 | Price,<br>Feb.<br>29,<br>1944 | Yield,<br>Feb.<br>29,<br>1944 | Prices,<br>Year 1944<br>Jan. 1 to Feb. 29 |        | Last<br>two<br>Dividends |        |        | Name of Security                    | Price,<br>Feb.<br>22,<br>1944 | Price,<br>Feb.<br>29,<br>1944 | Yield,<br>Feb.<br>29,<br>1944 |
|----------------------|---------|-------------------------------------------|---------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------------------|--------|--------------------------|--------|--------|-------------------------------------|-------------------------------|-------------------------------|-------------------------------|
| High                 | Low     | High                                      | Low     |                               |                               |                               |                               | High                                      | Low    | (a)                      | (b)    | (c)    |                                     |                               |                               |                               |
| 83 1/2               | 78 1/2  | 79 1/2                                    | 79 1/2  | <b>British Funds</b>          |                               |                               |                               |                                           |        |                          |        |        | <b>Iron, Coal &amp; Steel—cont.</b> |                               |                               |                               |
| 112 1/2              | 109 1/2 | 110 1/2                                   | 109 1/2 | Consols 2 1/2% (after 1957)   | 79 1/2                        | 79 1/2                        | 2 1/2                         | 26 1/2                                    | 24 1/2 | 16 1/2                   | 13 1/2 | 13 1/2 | Brown (John) Ord. 10/-              | 25/3                          | 25/-                          | 4 5 0 d.                      |
| 100 1/2              | 99 1/2  | 100 1/2                                   | 100 1/2 | Consols 4% (1945-1957)        | 109 1/2                       | 109 1/2                       | 3 1/2                         | 94/9                                      | 90/6   | 5 1/2                    | 5 1/2  | 5 1/2  | Cory (Wm.) £1                       | 93/9                          | 93/9                          | 4 5 0                         |
| 100 1/2              | 100 1/2 | 102 1/2                                   | 101 1/2 | Conv. 2% 1943-45              | 100 1/2                       | 100 1/2                       | 1 1/2                         | 8 1/2                                     | 8 1/2  | 8 1/2                    | 8 1/2  | 8 1/2  | Dorman Long Ord. £1                 | 28/6                          | 26/-                          | 6 3 0                         |
| 100 1/2              | 100 1/2 | 102 1/2                                   | 101 1/2 | Conv. 2 1/2% 1944-49          | 102 1/2                       | 102 1/2                       | 2 1/2                         | 34 1/2                                    | 33 1/2 | 6 1/2                    | 6 1/2  | 6 1/2  | Guernsey & Co. Ord. £1              | 34/3                          | 33/-                          | 5 16 0                        |
| 100 1/2              | 102 1/2 | 104 1/2                                   | 103 1/2 | Conv. 3% 1948-53              | 102 1/2                       | 102 1/2                       | 3 1/2                         | 31 1/2                                    | 30 1/2 | 15 1/2                   | 14 1/2 | 14 1/2 | Haddfields Ord. £1                  | 30/3                          | 30/3                          | 7 6 3                         |
| 107 1/2              | 103 1/2 | 105 1/2                                   | 103 1/2 | Conv. 3 1/2% (after 1961)     | 105 1/2                       | 103 1/2                       | 3 1/2                         | 50/9                                      | 48 1/2 | 7 1/2                    | 7 1/2  | 7 1/2  | Staveley Coal Ord. £1               | 50/3                          | 49/3                          | 12 9 0                        |
| 97 1/2               | 95 1/2  | 102 1/2                                   | 97 1/2  | Conv. 5% 1944-64              | 102 1/2                       | 102 1/2                       | 5 1/2                         | 54 1/2                                    | 52 1/2 | 12 1/2                   | 12 1/2 | 12 1/2 | Stewarts and Lloyds £1              | 54/3                          | 54/3                          | 4 12 0                        |
| 97 1/2               | 95 1/2  | 97 1/2                                    | 96 1/2  | Funding 2 1/2% 1956-61        | 97 1/2                        | 97 1/2                        | 2 1/2                         | 35/10 1/2                                 | 34/3   | 6 1/2                    | 6 1/2  | 6 1/2  | Swan, Hunter Ord. £1                | 35/9                          | 35/9                          | 5 11 9                        |
| 97 1/2               | 95 1/2  | 97 1/2                                    | 96 1/2  | Funding 2 1/2% 1957-57        | 100 1/2                       | 100 1/2                       | 2 1/2                         | 10/-                                      | 9/10   | 5 1/2                    | 5 1/2  | 5 1/2  | Thomas (Richard) Ord. 6/8           | 9 1/4                         | 9 1/4                         | 7 0 0                         |
| 115 1/2              | 112 1/2 | 114 1/2                                   | 113 1/2 | Funding 3% 1959-69            | 101 1/2                       | 101 1/2                       | 3 1/2                         | 24/10 1/2                                 | 23 1/2 | 5 1/2                    | 5 1/2  | 5 1/2  | United Steel Ord. £1                | 24/3                          | 24/-                          | 6 13 4                        |
| 102 1/2              | 100 1/2 | 102 1/2                                   | 101 1/2 | Funding 4% 1960-90            | 114 1/2                       | 114 1/2                       | 4 1/2                         | 19 1/2                                    | 17 1/2 | 6 1/2                    | 6 1/2  | 6 1/2  | Vickers Ord. 10/-                   | 19/-                          | 19/-                          | 5 5 3                         |
| 102 1/2              | 101 1/2 | 102 1/2                                   | 101 1/2 | Nat. Def. 3% 1954-58          | 101 1/2                       | 101 1/2                       | 2 1/2                         | 11/-                                      | 9/6    | Nil c                    | Nil c  | Nil c  | <b>Textile</b>                      |                               |                               |                               |
| 101 1/2              | 99 1/2  | 100 1/2                                   | 100 1/2 | War Bonds 2 1/2% 1945-47      | 102 1/2                       | 102 1/2                       | 2 1/2                         | 22 1/2                                    | 20 1/2 | Nil c                    | Nil c  | Nil c  | Bleachers Association £1            | 20/-                          | 20/-                          | Nil                           |
| 101 1/2              | 99 1/2  | 100 1/2                                   | 100 1/2 | War Bonds 2 1/2% 1949-51      | 100 1/2                       | 100 1/2                       | 2 1/2                         | 22 1/2                                    | 20 1/2 | Nil c                    | Nil c  | Nil c  | Bradford Dyers Ord. £1              | 21 1/2                        | 21 1/2                        | Nil                           |
| 101 1/2              | 99 1/2  | 100 1/2                                   | 100 1/2 | War Bonds 2 1/2% 1952-54      | 100 1/2                       | 100 1/2                       | 2 1/2                         | 26 1/2                                    | 26 1/2 | Nil c                    | Nil c  | Nil c  | British Celanese Ord. 10/-          | 27 9                          | 26/9                          | Nil                           |
| 101 1/2              | 99 1/2  | 100 1/2                                   | 100 1/2 | Savings Bds. 3% 1955-65       | 100 1/2                       | 100 1/2                       | 3 1/2                         | 16 1/2                                    | 15 1/2 | Nil c                    | Nil c  | Nil c  | Calico Printers £1                  | 16 1/2                        | 16/-                          | Nil                           |
| 111 1/2              | 112 1/2 | 113 1/2                                   | 111 1/2 | Savings Bds. 3 1/2% 1960-70   | 100 1/2                       | 100 1/2                       | 3 1/2                         | 47 1/2                                    | 45 1/2 | 5 1/2                    | 5 1/2  | 5 1/2  | Coats, J. & P. Ord. £1              | 46/3                          | 45/9                          | 3 16 6                        |
| 103 1/2              | 100 1/2 | 102 1/2                                   | 101 1/2 | Victory Bonds 4%              | 112 1/2                       | 112 1/2                       | 4 1/2                         | 51/6                                      | 51/6   | 2 1/2                    | 2 1/2  | 2 1/2  | Courtaulds Ord. £1                  | 54/-                          | 52/-                          | 2 17 6                        |
| 106 1/2              | 102 1/2 | 104 1/2                                   | 103 1/2 | War Loan 3% 1955-59           | 101 1/2                       | 101 1/2                       | 3 1/2                         | 23 1/2                                    | 23 1/2 | 2 1/2                    | 2 1/2  | 2 1/2  | Fin Cotton Spinners £1              | 23 2                          | 22/-                          | 3 8 0                         |
| 99 1/2               | 93 1/2  | 94 1/2                                    | 94 1/2  | War Loan 3 1/2% aft. 1952     | 103 1/2                       | 103 1/2                       | 3 1/2                         | 30 1/2                                    | 30 1/2 | 2 1/2                    | 2 1/2  | 2 1/2  | Hoyle (Joshua) £1                   | 3/9                           | 3/9                           | 4 0 0                         |
| 102 1/2              | 93 1/2  | 94 1/2                                    | 94 1/2  | Local Loans 3%                | 94 1/2                        | 94 1/2                        | 3 1/2                         | 35/9                                      | 33/9   | 7 1/2                    | 7 1/2  | 7 1/2  | Launce, Cotton Corp. £1             | 34/-                          | 34/-                          | 4 8 0                         |
| 102 1/2              | 93 1/2  | 94 1/2                                    | 94 1/2  | Austria 3% 1933-53            | 101 1/2                       | 101 1/2                       | 2 1/2                         | 75 1/2                                    | 72 1/2 | 16 1/2                   | 20 c   | 20 c   | Patons & Baldwins £1                | 74/-                          | 72/9                          | 5 9 3                         |
| 103 1/2              | 101 1/2 | 103 1/2                                   | 102 1/2 | <b>Dom. &amp; Col. Govts.</b> |                               |                               |                               |                                           |        |                          |        |        | <b>Electrical Manufact.</b>         |                               |                               |                               |
| 105 1/2              | 102 1/2 | 104 1/2                                   | 103 1/2 | Australia 5% 1945-75          | 103 1/2                       | 103 1/2                       | 4 1/2                         | 102 1/2                                   | 99/-   | 5 1/2                    | 15 1/2 | 15 1/2 | Callenders Cable, & Co. £1          | 101/3                         | 101/3                         | 3 19 0                        |
| 112 1/2              | 110 1/2 | 111 1/2                                   | 110 1/2 | New Zealand 5% 1946           | 104 1/2                       | 104 1/2                       | 5 1/2                         | 30/-                                      | 26/9   | 7 1/2                    | 15 1/2 | 15 1/2 | Crompton Park 'A' 5/-               | 28/-                          | 29/-                          | 3 17 6                        |
|                      |         |                                           |         | Nigeria 5% 1950-50            | 111 1/2                       | 111 1/2                       | 2 1/2                         | 93/-                                      | 88 1/4 | 17 1/2                   | 17 1/2 | 17 1/2 | General Electric Ord. £1            | 92/-                          | 92/6                          | 3 15 3                        |
| 108 1/2              | 105 1/2 | 108 1/2                                   | 105 1/2 | <b>Corporation Stocks</b>     |                               |                               |                               |                                           |        |                          |        |        | <b>Gas and Electricity</b>          |                               |                               |                               |
| 98 1/2               | 92 1/2  | 94 1/2                                    | 93 1/2  | Birmingham 5% 1946-56         | 107 1/2                       | 105 1/2                       | 8 1/2                         | 42 1/4                                    | 40 1/2 | 3 1/2                    | 5 1/2  | 5 1/2  | County of London £1                 | 41/6                          | 41/-                          | 3 18 0                        |
| 100 1/2              | 99 1/2  | 100 1/2                                   | 99 1/2  | L.C.C. 3%                     | 93 1/2                        | 93 1/2                        | 3 1/2                         | 21 1/2                                    | 18 1/2 | 1 1/2                    | 2 1/2  | 2 1/2  | Gas Light & Coke Ord. £1            | 19/9                          | 19/9                          | 4 4 0                         |
| 106 1/2              | 104 1/2 | 106 1/2                                   | 104 1/2 | Liverpool 3% 1954-64          | 100 1/2                       | 100 1/2                       | 3 1/2                         | 34 1/2                                    | 32 1/2 | 2 1/2                    | 4 1/2  | 4 1/2  | North-East Electric £1              | 34/-                          | 34/-                          | 4 4 0                         |
|                      |         |                                           |         | Middlesex 3 1/2% 1957-62      | 106 1/2                       | 106 1/2                       | 2 1/2                         | 41 1/2                                    | 39 1/2 | 5 1/2                    | 3 1/2  | 3 1/2  | Scottish Power Ord. £1              | 40/6                          | 40/6                          | 4 3 9                         |
| 95 1/2               | 83 1/2  | 93 1/2                                    | 89 1/2  | <b>Foreign Governments</b>    |                               |                               |                               |                                           |        |                          |        |        | <b>Motor and Aircraft</b>           |                               |                               |                               |
| 68 1/2               | 56 1/2  | 59 1/2                                    | 51 1/2  | Argentina 5 1/2% Bds. 1972    | 92 1/2                        | 92 1/2                        | 3 1/2                         | 27 1/2                                    | 24 1/4 | 10 c                     | 10 c   | 10 c   | Austin 'A' Ord. 5/-                 | 26/6                          | 25/-                          | 2 0 0                         |
| 36 1/2               | 28 1/2  | 25 1/2                                    | 20 1/2  | Brazil 5% Funding 1914        | 23 1/2                        | 23 1/2                        | 5 1/2                         | 23 1/2                                    | 22 1/2 | 7 1/2                    | 7 1/2  | 7 1/2  | Birmingham S.A. £1                  | 23/3                          | 23/6                          | 6 7 6                         |
| 60 1/2               | 48 1/2  | 51 1/2                                    | 47 1/2  | Chile 6% (1929)               | 50 1/2                        | 50 1/2                        | 7 1/2                         | 15 1/2                                    | 14 1/2 | 6 c                      | 6 c    | 6 c    | Christie Aeroplane 10/-             | 14/6                          | 14/6                          | 6 18 0                        |
| 97 1/2               | 88 1/2  | 94 1/2                                    | 82 1/2  | Chinese 5% 1913               | 50 1/2                        | 49 1/2                        | Nil                           | 35/-                                      | 32 1/2 | 6 c                      | 6 c    | 6 c    | Ford Motors Ord. £1                 | 34/6                          | 33/-                          | 3 12 6                        |
| 76 1/2               | 56 1/2  | 62 1/2                                    | 63 1/2  | Portuguese 3%                 | 94 1/2                        | 94 1/2                        | 3 1/2                         | 18 1/6                                    | 16 1/9 | 15 1/2                   | 17 1/2 | 17 1/2 | Hawker Siddeley £1                  | 18 1/3                        | 18 1/3                        | 8 18 0                        |
|                      |         |                                           |         | Spanish 4%                    | 64 1/2                        | 64 1/2                        | 6 1/2                         | 5 1/2                                     | 78/9   | 2 1/2                    | 12 1/2 | 12 1/2 | Lucas (Joseph) Ord. £1              | 78/-                          | 78/-                          | 4 12 0                        |



New York Agency: 65, BROADWAY, NEW YORK CITY

Drafts are granted on the Bank's Branches throughout the Australian States and Dominion of New Zealand. Telegraphic Remittances are also made. Commercial and Circular Letters of Credit and Travellers cheques issued. Bills are purchased or sent for Collection. Deposits are received for fixed periods on terms which may be ascertained on application.

PICCADILLY CIRCUS BRANCH, 18/18 PICCADILLY W.

(1943 Accounts)

## ESTABLISHED 1843

# ONE

TELE.: TEMPLE BAR 3316.      ANNUAL SUBSCRIPTION £3.

# The King's Shilling

THE strike of the majority of Welsh coal miners, claiming all-round increases in piece rates to match the new higher minimum wage, has supplied an ironic comment on the Government's claim that no substantial increase can be made in Service payments without upsetting the delicate balance of wages and prices. The question whether, if civilians received or spent less, serving men could not be paid and spend more is inevitably being asked. There is no obvious reason why soldiers, sailors and airmen should be put alone in the front line against inflation as well as against the enemy. The fact is that the Government is paying for past errors: for the failure, in civilian work, to round off, with the trade unions, a consistent wages policy; for the failure, in coal mining, to begin the long-overdue complete overhaul of the industry; for the failure, in the Services, to solve the problem of pay and allowances at a much earlier date, instead of conceding, always grudgingly, a series of piece meal and minimum increases. On the question of Service pay, indeed, the Government's position is just confused. Rightly, Ministers resist the very large claims made for an increase to industrial or American levels, though they give the wrong reasons. Quite wrongly, despite all the evidence in favour of some changes, they wrap a stubborn reluctance to consider any increases at all in a mist of jejune economics. On the other side, Labour votes made

up nearly three-quarters of those cast against the Government on Thursday of last week in the debate on Service payments. But the trade unions have never shown any positive concern for Service earnings ; and, in their own industrial provinces, they have rested content with sectional claims and competitive gains.

It is lamentable that the Second Front should be prefaced, simultaneously, by a serious strike of key workers and an angry dispute about the payment of the troops who will do the fighting. It is deplorable that, at this moment, the attempt should again be made, however well intentioned, to identify Service payments, which are living allowances, with industrial earnings, which are still ostensibly based on supply and demand, skill and output. Very likely the miners will get substantially what they want, however disguised ; the situation in the coal-fields has already been allowed to drift too far. Very likely the troops will be given only a small part of what has been suggested. A bitter taste will be left ; but the bitterness will be only partially justified. It can be argued that, in total war, workers and soldiers should be placed on the same financial footing. But this is not the decision that, in total war, workers and soldiers should be placed in line with industrial earnings, which both for all workers and for adult men have risen by three-quarters since 1938, but whether the living allowances

paid to men and their families are adequate; and there is a strong presumption that the lowest are not.

It is natural enough that some civilians at this solemn moment, with the near prospect of heavy casualties, should look for means of rewarding the men from whom the fallen will come. But there is little good counsel to be got from a purely emotional approach. Lives and limbs cannot in any case be paid for in advance at so much a day. The debt cannot be so easily discharged; it can only be met, when the fighting men have paid the price, by the establishment of world peace, national safety, full employment, ample and equal opportunity and security for all families against misfortune.

Service men, while the nation is fully mobilised, are not professionals or mercenaries, but citizens performing a civic duty. In the interval between the end of the German war and the end of the Japanese war, a different situation will arise. It will be halfway house, in which the nation will be half mobilised. Some men will be kept to fight while others return to work and civilian pay. They will be kept compulsorily, and will be entitled to a large premium for their services. Later, after all the fighting ceases, the situation will be different again. Large forces of the best men will still be needed. But most will come home to their civilian work while a minority continue to stay. Soldiering will become an occupation by the side of other occupations. The Services will only be kept together in the required numbers and of the required quality if competitive wages are paid. But, while mobilisation is complete, the question is simply whether Service men or their families have grievances concerning their living allowances which should and can be redressed.

Blame for the present untimely dispute must be shared between the Government and its critics, the Government for offering too little, the critics for asking too much. Parliament was very hostile to the Government last week. Even after Mr Eden had promised further consultations with Members, a critical amendment was beaten by only twenty-three votes. Every speech in the debate was in favour of an increase in pay and allowances, and many more Members abstained than voted. But the Government's case was not so bad as this might suggest. Ministers were certainly right to object to the various proposals made in the debate that basic Service payments should be brought up to the average level of earnings in industry—£6 1s. 3d. a week last July for all adult men (as shown in a table on page 356)—or to the still higher earnings of Allied troops. The comparison with industry is neither relevant nor possible; and, even if it were valid, it would obviously be unreasonable to raise the lowest Service payments to the average in industry. The pay of Allied troops is set by their own home standards.

It must be admitted, however, that Ministers made their case badly. Astonishingly, they were taken unawares by the attack that developed. Once again, they managed to convey the impression that any concession, however small or justified, would only be wrung from them at the pistol point. In addition Sir James Grigg grossly overstated the economic argument for refusal. He spoke of "inflation on the wildest scale"; he asserted that "the whole range of wages would be out of focus." As many economists have already pointed out, in the press and in private, this is overdoing it: £200 million a year is less than five per cent of total personal expenditure on consumption; since the war started yearly wage payments have been increased by £500 million; without producing more than the tamest inflation; essential goods are rationed and price-controlled; there is no reason, apart from unpredictable aberrations on the part of the trade unions, why increases in Service pay should lead to fresh wage claims; in short, inflation in the sense of a swift upward spiral of prices and wages is only a remote possibility. Nevertheless, Sir James Grigg's argument has some substance. No one who has witnessed the effect of the spending of overseas troops and war workers on the prices or supply of unrationed goods and accommodation can really argue that an increase in spending power of this magnitude would be without its ill effects. Any large increase in purchasing power—and this argument applies even more to workers in industry—must increase

this scramble for goods and services "on the fringe."

But when all this has been said, the problem remains. Is the allowance made to serving men for their out-of-pocket expenses, over and above their keep and clothing, sufficient? More important, in fairness and in the eyes of the men themselves, are their families provided with sufficient money to meet all their reasonable needs? So far as the lowest paid troops are concerned, the answer to both questions is in the negative. The basic weekly pay for such a soldier in the Army—where they constitute about 5 per cent of the total—is now 21s. a week, of which, if he is married, 3s. 6d. is compulsorily allotted to his wife. His wife receives, in addition to this 3s. 6d., 21s. 6d. a week, making a total of 25s.; 9s. 6d. is given for a first child, 8s. 6d. for a second. No one can claim that 17s. 6d. a week for the married soldier's out-of-pocket expenses is generous. Before 1942 he allotted 7s. of his pay to his wife; then the War Office took over half this allotment; it might not be unreasonable to ask the authorities to assume the whole. But the argument that a single man is entitled to more money to spend is a strong one; and the straightforward way out is surely to increase basic pay by 6d. or 1s. a day. Nor does a total family allowance of £2 3s. a week for a wife, two children and the upkeep of the home seem an adequate living allowance. The lowest paid officers, with their families, are, on account of their greater expenses, in a similar plight. Increases in basic pay and allowances will involve increases at higher levels, though not necessarily in strict proportion. It should be emphasised that these lowest paid cases are not representative of the financial position of serving men. At the other end of the scale, in the non-commissioned and other ranks, there are warrant officers who receive £282 or £255 a year in basic pay, not counting family allowances. The average in the Services is very much closer to the industrial average than any of the critics have recognised.

Thus there is a case for increases in both pay and allowances, though it has been much mis-stated. The problem is surely very simple. It is to prevent any single instance of poverty, privation or humiliation among Service men and their families. Nor do special hardship grants meet the case. These are rights, not concessions to be given of grace. Ministers and Members might do well to consult representative Service men themselves. It is to their honour that, however strong their feelings may be in the matter, Service men have behaved unexceptionably well, avoiding agitation and showing no signs whatever of unrest or discontent. They should be called in to advise. They can best say whether an extra 6d. or 1s. a day is needed to supplement the spending money of the lowest paid soldier; they can best say how much is needed to make up the lowest family allowances to a reasonable level; here the discussion should range between an extra 6d. or 1s. a day for the wife and an extra 6d. or 1s. a week for each child. Unfortunately, it is by no means clear what the Government is prepared to consider. On Tuesday Mr Churchill suggested that the Government's intention in seeking this breathing space was rather to shorten its lines than to retreat. He implied that no increase in basic pay could be considered. Whether Parliament will be satisfied is still uncertain. The crisis is by no means over.

Nor should the implications of the crisis for the course of civilian earnings be underestimated. Two things were plain in September, 1942, when the last concession in pay and allowances were extracted from the Government: first, that the concessions were probably too small; and secondly, that if the rise in civilian earnings continued, the whole question would inevitably be re-opened. This is precisely what has happened. True, civilian earnings rose between July, 1942, and January, 1943, by under 9 per cent; but this rise has been sufficient, with the advent of many more free-spending troops from overseas, to re-awaken the sense of injustice, however wrongly it may be based. It is plainly the duty of the Government to remove at once every trace of niggardliness in the 1942 award. It is no less its duty to realise, in its solemn contemplation of the general economic equilibrium, that what is sauce for the soldier is sauce for the civilian as well.

## Presidential Progress Report

WITH the first party primaries in the individual states, the American Presidential election is moving into a new phase, which will end with the two conventions in June and July. This is the period of choosing candidates and defining issues.

On the Democratic side, nothing has happened in recent months to alter the fact that Mr Roosevelt is the only possible candidate. It is generally accepted that no other Democrat would have any chance at all of being elected, and since no Democratic politician has anything to gain from a Republican victory, even Mr Roosevelt's worst enemies within the party must necessarily line up behind him in the election—if he will consent to be a candidate for a fourth term of office. This is what deprives the spectacular quarrel between Mr Roosevelt and Mr Barkley of any decisive influence on election tactics. In American politics, policy is one thing and elections are something quite different. There are, in effect, not two parties but three—Northern Democrats, Southern Democrats and Republicans—of which the first two act in concert at elections, the last two (frequently) in Congress. It is not in the least inconsistent to support Mr Roosevelt for re-election and to vote against all his policies. Indeed, the chief result of the Roosevelt-Barkley split has been a suggestion that the Senator might make a very acceptable Vice-Presidential running mate for Mr Roosevelt.

It is over the second place on the "ticket" that the chief Democratic competition is raging. Mr Wallace, the incumbent, was pronounced politically dead several months ago, but he refuses to lie down, and in frequent speeches has established himself as the acknowledged leader—under, alongside, or, on some issues, in defiance of Mr Roosevelt—of all those progressive, left-inclined views known collectively as the New Deal. But the politics of the election would seem to dictate that Mr Roosevelt's running mate should be a Southerner and a Conservative, as in 1932 and 1936. The choice will be made by Mr Roosevelt himself and, like his decision on his own candidature, will not be known until the Democratic convention meets in July. The choice will be made with one object only—to collect votes—and the personality of the Republican candidate, who is to be chosen a few weeks earlier, will be one of the factors to be considered.

The Republican contest is still very open. The last few weeks have seen a steady rise, in the party, of Governor Dewey's popularity and a steady fall in Mr Willkie's. This is certainly true of the active politicians of the party, and it is also the evidence provided by the various public opinion polls, which are usually fairly reliable on clear-cut political issues, whatever they may be on less definite topics. Nor have any other candidates emerged with any clarity from the serried ranks of the

dark horses. The names most frequently mentioned are those of Governors Bricker and Warren, of Ohio and California respectively, of ex-Governor Stassen of Minnesota and of General MacArthur. But none of them, at the moment, can be conceded more than an outside chance. Moreover, there is the complicating fact that Mr Dewey still says he does not want to be a candidate and has asked that his name should not be put forward in the state primaries. He may be sincere; or his intention may be (as has been suggested) to say "No, No, 999 times No." In either case the wisecracks reflect that, in all American history, the redoubtable General Sherman was the only man who persisted in a refusal to answer his party's call. But Mr Dewey's coyness is a confusing circumstance, and the decision of a nominating convention can rarely be predicted with safety. Mr Willkie is by no manner of means out of the running.

Some months ago, Mr Willkie warned the British against any attempt to interfere in the election. It was a surprising warning, but that it expressed a real touchiness in the Republican ranks was shown by the ridiculous fuss made by the *New York Herald-Tribune*, some weeks later, over a comment made in a British ecclesiastical journal. It is certainly true that any hint of partiality by the British Government would be most improper. Opinions expressed by private British individuals are perfectly permissible—freedom of international comment is not a one-way privilege—but if they are made in such a way, or in such places, as to look like attempts to influence the American voter, they would perhaps be tactless. But it is neither right, nor if it were right would it be possible, to put a ban on all British discussion of an election whose result will be just as important for the future of Britain as for the future of America.

Mr Willkie's warning was presumably based on the assumption that "the British influence," if it were used at all, would be cast into Mr Roosevelt's scale. And indeed there is a certain tendency in this country to take it almost for granted that, though there are shades of difference between the Republican candidates, none of them would, from the viewpoint of the British interest, be so acceptable as Mr Roosevelt. But this can certainly not be taken for granted, and it may not even be true at all. It is clear that Mr Roosevelt, if he is re-elected, will be re-elected on the strength of his foreign policy and of his conduct of the war, and that his domestic policies have lost the confidence of the American people. That means that he would have to deal with a Congress certainly less tractable than the present legislature and possibly even more openly hostile. An attempt would doubtless be made to keep the main principles of strategy and diplomacy above the party fight. But the truce would

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no more apply to the details of either than it does to-day—and the result might be the same. From the point of view of other nations, a President, however perfect in himself, who is constantly obstructed by Congress may be less acceptable than one who can secure support for his policies. If the Republican candidate is a man whose general approach to world problems is similar to Mr Roosevelt's, and if he can win the election with such a margin that Congress will accept his leadership, there is no specifically British reason why his election should be deplored. If the argument is pushed any farther *The Economist* will be accused—though not perhaps by Mr Willkie—of improper interference. Let it therefore stop at the conclusion now reached, that British opinion, in its own interest, can well afford to be neutral.

It can hardly, however, be a silent neutrality. For it is already clear that Britain and British policy will be issues in the election. The average Englishman is at a loss to understand how it can be considered smart politics to indulge in constant sniping at an ally who has been fighting in the common cause at least as hard and for twice as long as the United States. But the connection is both simple and inevitable. The main lines of the President's foreign policy and strategy cannot very well be attacked. But the President is (or probably will be) also a candidate, and a candidate cannot be beaten by agreement with his policies. The execution of those policies must therefore be attacked, and much the easiest line of attack is to claim that Mr Roosevelt, in executing his policies, has paid far too much attention to the wishes of his subtle, clever and aggressive allies and not nearly enough to the interests of the United States. Hence the continuous stream of allegations, proposals, demands, most of which seem to the Englishman to be either

ignorant or insulting or both together. Hence also the stiffening in the attitude of the Administration itself, the very evident determination now appearing in a number of directions to drive far too hard a bargain rather than run any risk of being accused of making a concession. Hence what appear to be the aggressive American policies on such post-war problems as oil, civil aviation and foreign trade.

It would be wrong to take all this as seriously as its surface appearance might suggest. American policy is not always to be deduced from what is said in Washington, nor even from what is done in Washington in an election year. That policy has been eminently reasonable in the past and will be eminently reasonable in the future, and though the quadrennial silly season is a nuisance, it should not be taken as reflecting permanent conditions. But that principle works both ways. It means that the British should refuse to take offence at what is said in the heat of political battle. But it also means that care should be taken not to compromise any permanent principles in the same atmosphere—the principle, for example, that none of the United Nations entered the war on a basis of limited liability, or the principle that the financial contributions made to the war are no basis for priority claims on the fruits of victory. As often as possible, the British cue should be to say nothing and wait patiently. But if it is sought to press any of these issues to a conclusion while the air is so heavily charged with domestic politics, there is nothing in the posture of Anglo-American relations to prohibit, and much to encourage, the public and forceful statement of the British view. It is wrong that British interests should influence the American election. But it would be equally wrong for the American election to muzzle British policy.

## America in the Middle East

THE American interest in the affairs of the Middle East, which has been so much in evidence in recent weeks, is no new thing, though its history has been somewhat spasmodic. American missionaries and educators have long worked in the Levant and have created such great centres of beneficent American influence as Robert College at Istanbul or the American University at Beirut. There are also long-standing commercial contacts, and even American interest in Middle Eastern oil is not new. In 1919 and 1920 American opinion, as now, was concerned with the threatened exhaustion of petroleum reserves in the United States, and the Anglo-French "monopoly" in the Middle East caused hot indignation until American interests were able to secure a quarter-interest in the Mosul field. Moreover, at the close of the last war, in the atmosphere of Wilsonian enthusiasm, the American Government showed great political interest in the Middle East and even contemplated undertaking a mandate for Armenia. But all desire for political responsibility vanished in the post-Wilson retreat and the later development of larger and larger oil holdings took place under British administration and the general safeguard of the British Navy and the British Middle Eastern Air Force. Relations between the American oil companies and the British authorities were uniformly cordial, and the island of Bahrain, where American capital developed the oil and a British Resident kept the peace, was the happiest possible symbol of an unconscious but working partnership.

The present war opened a new phase in American interests in the Levant. Even before the entry of the United States into the war, supplies of American munitions were going to the British forces in the Middle East and were co-ordinated through the Middle East Supply Centre. Once the Americans were in the war, they entered the Supply Centre as full partners and, from May, 1942, it became a joint Anglo-American agency for dealing with most of the economic problems raised by

the war throughout the Middle East. The value of this partnership was and is considerable. The solid joint political and economic power of Britain and America underpinned the structure, and the Middle Eastern states entered into closer economic relations with each other than ever before. It is no coincidence that a real advance in the plans for Arab Federation dates from the establishment of the Supply Centre. It is a model of how two Great Powers can work together without friction and in accordance with the interests of a whole region composed of different sovereign states. It was not unreasonable to hope that it might be typical of the co-operation which would be possible after the war in the Middle East.

Now in 1944 two events have occurred which make the issue much more doubtful. First, on February 7th, Mr Ickes announced that the end of the war would see a shortage in American oil reserves. He had therefore set up for the Government a Petroleum Reserves Corporation and this body had negotiated an agreement with the two big companies controlling the American concessions in the Gulf and Arabian areas, the Arabian American Oil Company (a subsidiary of Standard Oil of California and the Texas Company) and the Gulf Exploration Company (a subsidiary of the Gulf Oil Corporation). Under this agreement the United States Government would construct a pipe line from the Persian Gulf area to the Mediterranean. Secondly, at about the same time, identical resolutions were introduced in both Houses of Congress, calling on the United States Government to use its good offices to secure the free immigration of Jews into Palestine and the reconstitution of "Palestine as a free and democratic Jewish Commonwealth." The resolution was referred to the Foreign Affairs Committees for discussion. There followed a storm of protest from the Arab world. Egypt led the way with a protest; six other Arab states followed suit; and Iraq protested twice. Congress was surprised. Representative Celler denounced the Arab protests as a British plot. Senator Wagner declared that the Senate would not tolerate interference in its "inter-

nal affairs"—by which he presumably referred to Palestine. The discussions were cut short by General Marshall, who asked for the postponement of the resolution since it would jeopardise the military situation.

These two sudden American incursions into Middle Eastern politics are so out of keeping with the line of close co-operation with the British, and with the regional discussion of difficulties hitherto pursued through the Combined Boards at Washington and the Supply Centre at Cairo, that they raise in a very urgent form the question of what post-war course the Americans will follow in the Middle East. The first possibility is, of course, a return to isolation. The oil arrangements are to a large extent in the old pattern of American economic expansion. The Arabian concessions are not new. It is perfectly possible that the United States will revert to the old dispensation, under which Great Britain shouldered the political and military responsibility in this region and the commercial interests looked after the oil. The existence of a government-constructed pipe-line would not necessarily tie the American Government's hand any more than did the Armenian Mandate after the last war. Nevertheless, there are definite signs that permanent intervention in the affairs of the Middle East is intended. The pipe-line is one. The wide scope of General Royce's Military Mission to Saudi Arabia—it covered petroleum extraction, communications and public health—is another.

If the Americans adopt a policy of intervention after the war, its value as a stabilising factor in Middle Eastern politics will depend on its manners and methods. The general case for the Americans accepting definite responsibility is, of course, obvious. But if their intervention is to be unilateral, spasmodic and uninformed, the final result will be worse than straight isolationism. Unhappily the two recent excursions into Middle Eastern politics show little sign of forethought and even less of any desire to co-ordinate American policy with that of Great Britain. There is no threat to British oil interests in the proposed pipe-line, if it is made available to other countries on equal terms. Marketing agreements already cover most of the British and American oil companies, and the development of new fields in Saudi Arabia will not affect the holdings of the Anglo-Iranian Company. Yet the manner in which this American pipe-line scheme was made public showed that there had been no prior consultation with the British nor any attempt to relate the new scheme to the interests of the Middle East as a whole. Such unilateral action is of course the norm in purely commercial dealings. Here, however, the American Government is involved; and the proposed development scheme, when completed, may well be on the scale of £300 million. Automatically the Government's intervention raises the question to the political level. It is not unreasonable to suggest that other Governments should have been consulted.

The case of Jewish immigration is much more serious. The problem of a Jewish National Home is not a single question unrelated to any other military, political and economic problem in the Middle East. Its solution depends upon such matters as Arab federation, soil fertility, rising living standards, freedom of emigration to other parts—indeed, it is as much a world problem as a problem for Palestine alone. This fact is implicitly recognised by American Jewry, which is split on the Zionist issue, many American Jews preferring the normal safeguards of citizenship in their country of residence to the creation of a "national dumping ground" elsewhere. In discussing the resolutions on the White Paper, Congress has afforded itself the luxury of criticising where it has no intention of constructive action and proposing positive solutions which it has neither the power nor the intention to enforce. If this is to be the model of American intervention in Middle Eastern politics, then from the point of view not only of Britain, but of all the Middle Eastern peoples, an American withdrawal from the whole area, on the analogy of the last war, would be a more manageable outcome of this war.

Yet such retrogression would be tragic. However much the British may resent uninformed or irresponsible or uni-

lateral action, they welcome eagerly and wholeheartedly any possibility of Anglo-American co-operation for the long-term tasks of peace. They do not wish to see the United States retreat from its wartime involvement in Middle Eastern politics. They hope, on the contrary, that the American Government will advance to a position of full understanding and co-operation—understanding of the problems involved, co-operation with all the nations concerned. The Middle East Supply Centre has shown how far a policy of straightforward collaboration can advance the interests of the whole region. The need will be greater, not less, after the war. To take only the two instances raised in recent weeks—oil and Palestine—there is no really satisfactory solution for the problems they raise on any other than a co-operative basis. The building of the pipe-line, the construction of more refineries, of "oil towns," the development of harbour facilities will radically affect employment, immigration, living standards and social services throughout the Middle East. The manner in which the growing oil industry is developed can be a vital factor in determining whether the economic expansion of the area goes forward on regional or on narrow nationalist lines. This in turn may well decide the rate of possible immigration into the Levant and is thus inseparable from the very vexed problem of a National Home for the Jews.

There are solutions, military, political, and economic, for the difficulties of Middle Eastern development, but it is absolutely certain that they will be found only if Britain and America work together and plan their policies to meet the interests of the whole area. Mr. Stettinius is to visit London and oil talks are to begin in Washington. Both conferences will vitally affect the Middle East. It is to be hoped that the statesmen will abandon the dangerous and unprofitable unilateralism of the last few weeks and by following the wartime methods of close Anglo-American collaboration, make the Middle East the world's new model of Great Power understanding and Small Power prosperity.



### The scene changes

LITTLE more than a hundred years ago Britain was an agricultural island. Its resources were undeveloped, its roads often incredibly bad; power-operated machinery was almost unknown . . . but the invention of the steam engine was destined to change the scene and by the middle of the nineteenth century the tide of industrial development was in full flood. In almost the span of a lifetime, Britain became the centre of the world's trade and in this vast change the Westminster Bank (founded in 1836) played its part, providing—as it does today—a complete banking service for industry and the individual.

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## What is a Great Power?

THERE is much talk, in current discussion, of the Great Powers and of the rôle that they will have to play in the post-war world. The fighting, so long as it continues, will be almost entirely a Great Power affair. The course of events in the last four years has demonstrated most dramatically how the gulf has opened up between the military strength of a Great Power and that of a small nation. In this war, there has not been a single small country which has been able to stand up to the direct attack of a Great Power for more than a very few weeks. In all previous historical ages, two half-size powers were the equal (or almost the equal) of one full-sized power. But that is not so today; when it comes to fighting, it is a matter for the Great Powers alone. This is a new fact in world politics, and it will have its effect. It is responsible for the great debate now raging, in which views can be heard extending all the way from the one extreme of those who believe that, because only the Great Powers can wage autonomous war, they alone should take political decisions in peacetime, to the other extreme of those whose passion for the sovereign equality of all nations would lead them to ignore strategical facts completely. But there has been very little attempt to define what a Great Power is.

Sir Walter Layton had something to say on this subject in his Sidney Ball Lecture on "The British Commonwealth and World Order" at Oxford last week. Sir Walter's chief purpose was to plead for British initiative and leadership in setting up regional federations, and particularly a European Federation, within the framework of a wider association. But, in his approach to this issue, Sir Walter collected together a number of interesting data bearing upon the definition of power.

The most familiar and obvious way of assessing the effective size of nations is by comparing their populations. As a graphic method of illustrating this comparison, the imaginary map on this page has been drawn. It shows the world as it would appear if the area of each country were exactly proportional to its present population. Sir Walter Layton presented the same comparison in a different way. He pointed out that the total population of the world,

about 2,200 million, could be divided into five roughly equal groups as follows:—

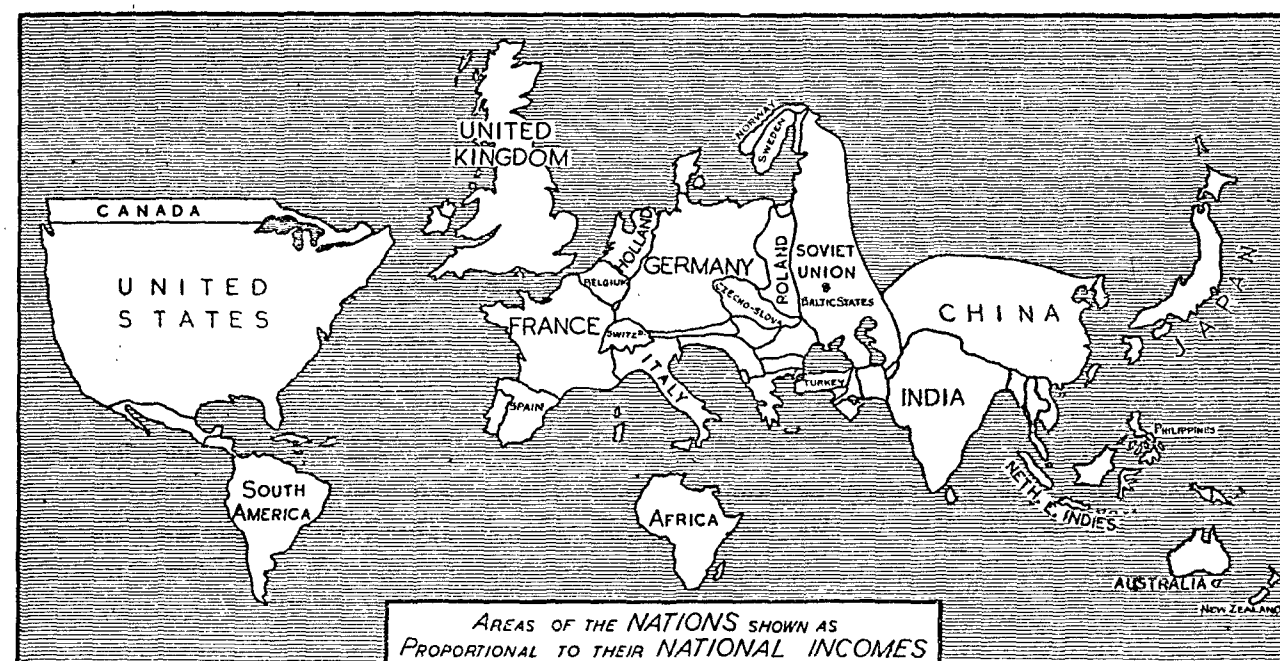
|                                                      | Millions |
|------------------------------------------------------|----------|
| I. The Big Three (USSR, USA, UK and Dominions) ..... | 390      |
| II. China .....                                      | 460      |
| III. Europe .....                                    | 360      |
| IV. India and Burma .....                            | 404      |
| V. Rest of World .....                               | 586      |

The fifth group can be subdivided into independent areas (Japan, Latin America and others, mainly Moslem) with 345 millions and dependent areas, with 241 millions.

But these figures by themselves demonstrate that it is not population alone, or perhaps even population mainly, that makes a Great Power. Nor, still more obviously, is it mere extent of territory, as shown (though often very inaccurately) on the familiar geographical maps. In this day and age, economic resources are of at least equal importance. Sir Walter Layton dealt with this by giving figures for five basic materials and for three measures of commercial activity:—

|                                                                | WORLD RESOURCES |       |        |                 |               |        |
|----------------------------------------------------------------|-----------------|-------|--------|-----------------|---------------|--------|
|                                                                | The Big Three   | China | Europe | India and Burma | Rest of World | Total  |
| Coal (million metric tons, 1937) .....                         | 859             | 37    | 385    | 25              | 62            | 1,368  |
| Steel (do.) .....                                              | 85.4            | 0.4   | 42.6   | 1.0             | 6.0           | 135.4  |
| Iron ore (do.) .....                                           | 57.3            | 0.2   | 29.8   | 1.9             | 7.4           | 96.6   |
| Crude petroleum (do., 1939) .....                              | 202.0           | ...   | 7.9    | 1.4             | 74.0          | 285.5  |
| Imports and Exports (millions of old gold dollars, 1938) ..... | 9,690           | 548   | 10,188 | 925             | 5,857         | 27,208 |
| Trade per head (old gold dollars, 1938) .....                  | 24              | 11    | 30     | 21              | 10            | 12½    |
| Merchant shipping (thousand gross tons, 1939-40) .....         | 32,504          | 258   | 26,363 | 238             | 8,934         | 68,297 |
| Gold production (thousand kilos, 1938) .....                   | 855             | ...   | 19     | 10              | 264           | 1,148  |

The same comparison, though in a more comprehensive form, is shown in the second imaginary map on the opposite page, which is drawn as if the area of each country (or, in some cases, of each continent) were proportional to its pre-war national income.



(Areas are based on figures in Mr Colin Clark's "Conditions of Economic Progress.")

The facts of the political world as we know it begin to emerge from this map. But even national income, all-embracing though it is as a measure of economic wealth, is a poor guide to degrees of power. For some part of a country's national income, even in wartime, is mortgaged by the necessity of keeping its population alive. In countries like India and China, almost the whole of the national income is needed for this purpose and the volume of power that can be projected outwards is very small. In Great Britain it would appear, from the experience of the present war, that the community can, if it must, live on about half of what it produces and use the other half for enforcing its national policy. A closer measure of power would be the amount of national income in excess of the minimum of consumption set by physical or political considerations. Unfortunately, this cannot be calculated.

Economic resources, however, are not by any means the whole story, even when thus qualified. Strategical position is obviously important; a country whose resources lie in a single area, behind easily protected frontiers, is obviously stronger than one whose resources are scattered, or which depends upon the maintenance of vulnerable communications. The system of government is relevant, and so, most decidedly, is national character.

It is thus difficult to put into a single sentence all the reasons that make a country a Great Power. But the result can be fairly succinctly defined. A Great Power is a country capable of waging active and autonomous war against another Great Power. The words "active" and "autonomous" are both essential to the description. It is not enough to sustain a passive defence, even for a long time, if it cannot eventually go over to the attack. And for a country to be beyond question a Great Power, it must be able to fight with its own resources—not necessarily with those to be found in its own territories, but with those that it can rely on being able to procure.

How many Great Powers are there, within this definition? There are three which enjoy the status beyond question. The first is the United States, potentially the greatest of all. The second is the Soviet Union. The third is Germany—it is extremely unlikely that the post-war settlement will succeed in removing Germany from the Great Power category for more than a short time.

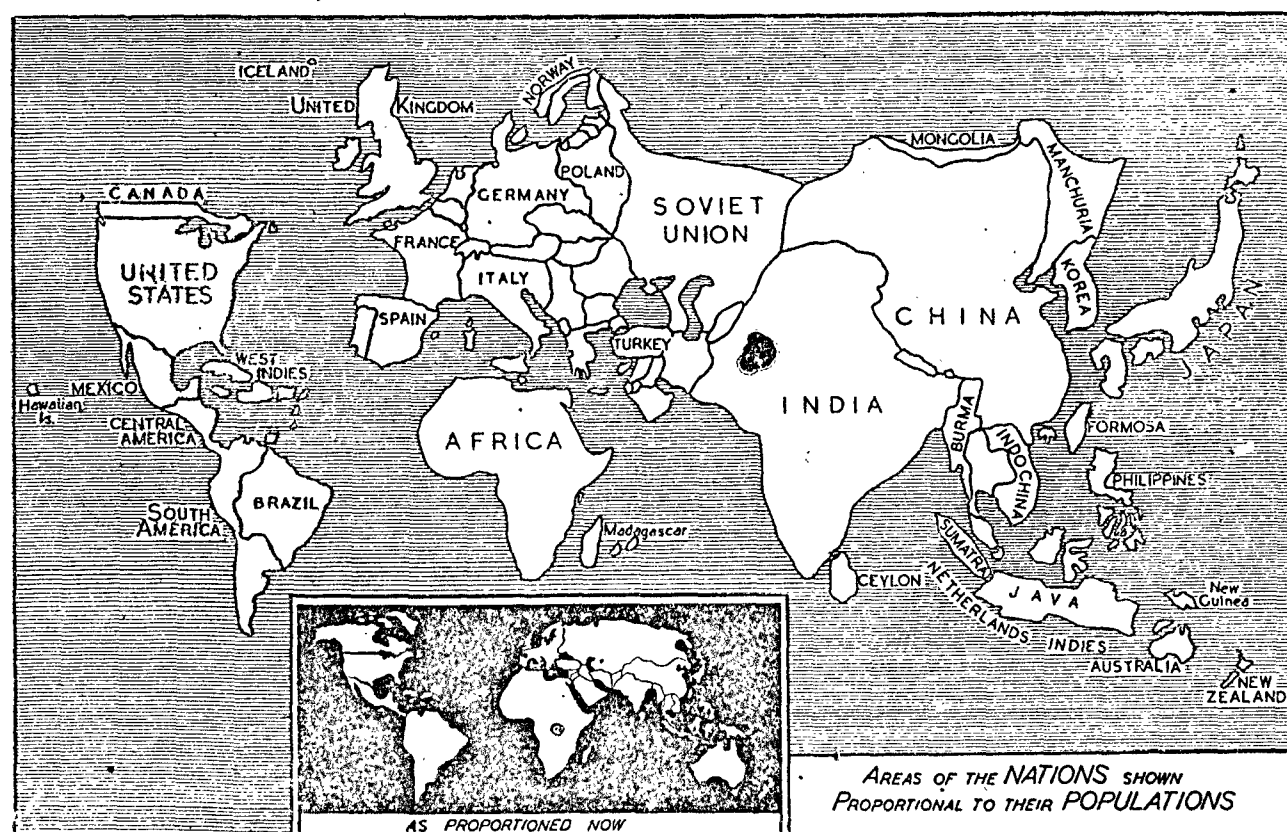
Britain is a conditional Great Power. The conditions are that the British Commonwealth and Empire continue to act together as a unit, whether or not the constituent parts promise to do so beforehand, and that the communications between them remain open. It is probably also a condition that the United States should not be actively hostile. But it would be wrong, because of the existence of these provisos, to rate Britain anywhere below the front rank of Great Powers. If the conditions

are observed, Britain can rank with the mightiest. The question marks are larger in the case of Japan. That Japan is a Great Power at the moment is all too painfully apparent. But will Japan again be a Great Power after its coming defeat? Is its present Great Power status based on the inherent facts of its position or the result of an adventitious structure built up with much skill in the face of indifference or preoccupation on the part of other countries? Is it, perhaps, the right judgment of Japan that it can sustain active and autonomous warfare with other Great Powers only if it starts fighting ten years before they do?

In the current alliance of the United Nations, China is counted as one of the Big Four. It may be that China's inclusion is based on considerations other than Great Power status. China has been at war longer than any other of the United Nations, and has suffered more than any. It is the only country, other than a Great Power, that has sustained the direct attack of a Great Power without being finally defeated. There are obvious advantages in having a spokesman for the coloured peoples in the inner councils of the Alliance. But China is not a Great Power, and will not be a Great Power for many decades to come, even if the internal coherence and the economic development of the country, in the post-liberation years, are all that is now hoped. There would be dangers if the present inclusion of China in the Big Four were to lead to China being classified as a Great Power and reliance being placed on a strength that does not exist.

Moreover, if a special category is to be created for countries that are not in themselves Great Powers, but which sit in council with the Great Powers, then there will be other candidates. After the misfortunes of 1940, France can hardly claim to be a Great Power of the first rank. But France will once again be a rich, populous, well-industrialised country with responsibilities extending across the globe. A liberated and restored France will not be willing to rank lower than fourth among the United Nations in external power. And there is also Canada which, in the attack on the common enemy, has ranked fourth (and well ahead of the field) in the provision of munitions and materials.

It is no part of the purpose of this article to discuss what the rôle of the Great Powers should be in the world order of the post-war years, but only to suggest that, if there is to be any such rôle, some careful thought would be given to the identity of the nations included. It would be difficult to say which, in the past, has proved to be the more grievous mistake, the inclusion in the inner councils of the mighty of those who were, in fact, weak or the exclusion of those who were, in fact, strong.

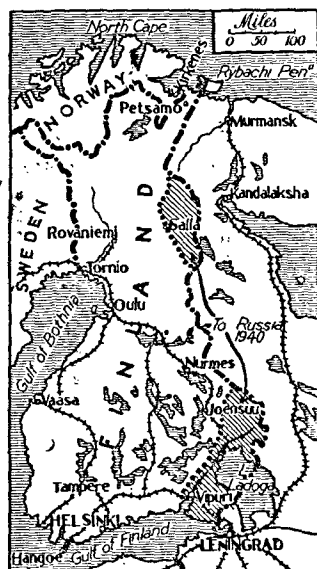




## NOTES OF THE WEEK

### Finland and Italy

The unexpectedly protracted negotiations on the terms of armistice between Russia and Finland have not yet brought any definite result. At the time of writing, the Finns are reported to have submitted their own counter-proposals. They are said to have objected to the Russian demand for the internment of the German forces in the north of Finland, and to have suggested the postponement of the demand until after the conclusion of the armistice. They also object to the repatriation of 75,000 Ingermanlanders who fled to Finland from the Soviet occupied part of the Karelian isthmus in 1940, though it does not seem likely that the Russian demand for the repatriation of Russian and



Allied prisoners of war and deportees includes those refugees. The course of the negotiations so far shows that the formula of unconditional surrender has been set aside altogether by the Russians. *Pravda* has made this very clear in an article addressed to the Finns, in which the differences between the Allied terms of armistice for Italy and the Russian proposals for Finland are brought out most emphatically. The Italians were asked to surrender their air and naval bases, and to hand over their fleet to the Allies. The Finns have not been presented with any such demands. The internment of the Germans in Finland—as *Pravda* points out with a

patience altogether unusual in its columns—has nothing to do with unconditional surrender. It is an elementary demand which any belligerent Government would be compelled to make in a similar position. This is undoubtedly true; though it is equally true that the difference between the treatment of Italy and that of Finland is due, not so much to the insistence on unconditional surrender in one case and its abandonment in the other case, as to the difference in the strategic position of the two countries at the time of the armistice discussions. The surrender of naval and air bases in Italy was as essential to Allied military plans as the internment of General Dietl's divisions in Finland is for Russian strategy; and the formula of unconditional surrender did not prevent the Allies from granting to Badoglio's Italy the rights of co-belligerency.

### Finland and Poland

While the Soviet press takes pride in the fact that Moscow has not applied the formula of unconditional surrender to the Finns—a virtually defeated enemy—an ultimatum of unconditional surrender has again been presented by the Russians to their Polish allies—for that is what the new Soviet note in reply to the Polish proposals virtually amounts to. The Poles, it will be remembered, proposed the postponement of the final settlement of the frontier issue until after the war, when they will be able to submit any territorial changes for ratification by a properly elected government. In the meantime, they suggested a temporary demarcation line which would leave Lwow and Vilna under Polish administration for the duration of the war. The Russians insist that this demarcation line should be more or less the same as the Curzon line. Mr Churchill has made it clear that he considers the Russians' territorial claims to be "just and reasonable." But it ought to be equally clear that territorial claims are one thing, and the way in which they are laid and enforced is quite another. Even if it is granted that the Russian demands are well justified, it does not follow that they

temporary demarcation line. If the Russians can agree to leave their claims to Petsamo for the final peace negotiations, why can they not do the same with Lwow? Similarly, if Moscow can negotiate with a government which includes Marshal Mannerheim and Mr Tanner, why must the re-shuffling of the Polish Government be made a *sine qua non* of resuming relations between Russia and Poland?

### The Military Argument

The Russians' reason for not treating their ally Poland on the same footing as their enemy Finland is presumably that military operations do not compel them to enter Finland, whereas they must march into Poland. This being so, they are entitled to insist on full military and political security behind their fighting lines in Poland, a security for which the Polish Government as at present constituted gives no guarantee. The argument is, admittedly, a weighty one. But it was partly met by M. Mikolajczyk's Government when it issued instructions to the Polish military underground to co-operate unconditionally with the Soviet armies. The important point now is to ensure that these instructions are really carried out. General Sosnkowski, the Polish Commander, has chosen to interpret the instructions in a sense which seems to differ from the Polish Government's intentions. He has made Polish co-operation with Soviet forces in Poland conditional on Soviet recognition of Polish sovereignty over the whole territory which belonged to Poland before 1939. It is true that, under the Polish Constitution of 1935, the Government has no control over the policy of the Commander-in-Chief. The Polish Government must make up its mind on this point. It must either invalidate those articles of the Polish Constitution which give the Commander his independent position or it must part with the present Commander-in-Chief. The Constitution was, after all, only the product of a *coup d'état*. Either action would subordinate military policy to the Government's control. Where the Russian demands are dictated by military reasons, they must be met. Only when this has been done can the Polish Government defend its legitimate political rights with full effect.

### Coal Crisis

The Government has announced its proposals for a revision of the wage structure of the coal industry which, if accepted by both sides and promptly applied, should go some way to allay the discontent that has arisen in the coal-fields over the Porter Award. (Piece-workers are up in arms against the Award, which established higher minimum wages, but gave them no increase and upset the ratio between their wages and those of day workers in certain districts.) A mass coal strike is developing in Wales. By Thursday, 75,000 men at 135 pits were out, and it is feared that the stoppage may spread to the remaining quarter of the coalfield's miners. In Durham the device of go-slow and restriction of production has been carried so far that the Ministry of Fuel's Regional Controller threatened to close Easington Colliery—the centre of the trouble—though admittedly an efficient pit, and transfer the men to other mines unless they go back to normal working methods. The discussions about the "general overhaul" of the wage structure have thus begun in an atmosphere of urgency and crisis. Broadly, the Government's proposals amount to a simplification and consolidation of wages, and to the introduction of greater incentive by establishing a closer relation between wages and output. Details are given on page 348. The Government suggests that the new rates should operate until December, 1947, and undertakes to continue a system on the lines of the Coal Charges Account and to maintain the price of coal "at a level which would ensure a reasonable credit balance for the industry." Major Lloyd George will, quite justifiably, not discuss South Wales' special grievances until the men return to work. Both strikes and ca'canny are intolerable at a time like this. The miners have

taken blatant advantage of their scarcity; their services cannot be dispensed with. Their leaders in Wales and Durham have condemned them and appealed for a resumption of work and full production, but so far without effect. It is not a question of whether the miners have, or have not, some legitimate grievances; there are constitutional means of dealing with them. As it is, they are wilfully flouting both union agreements and union authority; and they are holding up production on the eve of great military operations. This cannot be condoned. But the ultimate blame must be shared. It was the miners' leaders themselves who led the men to expect that their demands would be met. It is the owners who have encouraged the district divisions and retarded the reorganisation of the industry. It is the Government whose facile optimism about the state of the coal industry, in spite of repeated warnings, has allowed a potentially dangerous situation to drift into a major crisis.

### Mr Morrison's Retort

Mr Morrison took the opportunity of a speech at Bradford last Sunday on the Parliamentary system to send cold shivers down the spines of many Members of Parliament. For some time, a campaign has been going on in the Commons to reduce the liberty allowed to Ministers by statute to make orders and regulations with the force of law. On Sunday the Home Secretary, whose own powers are never far from the mind of the critics of delegated legislation, said outright that more, not less, of this kind of Ministerial law-making will be necessary in the future. Loud outcries from Westminster have enquired whether Mr Morrison was voicing the view of the War Cabinet. Obviously he was not. He was, as always at the week-end, voicing the view of Mr Morrison; and on this occasion he perhaps laid on the colours deliberately thick, maybe with the mischievous intention of making the flesh of his critics creep. In this he apparently succeeded. In one respect, Mr Morrison is undoubtedly right. Parliament has neither the time nor the competence to legislate in detail for all the matters which come within the province of twentieth century government. Inevitably, gaps must be left to be filled in during the process of administration. This is no new discovery. The delegation of power to legislate on details was an integral and indispensable part of Parliamentary government before the war. It is equally true that, if programmes and policies are to be carried through, the function of initiating legislation must belong to the Government. Parliament, in fact, neither governs nor legislates; it supports or opposes, approves or criticises. The sanction of its ultimate authority on behalf of the people, is that no Government can continue without a Parliamentary majority; it can turn the Government out.

### Parliamentary Sanction

Does the fact that Parliament can neither govern nor, in the full sense of the word, legislate mean, as Mr Morrison suggested, that it will in future have to confine itself, in addition to its scrutiny of all financial proposals, to approving or criticising what he called "broad principles" and "fundamentals"? Is it true that *all* the details of legislation must be left to the Executive? Where and how is the line between principles and details to be drawn? Mr Morrison's argument for this drastic short cut to the simplification and shortening of Parliamentary discussion was that of time. While Bills are discussed on the floor, clause by clause, it will not be possible to get through in any session the amount of legislation desired; in the present session, with time further restricted by wartime conditions of working, it would not be possible to get through more than one or two major measures of reconstruction, even if the Government produced the Bills. The painful progress of the Education Bill, much less controversial though it is than it might have been, is a proof of this. But it is wrong for Mr Morrison to deduce from this that time is completely on the Executive's side. Parliament might work longer hours, even in wartime; it might well restore and develop the Committee system so that several Bills could be considered at once. Mr Morrison has not proved that only the mere chapter headings of legislation should be open to Parliamentary debate; and in one respect, his critics have a very strong case. The demand that, however much delegated legislation may be unavoidable, it should come under the effective scrutiny of Parliament, where

necessary, order by order and regulation by regulation, is unassailable. Mr Morrison admits this, but only as a complement to "Parliamentary legislation on broad lines and a large use of delegated legislation by the Executive." But effective scrutiny is essential, whether Mr Morrison's proposal to cut down Committee time is accepted or not. The real domestic problem of Parliament is to find means of making much better use of its time, so that it can, without holding up the process of Government, simultaneously approve and criticise legislation, pass Government policy under continuous review, watch over the public interest, and protect the rights of individuals and minorities. Delegated legislation may increase, and with it the powers of the Executive. But Parliament will abandon its central duty if it allows any of the essential controls over Executive action to pass out of its hands, simply for lack of working efficiency or ingenuity in its organisation.

### To Fight or Not to Fight?

The Allies have decided to cut down drastically their supply of arms to Turkey. This decision, following within three months the cordial exchange of views between President İnönü and the Allied leaders of the Cairo Conference, has come as a surprise to the British and American people. Yet it is a natural consequence of the policy the Turks have pursued ever since the beginning of the war. Turkey is a satisfied power. The chief aims of its diplomacy are independence and security. The Turkish leaders have always known that only an Allied victory would give them independence. The sincerity of their alliance with Britain reflects this knowledge. But they have been as unready as any other state—great or small—to risk war with Germany and certain devastation to ensure an Allied victory. There was never any question of Turkey entering the war. The arms they asked for and were promised—in particular at Adana—were only to ensure effective defence against a German attack. At each crisis in Allied fortunes—in June, 1940, in March, 1941—when the possibility of Turkey's entry into the war came up, the Turks refused to be involved. Throughout 1942 and 1943 their policy

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was unchanged. They wanted the Allies to win; they would use Allied arms to fight Germany if the Germans attacked. And that was all they would do. A new situation has arisen with the clearing of the Mediterranean and the crumbling of German power in the Balkans. The Allies told the Turks that the risk of German attack had passed, and pressed them for facilities—airfields, bases—similar to those granted by Portugal in the Azores. The Turks denied that the risk of German attack was passed. The German counter-stroke in Leros and the other Aegean islands showed, they argued, how vulnerable Turkey still was, and how little effective help the Allies could give. The concession of air bases, which might invite a German counter stroke, could be granted only if the Allies would immediately, and vastly, increase their supply of all weapons to Turkey. At this point somebody seems to have realised that the Turks did not mean to fight anyway. The arms are accordingly to be sent somewhere where they will be used to fight the Germans. The Turks can hardly feel aggrieved. Nor, however, can they be blamed by other states for pursuing a policy of national self-interest. But one may ask whether they have not managed, in the process of bargaining, to receive a quite disproportionate share of the Allies' arms supply.

### Pan-American Split

The Farrell-Peron Government cannot be said to be firmly in the saddle in Argentina, but it has at least kept its seat during a very restive week. Opposition to the new régime comes from the Army and the Navy. A minor putsch has been attempted by the supporters of General Ramirez among army officers; dissident admirals are reported to have protested against the "delegation" of power to General Farrell; and no admiral has yet been found to take over the Ministry of Marine. But the opposition groups are feeble and divided. The only man among the officers commanding any degree of loyalty and cohesion is Colonel Peron with his GOU. Effective opposition could only come from quite different quarters—the anti-militarists and democrats among the people at large, who have been silenced by the steady increase in fascist control since June last year. The masses are apathetic, by tradition certainly, but also by reason of the relative prosperity and security enjoyed by the country at the moment. The Farrell Government has repeated its determination to honour General Ramirez's foreign policy, but this seems to mean little more than that they will not actually reopen relations with the Axis. The letter will be observed; the spirit is far more doubtful. The Argentine police have produced no further reports on Axis spying activities. There appears to be no question, for the time being, of extending military and naval facilities to the Allied belligerents. There are even reports from Buenos Aires of interference with the American news agencies. The letter without the spirit will, as Mr Stettinius pointed out in a Washington Press conference, be of little use to the Allies; and the United States and British Governments are delaying their recognition of the Farrell regime until further definite steps are taken to implement the policy of joint American defence. Unhappily, it has not proved possible to secure a united pan-American policy on this question. The kindred militarist Government of Bolivia has naturally enough recognised the new regime; but so has the democratic Government of Chile, and there is reason to suppose that Paraguay and Uruguay may follow suit. The failure to isolate Argentina inevitably weakens the Allies' diplomatic pressure.

### Urgent Housing

On Wednesday, Mr Willink, Minister of Health, announced the Government's housing programme for the first two years after the end of the war in Europe. In contrast to the vague pronouncements of the past, Mr Willink's was a definite statement of intentions. First, the object of the programme is to meet the urgent needs of

those who have no homes of their own; it covers what *The Economist* has called the emergency programme that will have to be fulfilled as quickly as possible at all costs. Secondly, the programme sets a definite target of construction. Some 100,000 houses of the permanent type are to be completed or under construction by the close of the first year and a further 200,000 by the end of the second year. Since a total of 300,000 houses will be inadequate to meet the most urgent needs, and as the capacity of the building industry may make it difficult or impossible to meet all needs by the construction of permanent type dwellings, the deficiency is to be met by a "substantial amount" of emergency housing; such emergency housing will be provided by adapting existing houses and by constructing temporary dwellings of various kinds. Thirdly, to enable local authorities to prepare for a quick start on construction, the Government has decided to introduce temporary legislation extending the present scope of housing subsidies to houses built to meet general needs; and local authorities will be enabled to buy in advance land required for the fulfilment of their programmes, by compulsory powers if needed. As a statement of intentions, Mr Willink's announcement is encouraging in that it suggests a bold approach to meet emergency needs as quickly as possible; it took five years to build 300,000 houses after the last war. But it is the performance that counts.

### Aspiration in India

The fifteen-year plan for reconstruction put forward lately by a group of Indian industrialists seems to put the cart before the horse. In the first place, the vast scale of the plan, which envisages investment in industry to the tune of 10,000 crores (£7,500 million), presupposes the existence of a strong central government capable of implementing it. In itself there is nothing wrong with this political conception; independent India will need such a government. But, in spite of a considerable and spreading disillusionment with the negative tactics and manoeuvring of the established political groups, there is still little evidence of a real and practical readiness among Indian politicians to make the concessions and reach the agreement that are indispensable if a workable constitution, let alone a strong central government, is to be established. Maybe it is hoped that planning for reconstruction may be a rallying point for the undoubtedly considerable body of Indian opinion that is seeking for new ways out of the old dilemmas. But all this is still very tentative and beneath the surface of politics. The old parties and old leaders are still in the saddle, and will not ride together. The Congress party remains immovable, while Mr Gandhi and the rest are in prison; and the Government has found no safe formula for their release. To all appearances, the centrifugal forces are still in charge, however centripetal the undercurrents. Moreover, this industrial plan is open to economic as well as political objections. It is a plan for Big Industry and high protection. Indian agriculture, which has suffered during the war as much or more than Indian industry has gained, and upon whose functioning depends the very existence of the vast majority of her millions, has surely the first claim on post-war resources. The mechanisation of agriculture, the improvement of transport, and the development of public works will for some time require the lion's share of capital investment; the expansion of local industries can only be done *pari passu*. Pittsburghs and Boltons and Birminghams and Detroits and Magnetogorsks cannot be built overnight and in isolation. It is a matter of priorities, and the makers of this grand plan seem oddly forgetful that India's grinding dependence upon a soil poorly and inadequately tilled cannot simply be brushed aside to make way for an industrial India. The plain fact is that, knowing industry to be the basis of modern power and national independence, they have decided, in the naivest way, that India can be made into a Great Power by 1960 by large-scale industrialisation. In the same way they are led into a kind of economic chauvinism that would throw away most of the benefits of foreign investment in Indian development, in order to cap political with economic independence. They propose a degree of autarky that would compel India to make its own way by its own resources, and restrict its income accordingly. They will not allow advantage to be taken either of foreign capital or of the international division of labour. They propose an impossible task, and make it doubly impossible by the means they propose to achieve it. Certainly

plans for India's future, both political and economic, must be bold and imaginative. It is encouraging that the makers of this plan should set themselves so high an aim, but before they run they must walk. There are no short cuts to national independence and greatness; mostly, they are blind alleys.

### Enterprise

The Minister of Production is one of the few Ministers who find time to talk about public policy and take the trouble to do it well. Addressing London University Conservatives a week ago, after a conventional and somewhat inconsequent preamble reciting the defects of state trading, he tried to define the right relation between private enterprise and "the organising power of the state." Mr Lyttelton believes that, with the right relation between these two, it will be possible for Britain to take conscious control of its own economic and social destiny in a way never known before. "The question whether we are to be a poor nation or a rich nation depends entirely upon whether we use our brains or not." Basically, brains will be used best if the enterprise and initiative of the individual are given full play. But Mr Lyttelton does not believe that private enterprise, in every activity, is an end in itself. The task is to make the most of the nation's resources for the communal benefit; "if a company is given by Act of Parliament the right to levy a rate upon a section of the community, I think it inevitable that the state should also have some right of control over it"; "again, there are a number of public services from which most of the risks have been eliminated which could well be handed over to the state"; "it would be profoundly stupid for a Conservative not to pay due attention to the organising power of the state to provide common services at cheap prices to all and sundry of its citizens." The problem for the future, as Mr Lyttelton rightly says, is to get the right balance between public and private enterprise, not to mix them in a system of checks and balances, but to separate them in a joint programme of full employment and full efficiency; and, having decided where national needs can best be met by public enterprise, "to leave the whole field where risk has been run to private enterprise, allowing that private enterprise, having run the risk, to reap the profit." This is encouraging common sense at a Conservative meeting. But it needs a rider. This was provided by the Home Secretary in a speech the day before. Private enterprise must be private enterprise; it must not be monopoly or restriction masquerading under that name. It must run risks and show ingenuity; it must, as Mr Lyttelton himself put it, use its brains "to supply a new world with new goods, to fill a new demand with a new product." "We must bend our minds to increasing the national income and we must be very wide-eyed in the process."

### Matchek a Quisling?

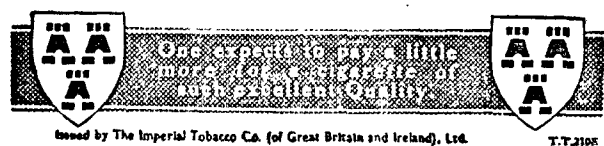
Mr Churchill's statement on the Yugoslav question, made in the House of Commons on February 22nd, seems to have shaken King Peter's entourage in its utterly unreal self-confidence. Reports from Cairo foreshadow a reshuffle of M. Puritch's Government or, alternatively, the dismissal of M. Puritch himself and the formation of a Government less obsessed by Pan-Serbism. A Government composed of federalists, representing all the Yugoslav nationalities, might perhaps help to overcome the deep cleavages that exist in Yugoslavia itself. But will King Peter go so far as to dismiss General Mikhailovitch? If so, will General Mikhailovitch's influence in Serbia itself not prove strong enough to obstruct real unity? The position in Yugoslavia itself is still very obscure, in spite of the steady liaison between the Allies and Marshal Tito's headquarters. Allied opinion is hardly enlightened by the spate of mutual recriminations which emanate from the various propaganda centres. The radio station "Free Yugoslavia," for instance, which is said to broadcast from Soviet territory, has now blamed Matchek, the leader of the Croat Peasant Party, as a "quisling." Now it is true that Matchek's rôle in Yugoslav politics has been passive during the critical years of occupation. This, in itself, discredits an outstanding political figure like Matchek. But Radio "Free Yugoslavia" is reported to have accused Matchek, not of passivity, but of active co-operation with the Germans. Ironically enough, similar accusations came from Pan-Serb sources some time ago, and caused much indignation among pro-Tito Croats. Should the charges

prove to be true, and not merely the product of Communist persecution mania, they would make a sad and discouraging picture. The events of the last years have broken many characters and discredited many of the once outstanding political leaders on the Continent. But have they bred new leaders to take their place?

### Middle Eastern Co-operation

While Mr Ickes and Congress were, as discussed in an article on page 328, playing variations on the theme of isolated and competitive American action in the Middle East, American officials in Cairo were working with their British colleagues on the Middle East Supply Centre to organise the third of a series of regional Middle East Conferences. Over a hundred delegates met to discuss agricultural problems common to the whole area. They exchanged views on irrigation, dry farming, land reclamation, soil erosion and agricultural education; and, as in the previous conferences, the delegates showed a very obvious desire to build up some permanent organisations for joint research and action. A Middle East Statistical Service was proposed at the Statistical Conference held in November. The latest conference has recommended the establishment of a Middle East Agricultural Council, and a committee was set up to draft its constitution. Throughout the Conference it was clear that the Middle East Supply Centre alone made this type of co-operation possible. Indeed, if there were no Centre, it is doubtful if the Middle East states would co-operate at all. Whether it will continue after the war will be the principal factor in determining whether the life of the area will go forward along co-operative lines to the benefit and enrichment of all the states or along lines of exclusive and sterile nationalism. The question is already being asked in Cairo: "Will the Supply Centre be continued?" Unhappily the Public Relations Officer of the MESC was reported in the press to have said that the Centre would not continue after the war. Still more unhappily, the same view was attributed to Lord Moyne, Mr Casey's successor as Minister of State. In both

## WILL'S THREE CASTLES CIGARETTES



### PRINCIPLES OF TRADE: A PAMPHLET

The series of eight articles on The Principles of Trade which appeared in *The Economist* during the months of January and February this year has been reprinted in a pamphlet (Price 2s. 6d., post free), which is now ready and can be obtained from *The Economist*, Brettenham House, London, W.C.2.



cases, the statement was later denied as an error in reporting. It would be disastrous indeed if the experiment were to be wound up—as some inveterate enemies of any form of control seem to desire—now that the war is moving away from the Middle East. Questioned in the Commons, Mr Eden said:

While it would be desirable to continue after the war some part of the very useful work for which the Middle East Supply Centre has been responsible, I should not be prepared to pronounce finally on the best machinery for this.

This cannot be called a satisfactory assurance. In the universal poverty of international life, the best machinery is the machinery that exists. A better machine might indeed be imagined, but it might never be built.

### The Population Enquiry

The names of the members of the Royal Commission on Population were announced at the same time as the news that it had held its first meeting. The Royal Commission itself consists of eight men (including the Lord Chancellor as chairman) and eight women. It is a distinguished and representative group, covering a wide range of experience and authority; and, what is more important in this particular case, on equally wide range of ages. In addition to the Commission itself, there are to be three technical committees, of which the chairmen only are members of the Commission. The chairman of the statistical and economic committees are Mr Carr-Saunders and Sir Hubert Henderson—two admirable choices—and these two committees between them include an impressive number of the statisticians and economists who have given attention to population problems, including Dr D. V. Glass, Mr R. R. Kuczynski, Mr H. Campion, Professors Gray and Hicks, Mr W. B. Reddaway and Mrs Joan Robinson. There is also a strong biological and medical committee under the chairmanship of Professor A. W. M. Ellis. All this is highly satisfactory; the names are a guarantee of a really thorough and authoritative enquiry. It remains only to hope that these authorities will not be secured at the cost of time. Population trends move slowly, but Royal Commissions sometimes move more slowly still.

### Production in 1944

Mr Lyttelton marshalled an impressive array of facts and figures to illustrate the scale and magnitude of Britain's present production of offensive weapons. But his review of past achievement should not lead to a sense of complacency. Last year was a year of extensive programme changes with emphasis on the production of heavy bombers and fighters. The changes were carried out, on balance, with the minimum of friction, and the numbers actually unemployed on December 31st for a month or more as a direct consequence of the adjustments were as low as 600—though the degree of working time lost as a result of this kind of change-over, in war conditions, with Essential Work Orders in force, should properly be measured also by idleness and short-time working inside establishments. As new labour entered the factories and was "run in" and as a result of improvements in organisation and methods, output per head in the aircraft industry over the last six months increased by 2 per cent per month. The outstanding task in 1944—the year in which great battles will be joined—will be to maintain and expand the 1943 level of production, possibly with a reduced labour strength, if the military call-up is accelerated and casualties develop. Apart from maintaining transport, which may prove to be the biggest bottleneck, the key to the problem lies in increased efficiency, and the economic machine will have to become more flexible and adaptable, to meet rapidly changing operational requirements. As far as possible, the Government is aiming at occupational rather than physical transfers, at taking the work to the worker rather than the worker to the work, by diverting production within a factory rather than closing it and transferring the workers and at making the burdens of the changes fall least heavily on the former depressed areas. Thus the mobility of industry will be determined, so far as possible, by the location of labour. But there are limits to this policy, at a time of excessive manpower stringency, and the coming period may see increased dislocation in individual cases. That is why it is so important to explain frankly to the workpeople the reasons for the changes, which otherwise may have some unfortunate effects upon the attitude of a people already severely strained in the fifth year of war.

### Low Countries Customs Union

In spite of many practical and political difficulties, negotiations for a customs union seem to be proceeding well between the Netherlands and the existing Belgo-Luxembourg union. A successful outcome would not only ease the difficulties of the immediate problems of reoccupation, but would be of obvious value to both parties in the long run. There can be little theoretical argument, at least, over an economic union between two countries so largely complementary in their economic character, and the necessity for complete reorganisation of both countries' economic life after the war will present an opportunity for getting over many of the practical difficulties which might be insuperable in normal times. Problems raised by the fact that both countries have large colonies are not to be allowed to hamper the union since it is designed to affect only the metropolitan part of each country. Technical difficulties will require some ingenuity and mutual co-operation. The existing tariffs of each party are normally based on conflicting criteria, the Dutch is calculated principally on the value of goods, the Belgian on their weight, and there are also differences of classification. However, a temporary compromise is suggested which should provide a common basis agreeable to both sides. The Dutch are to use the League of Nations nomenclature, while the Belgians adopt an *ad valorem* tariff. In any case, the agreement will only be provisional and limited to the period of relief, so that adjustments can be made later on to suit particular post-war circumstances. These negotiations once more underline the anomalous position, in international law, of all such agreements. Twelve years ago, in 1932, the Netherlands and the Belgo-Luxembourg union negotiated a similar, though much less far-reaching, agreement in the Ouchy Convention. On that occasion they proposed not to abolish their duties on each other's trade but to reduce them very severely. But the Ouchy Convention came to grief because the other nations, and particularly the United States and the United Kingdom, refused to abandon their most-favoured-nation rights and demanded to be given the concessions that Holland and Belgium were offering each other. But if the proposal is a complete customs union, the most-favoured-nation clause, by general admission, does not apply, although the damage done to the rights of other countries (to employ the usual vocabulary) is presumably still greater. Tariff reduction, it will appear, is to international law what suicide is to domestic: the attempt is a crime, though full success is not.

### Shorter Notes

On Friday of last week the Pensions (Increase) Bill (discussed in *The Economist* of last week, page 302) was given a second reading in the House of Commons. As was expected, the Bill was received without enthusiasm; but Mr W. J. Brown's motion for its rejection, on the ground that it failed to restore, in the light of the increased cost of living, what was taken away from pensioners on account of earlier decreases in the cost of living, and applied the means test to pensioners, was negatived without a division.

As a result of the Supreme Court of Judicature (Amendment) Act, discussed in *The Economist* of January 29th, page 140, three new appointments have been made to the High Court of Justice. In accordance with the Lord Chancellor's direction, they will be attached to the Probate, Divorce and Admiralty Division, so that when provision has been made for the hearing of defended divorce suits at assizes, the increase in the strength of this division will enable divorce suits to be tried by divorce judges instead of by judges of the King's Bench as part of their assize work.

A Bill has been introduced into the Australian House of Representatives to place the income-tax on a pay-as-you-earn basis from July 1st.

On April 2nd, the cheese ration will be reduced from 3 to 2 oz a week, and during April it is expected that the ordinary consumer's milk allowance will be increased from 2 to 2½ pints a week. To compensate for the reduced cheese ration the four-weekly allocation of points will be raised from 20 to 24, and more canned meats and fish will be available. The points ration has remained remarkably stable, and this will be the first change in the number of points per ration book since July 26, 1942.

## AMERICAN SURVEY

### Watch Texas

(From a Correspondent in California)

TEXAS will gain most from the war. It will wrest old industries from the states on either side of the Appalachian Mountains and draw new ones away from California. In the long run it stands to gain even more than the Pacific Northwest. It will become the world's greatest centre of chemical industries. Not even Russia will have a single centre comparable to Texas. For no one part of Russia has what Texas possesses in superabundance: petroleum, natural gas, cotton, pulp timber, potash, sulphur, salt, limestone and Jesse Jones. The last-named natural resource is a catalyst: it starts things happening by its mere presence.

#### First of the Forty-Eight

Texas and her fringe areas hold 70 per cent of all the petroleum, 85 per cent of all the natural gas and 30 per cent of all the cotton in the United States. Since 1935 Texas has ranked first of the states in the value of mineral products. Since Pearl Harbour, the Lone Star State has completely out-distanced all others in availability of these assets: Pennsylvania to-day is a poor second, and by 1950 will hardly deserve "Honourable Mention." Basic reserves throughout Appalachia are dropping fast. A West Virginia factory must now pay three times as much for natural gas as a Texan pays. A Pennsylvania user pays five to seven times as much. But natural gas is being discovered throughout the Southwest and Gulf region much faster than it is being used, even by the giant war factories. So the chemical industries which must use the hydrocarbons in natural gas will turn from Appalachia to the Texas area. To-day men are laying a pipe-line from Corpus Christi to West Virginia to deliver 207 million cubic feet of Texas gas a day over 2,000 miles.

Industries making viscose rayon, certain plastics, pulp products and paper favour Texas, because the state can produce in perpetuity six times as much pulpwood as the whole nation needed before the war. In the warm, moist climate of the East Texas pulpwood area, trees grow from three to four times as fast as in the far Northeastern United States and Canada. Cotton linters, used by some of these same industries, notably the viscose plants, will always be at hand in abundance. Texas has hardly begun improving her immense cotton yields through scientific plant breeding and farming. It is well within reason to hold that, if the market justified it, Texas might treble her fibre output within a few years.

The key to most chemical industries is the heavy alkali and chlorine plant. Texas holds that key firmly. Since 1930, thanks largely to the keen and potent Jesse Jones, more and more corporations have been tapping the inexhaustible salt beds and brine wells and sulphur and limestone of the Gulf coast, to make soda ash, caustic soda, chlorine, sulphuric acid and other chemicals needed in vast quantities by the makers of pulp and paper, glass, petroleum derivatives, aluminium, rayon, plastics, pharmaceuticals and so on.

There they will find a further advantage in ocean freightage. West Virginia and Pennsylvania are inland. Even with the best use of the Ohio-Mississippi waterways, the costs of delivery to foreign customers must remain much higher than the cost from Houston or Beaumont. In the long run, then, it would appear that Appalachia will retain firmly only those chemical and other industries which depend upon her stupendous coal reserves, the world's greatest and best.

As the end of the European war approaches, the last great natural resource of Texas will be tapped: Jesse Jones, Texan and US Secretary of Commerce. War plants must close. But which? Other plants must be reconverted.

But which? The Federal Government will decide. And that means, in many instances, that Jesse Jones will decide. For this amazing personality, when head of the Reconstruction Finance Corporation during its biggest years, became the world's greatest money-lender. As such, he learned the most intimate secrets of more great businesses than have ever been known by any dozen bankers. And today he is the Government in many matters affecting business and industry.

Traditionally, on the grounds of the state capitol at Austin only the flag of Texas ever flies. Not wholly in jest did many Texans say, back in 1941: "If the United States declares war, Texas will go in, too." This state of mind will play a part after the war. For reconversion means a political fight of region against region. The Northeast will strive to hold its own. So will the Great Lakes states. The Pacific Northwest and California will strive to win new industries and fresh financing for peacetime ventures. How is each major region likely to fare?

The Northwest has a mighty fortress in Grand Coulee and the vast mineral resources lately found in Eastern Wyoming, Idaho, Washington and Oregon. Their hydro-electric power can hold its own against Texas gas. Many industries are sure to settle in the Columbia River Basin because cheap current and cheap raw materials are at hand. Then, too, the Basin does not compete against Texas measurably. Its products differ and so, too, will its markets.

#### California's Lone Hand

California's resources within her borders do not compare with those of Texas. She is highly dependent on her own hinterland and, to an extent some of her business men deplore, on the East. Furthermore, only since Pearl Harbour have people in Arizona, Utah, Nevada and New Mexico been very well disposed toward California; in the past, narrowly self-centred California leadership piled up a fund of ill-will in these states. On the other hand, California has developed an outstanding human resource in Henry Kaiser. He has proved his genius chiefly by making bricks without straw. Starting from scratch with no steel and no workers, Kaiser has created an amazing war industry on the Pacific Coast. Many factors point to an expansion of Western steel—in the course of time. But only a post-war boom in the West or unexpected markets in the Orient would justify short-term optimism. Furthermore, Californians have dreamed of setting up their own independent steel and shipbuilding enterprises. So they have collided with US Steel and other giant industries of the East. But Texas has the goodwill of most of the giant corporations of the Northeast and Great Lakes areas, thanks again to Jesse Jones. California still tries to play a lone hand. And with pretty poor cards at that.

If California had remarkable natural resources, these would surely aid Kaiser in his fight. But the state lacks such. No coal. Only one quarter as much available petroleum as Texas and only very deep drilling will bring in more at high cost. Natural gas enough for about 25 more years at the pre-war rate of use. Little or no potash, sulphur, brines for the heavy alkalies. California grows superb cotton, but vastly less than Texas, and most of it is much too good to use in making viscose rayon or plastics; it goes mainly into motor truck tyres. While the acre-yield runs high, all cotton land has to be irrigated, so the production cost is high. Finally, California has no vast stand of pulpwood; that lies to the north, in Washington and Oregon.

The truth is that California's economy has been shaped in part for a community of consumers, for the retired

well-to-do, for invalids, for playboys, for Hollywood, while Texas is all producers. Such folk offer little competition to the hard-riding Texans.

We said Texas will gain most from the war. Yes, but we did not say when. The impending presidential election may change the calendar of progress. The prospects of the Republicans sweeping the country are pretty good, though far from secure. Much will depend upon many little unpredictable events between now and next November. But if the Democrats lose, Jesse Jones's gigantic power will be broken. What great influence would displace him? A Republican Secretary of Commerce would, of course, favour big steel and other billion dollar Eastern corporations, and he would not favour Democratic Texas. But California is a Republican stronghold. Herbert Hoover, an ardent Californian, would at least have a place as a Republican master. He and Henry Kaiser would make a mighty team. Both might be expected to urge the need of a powerful pro-Western Secretary of Commerce to offset the current ascendancy of Texas. Then Texas would move toward her destiny much more slowly. But she will move.

## American Notes

### War Production Report

The third annual report of the Truman Committee of the Senate was presented last week. This Committee, which was originally merely another investigating group, has by hard work built itself a position in the American war machine similar to that occupied by the Select Committee on National Expenditure in the British. Both have the inevitable defects of committees of private members, but both also serve the purpose of keeping private members in close touch with the work of the departments. The present report is likely to be welcomed for the encouraging data it contains on the volume of material produced under the national defence programme, and for its indications that the peak of the industrial war effort will soon be past. Its practical proposals for dealing with the problems raised at this particular stage in the cycle of war production are likely to be less universally welcome, but its work of description, information, and analysis cannot easily be overvalued. To British eyes, the volume of war material produced since 1941, as calculated by the Committee, reads like a magniloquent fairy story; the equipment of 10 million men, the construction of over 153,000 aircraft, of over 20 million tons of merchant shipping in Liberty ships alone, and the establishment of plant facilities worth nearly \$20 million is beyond normal British comprehension. In face of such figures, it is not so surprising that the Committee is able to state, with some confidence, that

... the bulk of the initial equipment and supplies for the War Department will have been manufactured within 60 to 90 days and thereafter the job will be to supply the items of special need, and to replace materials that are damaged or destroyed and to improve the quality of war materials.

At this point the Committee is forced to admit an unsatisfactory lack of accurate information, and consequently of definite policy, with regard to the termination of contracts and the volume of surplus material available. Such uncertainty over future conditions will not make easier the task of reconversion to civilian needs.

For the same reason, the suggestions made by the Committee for regulating any such re-emergence of civilian production are limited in scope and structure to the view that the best methods of absorbing an uncertain and irregular flow of "free" materials is to leave it to industry to produce whatever it thinks fit, subject only to the prior demands of war production on material, labour or plant facilities. This view is evidently not shared by the War Production Board, nor by those industries which are most hard hit by the irregularities of war production. There has been general recognition of the need for a Surplus Property Administration. The Committee itself has expressed unqualified admiration for the work of the War Manpower Commission in controlling and perfecting, through some 1,500 utilisation studies, the methods and processes of war production so as to reduce wastage and increase efficiency. It is unlikely that similar problems and problems equally grave will not arise after hostilities have actually ceased. It would be unfortunate if the United States were to deprive itself of such methods as it has used with success in wartime to deal with the equally difficult ones arising in a transition period. Yet the Committee contend with some

determination that a pattern of "regimentation," however good the intention, would be undesirable for peacetime production because of the tendency for such regimentation to become permanent.

### Business in Backlogs

Called "the unhappiest industry in America," machine-tool production has begun to feel the pinch. As defence industries become securely established, the peak of inflated demand for machine-tools is passed and the prospect for peace is seen to be poor and unpromising. In the past three years, tools have been built and delivered at an average rate five times as heavy as that of any normally good peacetime year. Unlike the more specialised machines which they serve, many machine tools will be capable of transfer to peacetime production, and it is estimated that industrial demand for ten years or more can be satisfied by tools produced under pressure of war. An orderly disposal of the Government's stocks of machine tools is not perhaps all that can be done; but it is probably about all that can be planned in advance. Nor, of course, are machine tools the only items that are beginning to raise the question of surplus disposal. It is a matter of general interest. Side by side with the initial measure of appointing Mr William Clayton as Surplus Property Administrator, under the WPB, and on the recommendation of the Baruch Report, legislation is pending before Congress which will establish uniform methods of disposing of surplus goods under a central agency. A "surplus utilisation service" is already run by the WPB on a regional basis and through normal trade channels. The Surplus Property Bill aims at regulating this procedure and at preventing speculation and the feeding of surplus property to industry at a greater rate than it is able to absorb. It is an attempt to create a practical organisation which recognises the lesson of Government "dumping" after the last war. For the machine tool industry itself this can only be in the nature of first-aid. Its only real hope lies in a rapid development of new materials and processes in post-war industry, which would quickly put all tools made during the war out of the market.

### Planning World Economy

A comprehensive resolution dealing with the planning of American international economic policy was to be introduced into Congress this week. It is the product of the Citizens' Conference on International Economic Union, and calls for the creation of a commission representing the Administration, Congress and the interests of industry, agriculture, labour and the consumer to advise the President, who would be authorised to "work with other members of the United Nations on problems of post-war economic agreement." The specific terms of reference range from civil aviation to international cartels, from currency stabilisation to the exchange of scientific information. These, however, are only the glowing preludes to the imperial theme. Each, in its final determination, would depend on the settlement of tariff policy. The fate of the resolution is uncertain, but it is one more piece of evidence of the hold that the doctrines of international economic freedom have obtained over public opinion in America. The doctrine is vague as yet, and the cynic may hold that it is compounded in equal parts of American commercial self-interest and of the wishful belief that in economics there lies some magic key to world peace which will make painful political responsibilities unnecessary. But it would be a great mistake either to underrate the sincerity of this movement or the impetus that it is capable of working up. Something has been happening in America in the years of the Great Depression closely akin to what happened in England in the Hungry Forties, and if there is an element of enlightened self-interest in both movements of opinion, there is also a great deal of genuine idealism. That American minds should be increasingly turning towards freer trade is, of course, all to the good. Nor should it be impossible to get American recognition of the practical difficulties with which less fortunate countries are faced, provided their sincerity is apparent. The one attitude that would certainly be a mistake would be to treat such resolutions as of no importance or as unrepresentative of the main body of American opinion. The chief effort should rather be concentrated on securing the translation of these rather starry-eyed generalities into a practical programme of general acceptability.

## COMMON COLD

### Common sense...

THE common sense approach to the problem of the common cold is "Serocalcin" and people who maintain that colds are "inevitable" ignore facts. For more than eight years "Serocalcin" has been prescribed by the Medical Profession and the efficacy of "Serocalcin" for treatment or prophylaxis in some 8 out of 10 cases is now a matter of established fact.

"Serocalcin" (reg. trade mark) is a sulpho-guaiacolic plasma precipitate which enhances the resistive capacity of the body against invading organisms that cause colds. It is contained in small tablets, easy and pleasant to take.

Three tablets, three times daily, will usually clear up a cold in 48 to 72 hours. Two tablets daily, for 30 consecutive days, provide immunity in some 8 out of 10 cases for a period of 3 to 4 months.

There are no "drugs" in "Serocalcin" and consequently no unpleasant reactions. It can be given to children with perfect safety.

A treatment pack of 20 "Serocalcin" tablets costs 3/4½ (inc. tax). The full immunizing course of 60 tablets costs 8/5½ (inc. tax). All who suffer from the common cold are invited to send 1d. stamp (to comply with regulations) for booklet "Immunity from Colds."

### SEROCALCIN PREVENTS COLDS

Harwoods Laboratories Ltd., Rickmansworth Rd., Watford, Herts

## HISTORY, CURRENCY, AND PROPHECY

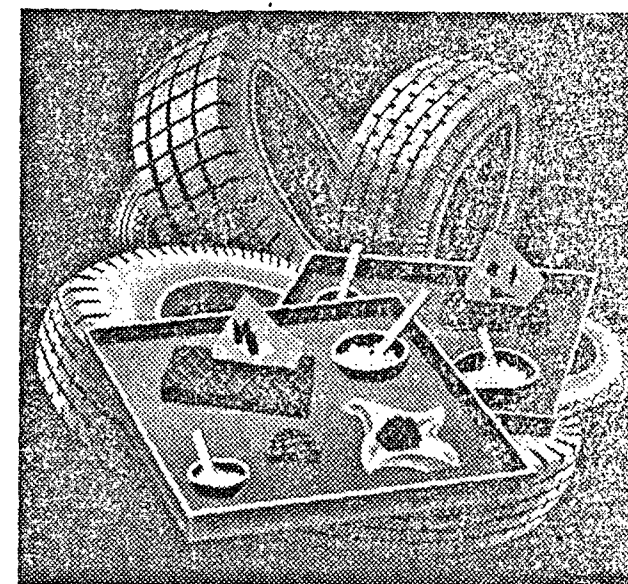
Before the War, when quality was what we cared to make it — we at Rowntrees made it high. You will remember Black Magic — Chocolate Crisp — Aero Milk Chocolate. These were typical of the standard at which all our production was fixed.

During the War, quality can be only what we are able to make it. Nevertheless, we find, somewhat to our surprise, that in spite of Hobson's choice in the matter of ingredients, we are able to make Chocolate and Clear Gums which the people who eat them are kind enough to call excellent. Even so, owing to Zoning we can sell them only in certain parts of the country, mainly in the North and East.

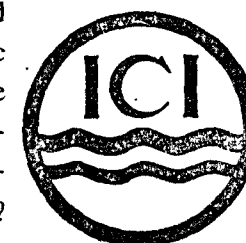
After the War, when at length the quality of our products again comes completely under our own control, we shall make our post-war products to our pre-war standards. Unhurriedly, as the right materials come into the country, we shall again produce Black Magic, Chocolate Crisp and the others — and sell them from Penzance to the Pentland Firth. And that's a promise.

**ROWNTREES**

## MEASURED TREAD



**RUBBER** is today a munition of war as well as a domestic necessity. It is as much an essential for air force or mechanised army as petrol, but no less than 90 per cent. of the world's supply of natural rubber is grown in countries now in Japanese hands. If the national effort is not to suffer, there must be the strictest economy in every use of rubber, from motor tyres to hot-water bottles. Old rubber must be collected as systematically as old iron. While we use our tyres carefully and send those worn hose-pipes to the salvage collector, we can be sure that the chemical industry is also working to help solve the rubber problem. First, the organic branch of the industry is engaged on the discovery, improvement and production of chemicals for one purpose or another. Secondly, the chemical industry is concentrated on developing the manufacture of synthetic rubbers of different types from common raw materials such as coal and oil. The Necessity of War will be the Mother of Invention. Research in the laboratory will enable chemical workers to produce a variety of synthetic rubbers, each having properties suited for one or more specific uses. May not the future of rubber lie in the laboratory and the factory instead of in the plantation?





# THE WORLD OVERSEAS

## The Pucheu Trial

ON March 5th the trial of M. Pucheu, Vichy's Minister of the Interior from August, 1941, to April, 1942, started at Algiers. At the time of writing, the court is still in session; but it is already clear that this is the most important political trial that France has staged since the trial of Dreyfuss. The problems posed by the prosecution as well as by the defence are likely to weigh on French political life for years to come. Already, during the first days of the trial, a sharp light has been shed upon the tangle of new divisions and cleavages which war, defeat and occupation have created in France.

On the face of it, the Pucheu trial may be seen as a puzzling dilemma between law and politics. The accusers of the former Minister of the Interior have spoken the language of politics. M. Pucheu was in charge of Vichy's police when the practice of shooting hostages became common; and it was Vichy's police who delivered the hostages to the Germans. Resistance to the invader was outlawed; dissidents were hunted down and maltreated in French concentration camps; and extraordinary tribunals were put to work, not only under the German occupation, but also in the so-called free zone. M. Grenier, the Communist deputy for Saint Denis, spoke on behalf of the victims of that policy; he listed facts and piled up charges. But he could not produce legal evidence for M. Pucheu's personal responsibility. Instead, he insisted on his political responsibility; and he undoubtedly expressed a genuine popular feeling prevalent in France when he exclaimed before the Court: "The whole French people knows what Pucheu has done!"

### Law and Politics

Another witness for the prosecution, M. Bosman, one of the leaders of the resistance in France and now vice-president of the Consultative Assembly, asked the Military Tribunal at Algiers to carry into effect the death sentence passed on Pucheu by the Council of Resistance in France. The dialogue between M. Bosman and M. Pucheu's defender throws a light on the motives of both sides:

I am speaking here on behalf of hundreds of executed militants, of thousands of prisoners, and of my own imprisoned wife. They have no lessons to learn from your client. It is not our fault that your client is still alive. There is something here very different from juridical questions; there is the will of the people.

—Yes, but now we are in the temple of justice.

The answer was undoubtedly a powerful one. The political charges against M. Pucheu could acquire legal validity in one way only; if it had been proved that the whole activity of the Government of which M. Pucheu was a member was illegal and criminal. From a strictly legal point of view this could not be proved; and M. Pucheu has implicitly based his defence on this circumstance. He pointed to the fact that the legality of the Government to which he belonged was recognised by two of the three great Allied Powers. When M. Pucheu was in office, Admiral Leahy still represented the United States at Vichy and M. Bogomolov Soviet Russia.

A divorce between political reality and the legal code is seen in an acute form. Activities that stand condemned in the light of genuine and popular patriotic feeling can appear unassailable from a strictly legal point of view. M. Pucheu's trial is the first instance; but the conflict between law and politics will recur at every stage in the French drama, for perhaps as long as the present actors are alive.

The dilemma goes even deeper. M. Pucheu has not only invoked law against political sentiment. His defence has clearly become the first great plea for *attentisme*—that is, the policy of waiting to see what would happen before coming down on the Axis or Allied side—as distinct from collaboration. He has defended, not only his own record, but also that of Marshal Pétain himself. Confronted with the cries "assassin" and "traitor," M. Pucheu eulogised the wisdom and the patriotic virtues of Pétain's wait-

and-see attitude. "Pétain (he said) directed us steadily to reduce collaboration with the Germans to a minimum." From this, he logically proceeded to the defence of the Armistice itself, which, he said,

made it possible to limit the number of the prisoners, to prevent the total and immediate occupation of France, and to shield North Africa from German invasion.

While M. Pucheu dwelt, with some disregard of the facts, on the benefits, genuine or illusory, of wait-and-see, his accusers insisted on the price paid for that policy.

The distinction between collaboration and *attentisme* is in many cases genuine; and it must be accepted. But what is the criterion on which this distinction can be based? Will not every collaborator be able to pose as an *attentiste*? And how can sincere *attentisme* be distinguished from its sham, the *attentisme* that grew out of a feeling of French weakness, and of a hope for recovery, from the *attentisme* that was merely an opportunist playing for time until events made it possible to pick out and board the victor's band wagon? The maze of evidence and counter evidence has already become complicated in the case of M. Pucheu. It is certain to become inextricable in other cases.

There has been no lack of evidence in favour of M. Pucheu. General Bethouard recalled that, nearly a year before the Allied descent on North Africa, M. Pucheu had persuaded him to join the dissidents in case of a German attempt to occupy North Africa. General Bethouard himself was imprisoned and court-martialled by Vichy men in Morocco, in November, 1942, at the time of the Allied invasion.

When I stood accused of treason and rebellion before the tribunal of Meknes I could not help recalling that the first person who had incited me to dissidence was precisely the Minister of the Interior.

The same testimony was given by General Giraud, who confirmed that in September, 1942, M. Pucheu regarded the *attentisme* of 1940 as dead.

But this evidence has not done away with the peculiar contradiction in M. Pucheu's *attentisme*. The witnesses for the prosecution as well as the witnesses for the defence have undoubtedly stated true facts. But each side has pointed to only one side of the medal. The logic of *attentisme*, even in its best version, must at some stage have led to collaboration with the invader, and to the suppression of resistance. This cannot be denied, and M. Pucheu has not been able to deny it. But the positive rôle which *attentisme* has played in weakening collaboration and sapping the Vichy regime cannot be denied either. What the trial at Algiers has brought into the open is the dual character of this political phenomenon.

### The Date of the Crime

Another feature of the trial can be described as the controversy over the date of the "original sin" in French politics. General Giraud chose November 10, 1942, the date of the total occupation of France by the Germans. Those who decided not to resist the Germans by that time were the Gauleiters of France. For the Gaullists who raised the banner of resistance in June of 1940 the origin of the sin goes back, naturally enough, to the birth of the Vichy regime. At the Pucheu trial, the two dates have been set against each other. To the outsider, this controversy may perhaps look like one more hair-splitting heresy hunt. But this is not so. Unfortunately, in French politics, the problem is very real. Too many passions, sufferings, hopes and frustrations have been tied up with the one date or the other. General Giraud's contribution to the trial was in essence a discreet but firm call to reconciliation on the basis of what may be called the November-1942-coalition. To the Gaullists the acceptance of this would seem a resignation from their proud birthright of resistance; the

trial of Pucheu is, in fact, an act in the defence of that birthright.

The controversy over the dates of the "original sin" of capitulation and defeatism does not end here. The Communists are the most uncompromising accusers of M. Pucheu and of *attentisme* at large. They base their right to act in this rôle on the indubitable and heroic contribution which they have made to the movement of resistance in France itself. But did not the Communists themselves play a blatantly defeatist part in 1939 and 1940? In his defence, M. Pucheu has, as might have been expected, used this argument. He admitted that he adopted stern repressive measures—special tribunals, concentration camps and executions—against resisters from the Communist ranks. But in doing so, he pointed out, he merely based his actions on the measures previously begun by Daladier's War Government. Again, M. Pucheu's reasoning has much legal force, however dubious its political validity. M. Grenier, on the other hand, concentrated on denying the "original sin" of the Communist Party, and on proving that Communist resistance to the invader had started long before Russia's entry into the war. The Communists, he said, fought the invader right from the collapse in 1940, and not from June, 1941, when Russia was attacked by Germany. This is no doubt true, if only because the Germans entered France with a Nazi distaste for Communists; but the fact remains that the defeatist propaganda of the Communists was one of the important factors which brought about the collapse itself. This passionate controversy over past failures and subsequent rehabilitation takes place against a background which is equally tragic to all sides. Accusers and defendant, as well as the witnesses for both sides, spoke about their families, now hostages in German hands. General Giraud appeared in the witness box immediately after he had received the news of the death of his daughter in German internment. M. Grenier told the story of Communist martyrdom in France, and demanded M. Pucheu's head, while M. Pucheu himself recalled the fate of his wife and children, now also in German hands.

The dilemmas can be seen clearly. There is the tangle of law and politics and of *attentisme* and collaboration; there are the contradictions in *attentisme* itself. There is the intricate controversy over past conduct. Out of each of these dilemmas divisions have arisen which cut across the whole political structure of France. But where is the way out? Very much will depend on the outcome of M. Pucheu's trial. The cry for justice is only too often mixed with lust of revenge; and the rejection of revenge may only too often mean a denial of justice. Yet some guiding principles can probably be set. On strictly legal grounds it may be impossible to punish any of the collaborators and traitors. On political grounds, it will be impossible to let them go unpunished. The punishment should therefore have a political rather than a legal character. It may be doubted whether courts and tribunals will be able to settle the problem without making a travesty of law. But a legislative body might probably solve it, for instance, by disfranchising all collaborators and the suspect *attentistes*. What is necessary to clear the atmosphere of French political life is not the guillotine and the concentration camp, but the thorough and radical elimination of the influence of guilty men in French politics.

## Impoverished Holland

[BY A CORRESPONDENT]

HOLLAND has been virtually turned into a province of Greater Germany. As such it is the most exposed province with a long, open coastline. The districts of South and North Holland with the towns of Rotterdam and Amsterdam account for more than two-fifths of the total population numbering roughly nine million. The district of Zeeland, on the other hand, consisting of numerous islands in the estuary of the river Schelde, is the most thinly populated part of Holland. In the east, the greater part of the Dutch-German frontier is moorland. From the west coast to the German frontier the average distance is under 70 miles.

During four years of occupation Holland's once famous wealth of agricultural and industrial production has gone. A large part of the rich pastures has been ploughed up for the cultivation of cereals, potatoes, sugar beet and oilseeds. The world-famous flower and flower bulb plantations have to a large extent been turned over to vegetable production. The oilseed crushing mills and the tin refineries dependent on overseas imports are no longer working. Generally speaking, the wartime

migration of European peoples from the west to the east actually begins in Holland. From chance disclosures it can perhaps be said that some 400,000, or even 450,000, Dutch persons are now employed in Germany, against some 300,000 at the end of 1942. Some 20,000 young Dutchmen are serving in various *Waffen SS* Divisions of the German Wehrmacht, and a few hundred Dutch peasants and artisans have been settled in the Warthegau, the Polish provinces incorporated by Germany. In addition, a considerable number of officers of the Dutch army are still prisoners of war in Germany, although it is said that only a small number reported to the German authorities in the spring of last year, when the Nazis ordered the re-internment of the released soldiers of the old army. Not all these figures, of course, are reliable. But they indicate that a considerable part of the active male population is no longer resident in Holland. Many Dutchmen have gone into hiding, though their numbers are probably exaggerated. Last year, the Dutch people openly resisted the Nazi occupation, and then the inevitable result was ruthless suppression followed by a period of apathy. The resistance tended to be directed against the total mobilisation order, which was to be enforced after the German model.

It has been apparent for some time that industrial activity declined steadily during the last year. Outwardly, there was a distinct tendency for small firms to be concentrated, which, however, in the case of the electrical and textile concerns was not followed by increased production. Although German sources no longer give any information about different industries, it can be assumed that industrial equipment is being steadily moved to the east, thus, in a sense, following the deportation of Dutch workers. In the event of the continent being invaded from the west, Dutch production would necessarily suffer. It is hardly possible to evacuate the population from the coastal districts unless the Nazis are prepared to move more than three million people from the provinces of South and North Holland into Greater Germany. No other part of Holland could take them.

This may explain the many contradictory statements made by the Nazi authorities about the evacuation of the coastal districts. At the same time, the armies of occupation have been engaged in fortifying vulnerable points of the long coastline. All men between the ages of 18 to 35 years are liable to compulsory labour; and it is reported that the construction of fortifications is particularly active in the provinces of Zeeland and South and North Holland. The sand dunes, characteristic of the Dutch coast, have become vast minefields and the low marshland could easily be flooded during an invasion attempt. The Nazis seem deliberately to be scaring the Dutch people with the threat of flooding.

As regards agriculture, vague statements were made that the 1943 harvest would provide supplies of foodstuffs sufficient for the present rations. The cultivation plan for 1944 again demands an increase in the acreage under flax, sugar beet and oilseeds. One thousand tractors have been adapted for the use of generator gas, and electric power has been used more extensively on the farms, especially for threshing. A shortage of labour and fertilisers is the greatest difficulty faced by agriculture. This cannot be overcome by the changes in agricultural organisation that have taken place. The "Landstand," equivalent to the Nazi "Reichs-

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nachstand," has remained ineffective, whereas centralisation of the 4,000 different agricultural co-operatives seems to have made some progress under Nazi pressure.

In contrast to the lack of agricultural and industrial information, there is a comparative wealth of financial statistics. It is, however, significant that since the middle of 1942 no price indices have been published. The fixed prices, as reported by the price control departments, show curious differences in agricultural products. Increases range from 30 to 100 per cent during the period from 1939 to the end of 1942. For industrial manufactures a price stop has nominally been enforced. Quotations on the Amsterdam Bourses reveal extraordinary price anomalies in spite of the quotation stop which has been imposed after the German model.

At the end of 1943, the total national debt had increased to Fl. 10,303 million, against Fl. 8,509 million at the end of 1942 and Fl. 4,218 million in December, 1939. During the same period, the money in circulation rose from Fl. 1,152 million to Fl. 3,424 million, although in April, 1943, roughly Fl. 700 million in large banknotes were withdrawn from legal tender. The holdings of the Central Bank in foreign currency, mainly German Treasury bills, were roughly Fl. 3,000 million at the end of 1943. This is accounted for mainly by the cost of occupation and Germany's clearing debt. The commercial banks again showed a marked increase in deposits, and savings deposits in savings banks and post offices rose from Fl. 921 million at the end of 1942 to Fl. 1,295 million in December, 1943. This rise is in marked contrast to the decline in savings between 1939 and 1942, which was followed by a very small increase during that year. It indicates first that the supply of consumption goods decreased rapidly during 1943. Moreover, the withdrawal of large banknotes apparently induced many people to deposit their savings, which had previously been carefully hoarded. No definite conclusions can be drawn from these financial statistics. The activities of the bourses and the money markets are purely nominal; the fixed and stop prices are mainly fictitious. The rise in prices, as well as the increase in the notes in circulation, corresponds roughly to the situation in Germany, although the increase in the national debt is very much smaller. The figures indicate that, in spite of a large black market, financial and price control is not altogether ineffective. Yet there is no doubt that the process of impoverishment is continuing at greater speed. The Dutch have given an apt illustration of it by the phrase "Nieuwe orde, leegte borden," which means "New order, empty plates."

## Irish Mercantile Marine

[FROM OUR DUBLIN CORRESPONDENT]

It is rather curious that Ireland, an island situated in the main Atlantic trade route, should not have developed a great shipping industry. Compared with those of other countries similarly situated, the Irish mercantile marine is of very small dimensions. Among the published estimates of invisible exports no income is stated to be derived from shipping services, whereas considerable sums are derived from postal receipts from foreign shipping. Doubtless, from the point of view of pure money cost, in peacetime it is cheaper to employ foreign shipping than to build up an

Irish merchant fleet. In wartime, however, this dependence on external sources of transport has proved extremely dangerous. The country might have experienced the horrors of famine if steps had not been taken to acquire some Irish-owned and Irish-controlled ships.

By far the largest part of Irish external trade is with Great Britain. In respect of this trade little difficulty has been experienced. The cross-channel services have been adequately maintained. If imports from Great Britain, for example coal, are scarce, it is not due to lack of shipping. There is, however, considerable direct trade with overseas countries, and it was with the object of carrying on this trade that the Irish Shipping Co., Ltd., was formed in 1941. This company has purchased several ships, unfortunately at extremely high prices. In spite of the losses during the period, the net tonnage of steam vessels on the Irish register increased from 21,291 in December, 1939, to 34,208 in December, 1943. The ships owned by this company are responsible for the Transatlantic service, and are operated by three Irish managing companies, which use their own ships to trade with Iberian ports. On the whole, imports from overseas countries have been surprisingly well maintained.

The mere possession of ships is not sufficient to keep up trade. Many neutral countries are able to make only limited use of their abundant tonnage. The first need is adequate crews. It is impossible to praise too highly the Irish seamen, many of whom have sacrificed their lives at sea. Since the beginning of the war sixteen ships and one hundred and thirty-five seamen have been lost as a result of war conditions. The second need is fuel. Here again supplies have been secured only with great difficulty. The third need is facilities for repair. Irish Shipping, Ltd., realising that facilities available in Dublin would be inadequate, purchased a derelict dockyard and restocked it with machinery and equipment. This yard, which is operated by a subsidiary of the shipping company, gives employment to two hundred men. Another sideline of this enterprising concern is marine insurance. The experience gained in handling war risks has laid the foundation of an underwriting business of the highest standing.

### Prospect for Peace

The Irish shipping industry will not be allowed to decline to its pre-war dimensions when peace returns. Mr John Leydon, chairman of Irish Shipping, Ltd., has recently stated that the Government has decided to keep the company alive after the war, when it will be its function to maintain a fleet of modern ocean-going ships. Private shipping companies will also receive encouragement. Mr Leydon hoped for the development of an Irish Shipping Federation and a Maritime Board which would work in close co-operation with the corresponding bodies in Great Britain. A scholarship scheme, under the supervision of the Department of Education, has been established to ensure that there will always be available an adequate supply of deck and engineering officers. The Maritime Institute is doing much to arouse public interest in the importance of an Irish mercantile marine. It would appear that the lesson learned in the war will not be forgotten, and that Eire will not consent to depend in future on foreign shipping for her vital external trade.

# THE BUSINESS WORLD

## Is There Enough Oil?

THE United States is suffering from one of its periodic scares of impending oil shortage. The latest scare is perhaps the most serious; it has been fanned by Mr Harold Ickes, Secretary of the Interior and Petroleum Administrator. In an article entitled "We Are Running Out of Oil," contributed to the December issue of the *American Magazine*, he painted a hair-raising picture of the evils that might befall the United States if it did not make sure of adequate supplies of oil. Reserves in the United States would last for no more than 14 years. Without adequate precautions America would be unable to fight a third world war if it came. It would be necessary to conserve stocks at home, to make sure of larger supplies abroad, and to build up stocks at strategic points. In sum—the argument seems to run—oil is indispensable, among other things, as a fuel for the internal-combustion engine, as a lubricant and as a source of vital chemicals; since America's reserves may give out in a few years, it will have to draw supplies from abroad; and as supplies abroad are also limited, it will be essential for America to establish a prior lien on existing

14,000,000 elsewhere—the world would soon have pumped the last barrel of oil out of the wells.

There are many experts, such as Dr. Egloff, research director of the Universal Oil Products Company, who do not share the gloomy views expressed by Mr Ickes. The reserves that are widely used to calculate when supplies will give out are not the real reserves at all; they are merely "proved" reserves, that is supplies that have actually been located. Most of the world's great oil-bearing regions have been found around the margins of the seas that fill the depressions between continents where these approach each other most closely. The three most important of these regions are, first, the area lying between the continents of Africa, Europe and Asia, with prolific oilfields in Southern Russia, Iran, Iraq, Arabia and Egypt; secondly, the area around the Gulf of Mexico and the Caribbean Sea, with its great oilfields in the southern part of the United States, Mexico, Venezuela and Colombia; thirdly, the area between South-East Asia and Australia with the oil-rich islands of Borneo, Sumatra, Java and New Guinea. With the possible exception of the United States, these areas have by no means been extensively explored—and there may be others not yet discovered—and their proved reserves bear little relationship to actual reserves.

For example, Mr Wallace Pratt, vice-president of the Standard Oil Company of New Jersey, drew a picture very

TABLE I.—ESTIMATED WORLD'S RESERVES, 1942, AND WORLD'S PRODUCTION, 1938

|                                                      | World Reserves, 1942 (thous. barrels) | Percent. World Reserves, 1942 | World Production, 1938 (thous. barrels) | 1938 Production Expressed as Percent. of 1942 Reserves |
|------------------------------------------------------|---------------------------------------|-------------------------------|-----------------------------------------|--------------------------------------------------------|
| United States of America                             | 20,000,000                            | 36.369                        | 1,264,970                               | 2.325                                                  |
| Union of Soviet Socialist Republics                  | 8,500,000                             | 15.457                        | 210,000                                 | 2.471                                                  |
| Venezuela                                            | 5,600,000                             | 10.183                        | 190,000                                 | 3.393                                                  |
| Colombia                                             | 500,000                               | 0.909                         | 22,000                                  | 4.420                                                  |
| Mexico                                               | 675,000                               | 1.228                         | 38,000                                  | 5.638                                                  |
| Peru                                                 | 160,000                               | 0.291                         | 17,200                                  | 10.751                                                 |
| Argentina                                            | 250,000                               | 0.455                         | 16,700                                  | 6.680                                                  |
| Ecuador                                              | 27,000                                | 0.049                         | 2,260                                   | 8.870                                                  |
| Bolivia                                              | 40,000                                | 0.073                         | 150                                     | 0.375                                                  |
| Brazil                                               | 1,000                                 | 0.002                         | ...                                     | ...                                                    |
| Trinidad                                             | 400,000                               | 0.727                         | 18,000                                  | 4.500                                                  |
| Canada                                               | 135,000                               | 0.245                         | 8,000                                   | 5.926                                                  |
| Albania                                              | 21,000                                | 0.038                         | 750                                     | 3.571                                                  |
| Czechoslovakia                                       | 8,000                                 | 0.015                         | 150                                     | 1.875                                                  |
| France                                               | 5,600                                 | 0.010                         | 570                                     | 10.179                                                 |
| Germany                                              | 83,000                                | 0.151                         | 4,300                                   | 5.181                                                  |
| Austria                                              | 50,000                                | 0.091                         | 400                                     | 0.800                                                  |
| Hungary                                              | 75,000                                | 0.136                         | 1,000                                   | 1.333                                                  |
| Italy                                                | 1,000                                 | 0.002                         | 100                                     | 10.000                                                 |
| Poland                                               | 44,000                                | 0.080                         | 3,970                                   | 9.023                                                  |
| Roumania                                             | 467,000                               | 0.849                         | 49,200                                  | 10.535                                                 |
| Netherlands East Indies (includes Borneo-New Guinea) | 1,250,000                             | 2.273                         | 57,600                                  | 4.408                                                  |
| Burma                                                | 100,000                               | 0.182                         | 7,500                                   | 7.500                                                  |
| India                                                | 50,000                                | 0.091                         | 2,500                                   | 5.000                                                  |
| Japan                                                | 25,000                                | 0.045                         | 2,680                                   | 10.720                                                 |
| Egypt                                                | 75,000                                | 0.136                         | 1,600                                   | 2.133                                                  |
| Persian Gulf area                                    | 16,450,000                            | 29.913                        | 115,380                                 | 0.701                                                  |
| Others                                               | ...                                   | ...                           | 9,800                                   | ...                                                    |
| Total                                                | 54,992,000                            | 100.000                       | 2,440,800                               | 3.718                                                  |

resources as a measure of self-protection. The scare served as a prelude to the announcement a month ago that, by way of ensuring foreign supplies for the future, the United States Government would assist in the development of American concessions in Arabia by constructing, at its own expense, a pipe-line from the Persian Gulf area to a point on the Eastern Mediterranean. Some of the implications of this decision are discussed in an article on page 328.

Table I, submitted to a sub-committee of the Committee on Public Lands and Surveys of the United States Senate last August, appears to lend some substance to the scare. It shows that, on the basis of production in 1938, America's reserves in 1942 would last only for another 15 years and the world's total reserves for less than twice that number of years. On the basis of American production in 1943, estimated at about 1,500 million barrels, reserves in the United States would give out after 13 years, and, to give scope to imagination, if the rest of the world were to run as many motor vehicles as America—before the war in 1938 there were 29,000,000 vehicles in America and only

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different from Mr Ickes' in an article in the *Oil and Gas Journal* of December 30, 1943. He estimated the world's proved reserves at more than 100 billion barrels, comprising 20 billions in America, 45 billions in Russia and 40 billions in other countries within the world's three great oil-bearing regions. In his view, the world's actual reserves exceed many times the known supplies. In this context, the future may be envisaged as one of growing consumption and expanding proved reserves. There seems to be no need—even if this were possible—for an attempt to obtain a complete survey of the world's oil resources so long as proved

TABLE II.—ESTIMATED DISTRIBUTION OF CONTROL IN THE PRINCIPAL OIL PRODUCING COUNTRIES

| Countries              | Production in 1943 (thous. barrels) (d) | Percent. of Output Controlled by |          |                          |                 |                 |
|------------------------|-----------------------------------------|----------------------------------|----------|--------------------------|-----------------|-----------------|
|                        |                                         | British or British-Dutch         | American | French or Franco-Belgian | State Ownership | Other Interests |
| United States.....     | 1,510,000                               | ...                              | 100      | ...                      | ...             | ...             |
| U.S.S.R. ....          | 237,250                                 | ...                              | ...      | ...                      | 100             | ...             |
| Venezuela (b) .....    | 182,500                                 | 37                               | 63       | ...                      | ...             | ...             |
| Iran .....             | 75,000                                  | 100                              | ...      | ...                      | ...             | ...             |
| Dutch East Indies..... | 18,250                                  | 73                               | 27       | ...                      | ...             | ...             |
| Roumania (b) .....     | 36,500                                  | 33½                              | 16       | 20½                      | ...             | (c)             |
| Mexico.....            | 35,000                                  | ...                              | ...      | ...                      | 100             | ...             |
| Iraq.....              | 27,375                                  | 47½                              | 23½      | 23½                      | ...             | 5               |
| Colombia (a) .....     | 13,450                                  | ...                              | 100      | ...                      | ...             | ...             |
| Trinidad.....          | 22,000                                  | 100                              | ...      | ...                      | ...             | ...             |
| Argentina.....         | 24,000                                  | 21½                              | 7½       | ...                      | 71              | ...             |
| Peru.....              | 14,600                                  | 20                               | 78       | ...                      | 1               | 1               |
| Burma.....             | ...                                     | 100                              | ...      | ...                      | ...             | ...             |
| Bahrain.....           | 7,300                                   | ...                              | 100      | ...                      | ...             | ...             |
| Saudi Arabia.....      | 5,475                                   | ...                              | 100      | ...                      | ...             | ...             |
| Canada.....            | 10,100                                  | 100                              | ...      | ...                      | ...             | ...             |
| Egypt.....             | 9,125                                   | 100                              | ...      | ...                      | ...             | ...             |

(a) There are British interests in Colombia, but commercial production has not yet started.

(b) On basis of pre-war production.

(c) In addition, British-French interests controlled 12 per cent., Roumania 12 per cent., and other interests 6 per cent.

(d) Preliminary estimates by the *Oil and Gas Journal*.

resources are equivalent to the requirements of a generation. Such a survey, which would involve not merely prospecting but drilling on a huge scale, would be extremely costly, either to the consumer of oil or, if it is carried out by Governments, to the taxpayer. Further, in the midst of a period of rapid technical progress, such as the present, it is not impossible that the next generation may be able to "prove" oil reserves more cheaply or to tap different sources of energy. There seems no good reason, in fact, why the present generation should pay part of the fuel bill of the next.

Even in the United States, the supply position seems to be much less desperate than Mr Ickes suggests. In addition to the proved reserve of 20 billion barrels in the United States, there are, according to Mr Pratt, reserves of gaseous oil, or natural gas, equivalent to about 17 million barrels of liquid petroleum. Natural gas can be converted into liquid

fuel at costs only slightly higher than those involved in the conversion of liquid petroleum. America's proved reserves are therefore nearly twice the figure used by Mr Ickes for calculating the number of years' supply at current rates of consumption. And even in America, the volume of known supplies is by no means equivalent to actual reserves; these could be raised by the simple process of an intensification of drilling operations which have been severely reduced during the past two years.

There is, in fact, no justification for the oil scare. There is plenty in sight in the United States, and there is enough "proved" oil for the world as a whole, for more than a generation. Moreover, there is still great scope for technical improvements in the efficiency of utilising oil—much of which is still burnt—which will make each barrel go further. From an economic standpoint, there seems, therefore, no need for a scramble to secure a lien on part of the world's oil resources. Nor is there any justification for the United States to stake a claim for a proportion of the world's proved reserves equivalent to its present proportion of world consumption or to its share of the world's fleet of cars and trucks. Neither of these proportions is a static one, and it would be no more unreasonable for other countries to suggest the size of the population—that is, potential motor transport—as the basis of a share-out. In any case, as Mr Pratt suggests, America already controls 20 billion barrels of the world's proved reserves of 40 billion barrels outside the United States and Russia—13.3 billions in the Near East and 6.7 billions in Latin America. The other half of these proved reserves is controlled mainly by British and Dutch interests, either singly or in association. Table II, based not on proved reserves but on pre-war production or, if this is known, on current output, gives a rough and ready conspectus of the distribution of control over the world's oil supplies.

The greater part of the world's proved oil resources are controlled by five countries—America, Great Britain, Russia, Holland and Mexico. Three of them—America, Great Britain and Holland—control most of the supplies outside their own countries; at present control is in the hands of a few large companies—the oil "empires"—but apart from any informal understandings about marketing these pursue their own paths. In view of the great importance of oil as a key raw material in peace and in war, there is a strong case for an international oil policy embodying two major principles. The first is the principle of equal access to raw materials contained in article 4 of the Atlantic Charter; equal access, moreover, should mean access at reasonable prices to countries deficient in oil. The second is that oil-fields should be developed and exploited with due regard to the interests of the countries in which they are located. It is to be hoped that the international oil conference, to be initiated by discussions between the British and American Governments, will be guided by these two principles.

## Business Notes

### Railways and Co-ordination

Last week's addresses by Lord Royden to the stockholders of the LMS and by Sir Ronald Matthews to those of the LNER both serve to stress the abnormality of conditions prevailing and in consequence of both gross and net receipts under a regime of total war. Those who remember conditions of passenger travel before the war will not suppose that an increase of 146 per cent in the average passenger train load on the former line can be tolerated in peace-time, while the stress which both chairmen lay on the need for provisions against abnormal wear and tear is a sufficient indication that physical assets are being overworked. Incidentally, it is worth noting that, while Lord Royden gives the need for provisions additional to those permitted under the agreement as the explanation of the large appropriations to contingencies, Sir Ronald attributes the strain largely to the work done for the American army. He seems to infer that, since this was not in contemplation at the time of the agreement, special provision ought to be made by some amendment of its provisions. It is presumably because they foresee a very great change, once the period of emergency is over, that the companies are concentrating their attention upon discussions designed to produce a happier state of affairs for the main line railways after the war than have existed at any time since road transport offered effective competition. Very little is

said of actual desires or intentions, but both quote, with apparent satisfaction, Lord Leathers' statement that

whatever the merits of competition in stimulating enterprise and efficiency, it must be evident that, if it is carried so far as to undermine the stability of services essential to the community and to the commercial interests, its effect will ultimately prove damaging to the national interests.

With this end in view, Lord Royden asks for equality for all in any post-war legislation for transport. He states that "each type of transport should be so organised as to enable it to assume and carry out the obligations attached to the performance of public transport," but he makes no attempt to define what these obligations are. He makes only a passing reference to the conversations between various types of transport aimed at evolving an agreed policy, but Sir Ronald Matthews appears to deplore the existence in the road transport industry of so many small units, "most, if not all, with a highly individualist outlook." In this connection, Sir Edward Cadogan, addressing Wednesday's Great Western meeting, stressed the need for the assumption by all road hauliers, performing more than purely local services, of responsibilities appropriate to a public service.

These indications ought, probably, to be read in conjunction with the fact that both chairmen make a glancing

reference to the standard revenue. Sir Ronald accepts as helpful the resolution of the London and North-Eastern Stockholders' Association, whose declared aim is to obtain the standard revenue in post-war years, while Lord Royden reminds stockholders that the agreement provides that time will be given before the transfer to normal conditions to adjust the level of charges. Further, in this connection he mentioned that Parliament had placed on record the standard revenue provisions of the Act of 1921. It is certainly excusable if these statements conjure up in the minds of some observers a fear that the immediate objective of the railways is a closed transport industry, relying for its prosperity on high charges. Such an arrangement must not only be a deterrent to industrial development but, over any extended period, restrictive of the revenues of transport itself.

### BIS Activities

Apart from the wider sweeps of its economic review—these must be deferred for later consideration—the report of the Bank for International Settlements for the year to March 31, 1943, gives an interesting account of the current activities of the bank. The main feature revealed by the accounts is their contraction. The total turnover last year fell to about two-thirds of that in 1941-42. This was largely due to the scrupulous adherence by the Bank to the principles of strict neutrality applied since the outbreak of the war, and to the tightening of the economic control exercised by most countries. The most marked reduction occurred in the volume of gold operations. Within this contraction, however, there was a recrudescence of activity in the settlement of international postal payments against gold sight deposits maintained for this purpose with the BIS. Gold sight deposit accounts are in operation for twenty-six central banks or international institutions. They provide a machinery of high flexibility and great technical advantage since any fractional amount of fine gold can be transferred by a mere book entry. In solving the technical questions involved in operating these gold accounts, the BIS has had to take account of the fact that each gold commitment has to be locally defined, since gold in one centre cannot be regarded as exactly the equivalent in value to the same weight of gold in another centre. The BIS makes this important technical point in the hope that it may be of interest now that the idea of an international unit of account more or less connected with gold has again been put forward. Operations for facilitating the financing of international trade are still limited to small amounts, though the BIS has placed credits at the disposal of neutral central banks for this purpose. The BIS arranges reciprocal credits between different central banks, and these allow the covering of exchange risks which could not be normally provided by forward exchange transactions. The BIS hopes that these special arrangements may prove particularly useful in a disturbed post-war period before the ordinary credit machinery has begun to function regularly once more. The BIS acts as bankers for the Red Cross organisations. Such activities, restricted as they are to a place of absolute neutrality, are among those most in harmony with the general aims of the bank. In the field of statistics and economic studies, the BIS maintains its excellent work. In addition to its annual report, the BIS has continued to publish collections of exchange restrictions and other current regulations concerning monetary matters, and has found these publications to be in great demand.

### Bank Loans for Industry

The joint stock banks' concern with the problem of post-war industrial finance, which was apparent in a number of the chairmen's speeches published earlier this year, has this week taken rather more concrete form in a step taken by the Midland Bank. Some time ago this bank established an internal committee on post-war business problems. This week it announced the appointment of one of its joint general managers, Mr Alexander Woods, to take charge of this part of the bank's activities. The scope of his responsibilities was broadly indicated in the chairman's statement last January—namely

to furnish the fullest possible support for promising enterprises under good auspices—support which shall be based as much upon the character, integrity and business capacity of the borrower as upon the extent and nature of his own resources.

Facilities will be given for a rather longer period than the normal run of banking accommodation. They will not be repayable on demand and will command moderate rates of probably under 5 per cent. The principal objective will be to re-establish or to start in business the modest enterprise to which short-term finance would be of little use. The help will be given as part of the Midland Bank's direct service and not through a specialised subsidiary. It will take the form of loans and not of actual participation in equity capital. It is stated by the Midland Bank that the re-settlement in civilian life of men discharged from the Forces is already calling for such facilities and that in a number of cases such loans have been granted.

### Selling the Goods

The "take-it-or-leave-it" attitude in the marketing of British goods abroad, which persisted during the inter-war year, when other exporting countries adopted more modern methods, has no doubt been one factor limiting the volume of exports. The need for the introduction of more scientific methods and for paying greater attention in design to the tastes and requirements of prospective customers, has again been stressed in a pamphlet issued by Hambros Bank, Limited, on "Some Aspects of International Trade." It expresses the wholly legitimate view that there remains a wide range of British products which, if designed according to tastes and competently marketed, could command large sales in the United States. As a specific suggestion it is recommended that, in view of the size and geographical diversity of the market of the United States, British exporters should conform to the methods of American marketing experts and substitute zone marketing for the present practice of central marketing from New York.

In the United Kingdom there seems to be a widespread tendency to regard the United States as one market, capable of being worked by a single agent in New York. American manufacturers, however, who ought to know, think otherwise, and base their distributing organisation on the knowledge that the country comprises at least nine major and largely independent markets, each with its own characteristic and distinctive features.

The main significance of this common-sense suggestion is that it needs to be made.

### Joint Production Committees

Sir Stafford Cripps is a firm believer in "industrial democracy," and in an address to the Industrial Welfare Society on Tuesday he expressed the hope that the wartime joint production committees might become a means of realising this principle. It is difficult to make any generalisations about joint production committees. Some are good, some bad, and some—probably the majority—are indifferent. That is to say, they meet regularly, in accordance with the terms of their constitution, and discuss broad questions about output, welfare and factory discipline; but there may not be any real co-operation between managerial and workers' representatives, and no great success in enlisting the interest or support of the factory workers as a whole for the committee's work. Sir Walter Citrine, in the February issue of *The TUC in Wartime*, states that there are now about 3,000 committees in the country, and that, while many are doing excellent work, "sometimes the employers have side-tracked the committees on to questions of welfare and absenteeism." Such tendencies are unfortunate, not only because they tend to obscure the objects for which the committees were set up—to increase and improve output—but because they may make the committees unpopular or out of touch with the rank and file of the workers. The principles underlying production committees are excellent. Both now, and after the war, it is essential to raise productivity in British industry. Productivity is not only a matter of tools, but of human interest and incentives. The Bossom mission attributed the higher output per head in the United States building industry, among other reasons, to the greater interest which the American operative took in output. Great interest in production is found in the Soviet Union, where, indeed, individual enthusiasm has often outstripped technical efficiency. Production committees can play an important part in stimulating the individual worker's interest in output, and thereby increasing his efficiency, but it is essential that the workers' representatives on the committee should be taken into the manage-

ment's confidence, and enabled to act as an effective link between management and workers, with adequate methods of "reporting back" the decisions and deliberations of their meetings.

### Share Dealing Licences

As was mentioned on page 317 of *The Economist* last week, the regulations for the grant of a principal's licence to deal in shares, required by the Prevention of Fraud (Investments) Act, include an extremely searching questionnaire. There is considerable internal evidence that the Board of Trade has availed itself of the experience of the Stock Exchange in this matter, and there seems little possibility that truthful answers to the questions asked will fail to reveal any past or present actions or associations which ought to put the Board's representative upon enquiry. Question 15 requires the disclosure of any person, not a partner in the business, who will have any measure of control over the business. Any weakness in the position appears to arise from the difficulty of checking the accuracy and sufficiency of the statements made, and this is particularly true of the requirements of Question 15. It is probably not difficult to ensure that the past history of anyone known in the profession shall be available to the Board of Trade (the London Committee already requires members to obtain permission before signing references of an applicant for licence), but, unless a principal's licence is refused to those without a period of experience, it will be difficult to prevent those whom it is desired to exclude, from setting up people with no record, or an untarnished one, to trade for them. It is to be supposed, however, that the first effect of the new regulations will be to push those who are unable, or unwilling, to join one of the recognised Stock Exchanges to join the Association of Stock and Share Dealers. It therefore becomes imperative to make certain that this and any other bodies who are granted recognition under the Act, including, of course, the Stock Exchanges, shall see to it that the requirements for admission to membership and the conduct of their own members are maintained at whatever standard is considered necessary for the protection of the investing public.

### Electricity Distribution

The latest body to put forward views on the future organisation of electricity distribution is the London and Home Counties Joint Electricity Authority. Perhaps because it started the present series of recommendations with suggestions which were felt in many quarters to be little short of expropriation, it puts forward little in the way of new proposals. Its report consists mainly of a criticism of the memoranda of the supply associations and the Incorporated Municipal Electrical Association, recently published and dealt with in *The Economist* on December 4, 1943, and February 5th. Its most concrete suggestion appears to be that charges should be raised, or their reduction deferred, in areas at present possessing a sufficient service in order to finance the extension of supply to areas where supply is deficient. It expresses the view that it would be a grievous wrong to the public to suggest that a national or regional plan to bring an increasingly efficient and helpful electricity service to the whole nation should only be accepted upon the condition that it brought benefits also to existing areas. No responsible body appears to have advanced this suggestion. What has been stated is that sweeping changes ought to be made only if they will benefit the consumer and that it is impossible to contemplate with equanimity plans for the extension of cheap electricity to rural areas, at the cost of raising charges elsewhere. The standardisation

of charges for electric supply is definitely undesirable in the general interest. Compared with the vague aspirations of the JEA, the comments of Sir Alexander Roger to the shareholders of Midland Electric Corporation are refreshingly direct and helpful. He makes two main points. Having given general support to the McGowan Report, he says that an undertaking

should not be so large as to remove local interest and personal enthusiasm nor so small as to exclude the probability of a reasonable variety of load. Size of an area alone is not an adequate reason for change.

It appears that Sir Alexander is rather opposed to changes except insofar as it is necessary to secure areas of a size giving a sufficient diversity to keep charges low, but it is to be noted that he is averse to change *wherever the ownership and control now lies*. He sums up his attitude by saying free open and friendly rivalry is the ground where efficiency grows to the best advantage. Without rivalry efficiency dies.

### Retailers' Coupon Capital

Last week, in his remarks to shareholders, Col. Cohen, chairman of Lewis's, Ltd., made two allegations concerning a lack of balance in the clothing coupon scheme which call for consideration. The first is that down-pointing of articles leads to a cumulative diminution of the retailer's coupon capital; the second that insufficient allowance is made for the many sources of coupon leakage, and that there is a serious risk that the whole coupon system may be getting out of balance, there being too many coupons in the hands of producers and too few in those of retailers. This week Mr A. E. Cowper, chairman of Wm. Whiteley, states "no matter how carefully we allocate them (the coupons) we cannot avoid the risk from many sources of wastage and consequent loss of buying power." As to the first of Col. Cohen's suggestions, it is quite clear that the down-pointing of, say, stockings does not reduce the retailer's power to replace his stock of that particular article. It is only if he wishes to buy goods whose point value has not been reduced that the shrinkage in coupon capital affects the volume of his total purchasing power. As to the second allegation, it is perhaps not improbable that the various sources of leakage together account for losses in excess of the 2 per cent allowance made by the Board of Trade, plus additional special grants. But this leakage arises largely from carelessness or misfeasance committed by members of the retailer's own staff. It is a little difficult to see how the Board of Trade could be open-handed about granting allowances in respect of such losses as long as its object is, in fact, to reduce consumption. It would also appear improbable that, in view of the gradual reduction in the allocation of clothing coupons to each individual, the proportion between present stocks of rationed goods and current potential turnover can be markedly inferior to that which existed when clothes rationing was first introduced.

### Selective Buying

The rigid limitation of the coupon capital of the individual retailer has, of course, disadvantages for him which are not necessarily inherent in a corresponding limitation of the total of sales by all retailers. It imposes very strict limits upon the ability of one retailer to attract custom from another, and it means that the retailer who makes a "bad" buy has no reserve of coupon capital out of which to procure goods which are in greater demand until he has contrived to sell the unwanted ones. This factor has almost certainly been of growing importance during the past year. It seems that the first reaction of the public to clothes rationing was to buy what was on offer for fear that supplies should be shorter still. It was only after, what appears to many observers, an astonishingly long period that buying became highly selective. With a reasonable assurance that supplies would be maintained at or about the existing level, but that there was little hope of an increase in coupons, people became more insistent than ever upon quality, and at the same time regained part of their determination to obtain as nearly as possible just what they desired. This may mean, both that a larger part of the retailer's stock tends to remain with him, and that customers expect a larger selection than they did during the early months of rationing. If this is so, it would explain in part the belief of the retailer that he is short of coupon capital. But that is not to say that the Board of Trade scheme is in

danger of breaking down. So far as the public can be persuaded to accept them, it is, presumably, the intention of the authorities to make goods already in the shops attractive by withholding others, to avoid an increased use of goods and services. As soon as a more expansionist policy is possible, the Board of Trade can replenish the retailer's stocks by instructing the banks to grant credits of an agreed amount on all coupon accounts. As to the complaint that there are excessive goods in the hands of the producer, that may be an official miscalculation at this stage, but it will, sooner or later, be an essential preliminary to any expansion in the sales of rationed goods to the public.

### Clothing Trade Concentration

The concentration of clothing production has recently been reviewed, in view of current demand for labour. It has been decided that the clothing industry must release more of its workers for vital work. The average release of labour to be made by concentration was originally fixed, when the schemes began in July, 1942, at between 20 and 25 per cent of the numbers employed in June, 1942. This percentage is to be increased in all sections of the trade except children's wear. The system of designation of firms has been almost entirely superseded by the concentration arrangements. A small number of firms still remain on the designated list, but these, and undesignated firms, will now be able to apply for nucleus certificates, either individually or in groups. Only some parts of London are operating concentration schemes, but the rest of the area is to submit proposals, to bring the whole of London into line with the other clothing producing centres. The recent new call-up for the Armed Forces must inevitably be made up from civilian production, and some contribution should be made by the clothing industry. None the less, it is difficult to see why, in the light of these new arrangements, the restrictions in the design of men's clothing were lifted. Extra pockets and buttonholes need more labour, so it seems unlikely that these will appear at any rate in mass-produced suits. Possibly the customer will be content with his utility suit if it has turn-ups.

### Workers' Incomes

The February issue of the *Ministry of Labour Gazette* gives the results of the latest of the six-monthly censuses of earnings in industry relating to the first pay-week of July, 1943. A table on page 356 gives average earnings in different industrial groups for that week, and compares them with earnings in the same industries in October, 1938, and January, 1943. Average earnings in all industries rose by 6½ per cent between January and July, 1943, when they were 76 per cent above the level of October, 1938. Less than half the increase since October, 1938—in fact, only about 30 per cent—is due to higher wage rates. The remainder is due to longer working hours, the extension of piece-work and higher output, and changes in the proportions of men, women, boys and girls employed in different industries and occupations. Average weekly working hours in July, 1943—these are given for the first time since the outbreak of war—were 7½ per cent greater than in October, 1938; for men the increase was about 11 per cent, for women 5½ per cent, for boys nearly 5 per cent, and for girls about one per cent. Earnings have risen more than proportionately to the longer working hours which command special rates of pay. Changes in the distribution of employment—that is the movement of workers from relatively low-paid occupations into the more highly paid munition industries—also accounted for a substantial proportion of the rise in earnings; if the distribution had been the same in July, 1943, as it was in October, 1938, the average rise in earnings would have been 65 per cent, compared with the actual increase of 76 per cent. The importance of the difference between the rise in wage rates and actual earnings is that many of the special factors responsible for it, such as overtime, will cease to operate after the war.

### Retailers and Road Layout

A Retailers' Advisory Committee on Town Planning was formed recently at the suggestion of the Ministry of Town and Country Planning. The types of retail distributors represented are independent stores, department stores, multiple stores and co-operative societies. The committee's main



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report has not yet been made, but it has issued a memorandum for consideration by the Ministry of War Transport Committee on Design and Layout of Roads in Built-up Areas, of which Sir Frederick Cook is chairman. The report does not advocate any new or original design in the planning of shopping streets. Shoppers' convenience is the standard which best serves the retailers' end, and the recommendations do no more than embody features of existing shopping centres. Streets with continuous shops on both sides are preferred, and, despite the accident rate in such streets, the retailers want them to be thoroughfares. Arcades and shops grouped round open spaces and squares, and centres where access is on foot only are mentioned briefly and turned down. Retailers want main shopping streets to have public transport running through them; roads which are narrow rather than wide; foot paths between 8 and 18 feet wide; controlled crossings for safety; back service roads for loading and unloading; and provision for "standing" and parking cars. The main consideration of the shopping public is to see quickly what retailers in the locality are offering for sale before deciding on its purchases. For this reason, the more concentrated the centre, the better. Pavements should be wide enough to hold the shop-gazers and passers-by without overflow into the road. Perhaps the shop fronts could be arranged on each side of a continuous pavement, which would be closed to traffic. The principles of market layout could prove of value to the shopper, and his safety would be better safeguarded. The main reason for the conservatism of the report is the retailers' fear of the loss they might incur through inadequate compensation if fundamental changes were made in the layout of shopping centres.

#### Palestine and Iraq Currencies

The reports of the Palestine and Iraq Currency Boards, each covering the year to March 31, 1943, bring further evidence of the exceptional pace of monetary expansion in the Middle East. In Palestine, the circulation of notes and coins at the end of last March amounted to £26,487,674, compared with £14,216,635 a year ago and £8,541,635 in 1940. Accounting for this rapid expansion of the circulation the report states that

new high levels in industrial production were attained during 1942-43, while agricultural production was intensified in all directions . . . the dominating factor in the economic situation was the high level of expenditure of the Armed Forces, which resulted in an unprecedented boom in employment and industrial production.

The report goes on to admit that the supply situation was difficult throughout the year and that the shortage of goods, combined with the high level of aggregate money incomes, resulted in an inflationary tendency of prices; wholesale prices advanced by 22 per cent and retail prices by 13 per cent during the year. The expansion in circulation was balanced by an increase in the sterling investments of the Currency Board.

The gist of the Iraq Currency Board's report is almost an exact replica of the Palestine Board's. The circulation of notes and coin, on March 31, 1943, was 26,290,807 Iraq dinars, compared with 12,760,789 a year previously. The rate of expansion was therefore rather greater than in Palestine, namely a 106 per cent increase in the latest year, against 86 per cent. The report points out that

this very large expansion was due to an acceleration in the general rise in prices, combined with large capital expenditure by the Allied nations in Iraq and the tendency to hold larger cash reserves as a store of value. These tendencies were reinforced by the severe restriction in imports inevitably imposed by war conditions and the resultant speculation in available goods and property. The wholesale price index rose from 352 to 603 during the course of the year.

As in the case of Palestine, the increase in the Iraq currency was balanced by the Board's larger holdings of sterling securities.

#### Fiduciary Issue Raised

Another £50 million increase in the Bank of England's fiduciary issue was announced this week. This carries the total to £1,150 million. The note circulation had, by Wednesday of this week, reached £1,090,601,022, and but for the reinforcement caused by the creation of new notes, would have left the reserve of unissued notes in the banking

department at £9,640,696. The full list of changes in the fiduciary circulation since the beginning of the war is given in the following table:—

CHANGES IN FIDUCIARY ISSUE SINCE 1939

|                            | (£ millions) |       | No. of Weeks' Interval Between Changes |
|----------------------------|--------------|-------|----------------------------------------|
|                            | From         | To    |                                        |
| 1939—September 5 . . . . . | 300          | 580   | 40                                     |
| 1940—June 12 . . . . .     | 580          | 630   | 46                                     |
| 1941—April 30 . . . . .    | 630          | 680   | 18                                     |
| August 30 . . . . .        | 680          | 730   | 13                                     |
| December 3 . . . . .       | 730          | 780   | 20                                     |
| 1942—April 22 . . . . .    | 780          | 830   | 14                                     |
| July 28 . . . . .          | 830          | 880   | 18                                     |
| December 3 . . . . .       | 880          | 950   | 19                                     |
| 1943—April 14 . . . . .    | 950          | 1,000 | 25                                     |
| October 6 . . . . .        | 1,000        | 1,050 | 9                                      |
| December 7 . . . . .       | 1,050        | 1,100 | 13                                     |
| 1944—March 7 . . . . .     | 1,100        | 1,150 |                                        |

The interval between each increase has again been narrowing of late. The last £100 million, covered in 22 weeks, has been the speediest part of the wartime expansion in the fiduciary issue.

#### Coal Wages Proposals

The Government's proposals for the "general overhaul" of wages in the coal-mining industry have been announced. Under the new scheme, which will have to be accepted by both sides, the only flat rate addition to wages would be the cost of living bonus (at present 2s. 8d. per shift). Day wage workers would have the other flat rate advances (which at present amount to 4s. 6d. per shift) and the ascertainment and other percentages consolidated into the day wage. Piece-workers would have in addition to their basic piece-rate wages the existing ascertainment and other percentages, which would be further increased by the percentage which 4s. 6d. bears to the district minimum shift wage. The new piece-rate would ensure that, for the same output, there would be no reduction in piece-rate earnings: in most cases there would be an appreciable increase in earnings. The Government suggest that the revised rates and the existing minima should be continued until December, 1947, at which date either side might give six months' notice of amendment or termination of the agreement. The Government is prepared to give an undertaking to continue, for the period stated, a system on the lines of that now provided by the Coal Charges Order, and to maintain the price of coal at a level which would ensure a reasonable credit balance for the industry.

## Company Result

#### Lampport and Holt Line (Shipping).

|                                           | Years to December 31, |         |         |
|-------------------------------------------|-----------------------|---------|---------|
|                                           | 1941                  | 1942    | 1943    |
| Operating profit after taxation . . . . . | 164,584               | 94,788  | 82,604  |
| Interest on investments, etc. . . . .     | 19,468                | 16,960  | 17,644  |
| Total profits after taxation . . . . .    | 184,452               | 111,748 | 100,448 |
| Depreciation of fleet . . . . .           | 100,000               | 75,000  | 50,000  |
| Pension scheme and fees . . . . .         | 9,978                 | 9,819   | 9,911   |
| Ordinary stock:—                          |                       |         |         |
| <i>Earned</i> . . . . .                   | 74,474                | 26,929  | 40,537  |
| <i>Paid (net)</i> . . . . .               | 26,784                | 26,784  | 35,712  |
| <i>Earned %</i> . . . . .                 | 16.7                  | 6.0     | 9.1     |
| <i>Paid %</i> . . . . .                   | 6                     | 6       | 8       |
| Carry forward . . . . .                   | 202,957               | 203,102 | 207,927 |

|                                   |           |            |            |
|-----------------------------------|-----------|------------|------------|
| Net fixed assets . . . . .        | 439,510   | 202,285    | 267,548    |
| Net inter-company items . . . . . | Dr. 6,213 | Dr. 20,017 | Dr. 33,642 |
| Net liquid assets† . . . . .      | 1,842,720 | 2,416,194  | 2,543,677  |

|                                        |           |           |           |
|----------------------------------------|-----------|-----------|-----------|
| Gross liquid assets . . . . .          | 2,391,334 | 3,001,018 | 3,229,372 |
| Tonnage replacement reserve† . . . . . | 1,574,856 | 1,977,756 | 2,199,552 |
| Sundry debtors . . . . .               | 316,601   | 884,508   | 565,080   |

† Including credit in the Government tonnage replacement account of £394,600 in 1941, £475,200 in 1942, and £522,700 in 1943.

‡ In 1943 £100,000 was transferred from taxation reserve, previously included under creditors, to contingencies reserve which is, however, still classed as a current liability.

The additional 2 per cent dividend of 1943 is described as paid out of interest earned on unused insurance recoveries. It is only possible because earlier losses have reduced the necessary provision for depreciation and the decision to be liberal is of doubtful prudence.

The 6s. 8d. units of ordinary stock, standing at 14s. 7½d. dividend, yield £3 12s. 11d. per cent.

March 11, 1944

#### COMPANY MEETINGS

## LONDON MIDLAND AND SCOTTISH RAILWAY COMPANY

### FURTHER INCREASE IN TRAFFICS

#### LORD ROYDEN'S SPEECH

The twenty-first annual general meeting of the London Midland and Scottish Railway Company was held at Euston Station, London, N.W. 1, on the 3rd instant.

The Rt. Hon. Lord Royden, C.H., chairman of the company, in the course of his speech, said:—

Turning to the results of the year's working which are set out in the report and accounts; the total net revenue of £15,686,000 for 1943 and that of £15,590,000 for 1942 are made up thus:—

|                                                                     | 1943<br>£          | 1942<br>£          |
|---------------------------------------------------------------------|--------------------|--------------------|
| Annual amount receivable under the control agreement . . . . .      | 14,750,000         | 14,750,000         |
| Dividends from investments in road transport undertakings . . . . . | 500,000            | 507,000            |
| Northern Counties Railway (Ireland) . . . . .                       | 237,000            | 259,000            |
| Sundry other items outside the control account . . . . .            | 199,000            | 74,000             |
|                                                                     | <u>£15,686,000</u> | <u>£15,590,000</u> |

Of this sum the amount receivable under the agreement with HM Government is at a fixed rate per annum and the dividends from road transport investments are fairly constant. These two items account for 97 per cent. of the total. The other two are more variable. The income from the Northern Counties Railway in Ireland has fallen a little below the 1942 figure, but is satisfactory when compared with the very poor results prior to the war. Sundry items are £125,000 better than in 1942. The possible variations in total year by year during the period of control are thus not important and the net increase of £96,000 over 1942 indicates this.

As in 1941 and 1942, the sum of £400,000 has been set aside for war-time contingencies, and after meeting debenture interest and dividends on the guaranteed and preference stocks, there remains a credit balance of £2,467,000. This enables the board to recommend to you a dividend of 2½ per cent. on the ordinary stock—the same as that paid last year—and to carry forward £87,000.

#### BALANCE SHEET ITEMS

The advance in 1942 of £4,000,000 from the Trust Fund for arrears of maintenance was repaid during the year, and the fund now stands at £21,700,000. It represents the estimated arrears of maintenance work which have accumulated during the war and is calculated on the average expenditure and provisions of the years 1935-6-7 varied by the appropriate alterations in quantities of assets and in prices, but at this stage without allowance for abnormal wear and tear due to additional usage and war-time conditions.

Under the Government agreement the allowance for abnormal wear and tear is not in the first instance charged against the control account. It remains for settlement after the period of control comes to an end. The sustained drive to meet the immense demands for transport has had its inevitable effect on our property. On repairs of vehicles alone we have spent to date a sum in excess of the amount due on the mere pre-war basis. This has substantially increased the num-

THE ECONOMIST

but they are held for specific requirements which will mature in due course.

#### LINE OPERATION

During 1943, traffic, both freight and passenger, has further increased in spite of even greater obstacles, such as increasing shortage of staff in the key operating grades, abnormal periods of foggy weather, and the epidemic of sickness that swept the country towards the close of the year. It is a remarkable proof of the efficiency of our organisation and it is a tribute to the devotion and loyalty of the vast majority of the members of our staff that they remained quite undaunted by these handicaps.

In 1943 we moved 10,600 million of ton-miles of freight-train traffic, an increase of 3,760 million over the 12 months before the war. This large increase is more readily appreciated if described as being at the rate of 10 million ton-miles day by day throughout the year. The loaded wagon miles for 1943 were 1,725 million, an increase of 410 million over the 12 months before the war. The empty wagon miles were actually less, the reduction being in part due to the fact that the wagons of the railway companies and those of private owners were used in common, and in part to a quicker turn-round of the wagons generally. I hope that the turn-round will be further improved this year, as every hour saved in loading and unloading a wagon is a valuable contribution to the war effort.

The passenger traffic also increased considerably, both in numbers and in length of journeys, the passenger-miles in 1943 being 70 per cent. greater than before the war. On the other hand, the passenger train-miles were 31 per cent. less than before the war, and so the average passenger train load was 146 per cent. greater.

Railway travel now places a considerable strain on one's physical powers of endurance, not to speak of one's powers of resistance to irritation. The figures that you

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£129,898,185

CLAIMS PAID IN 1943

ADDITION TO FUNDS IN 1943

TOTAL FUNDS

**BONUSES.** In the Ordinary Branch a bonus of £1 per £100 assured was declared on policies entitled to participate in full profits that become claims by death or maturity during 1944. In the Industrial Branch a bonus has been declared on policies, with certain exceptions, effected before 1st February, 1937, that become claims by death or maturity during 1944. Up to date a total sum of over £7,430,140 has been allocated for bonuses to policyholders in this Branch. The bonus for 1940, 1941 and 1942 in both Branches is continued unchanged for claims during 1944.

### NATIONAL HEALTH INSURANCE

Our Agents acting for the National Amalgamated Approved Society made 1,501,369 benefit payments totalling £1,195,739 at members' homes during 1943.

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have just heard not only explain the cause of this discomfort, but probably induce a feeling of wonder as to how the railways manage to carry on as well as they do in the provision they make for ordinary travel.

There is, however, another and a less pleasing side to the picture. The deterioration in moral standards continues. Theft shows no signs of decrease in spite of every precaution that we can devise. The black market and the receivers of stolen goods who keep it supplied are the principal cause. Thieving has reached such lengths that it is now impossible to provide any easily removable articles, such as towels and soap, without immediately losing them. Another regrettable and generally futile form of theft consists in taking the electric lamps, the voltage of which is so low as to make them perfectly useless for anything else but the work for which they are designed. It is just thieving for thieving's sake. Even more difficult to understand than that is the mentality of those who apparently find pleasure in slashing the upholstery and breaking windows and carriage fittings. The amount of such damage is very considerable indeed. It has now reached disturbing proportions, and so far we have not been able to find the means of stopping it.

#### LOCOMOTIVES AND ROLLING STOCK

I have mentioned earlier the heavy expenditure we have had to incur on abnormal

locomotive repairs in order to secure the maximum availability of locomotives. In 1943 the average net addition to our operating stock of locomotives to cope with the extra traffic was only 1.3 per cent., compared with the position at the outbreak of war, but we raise this to an effective increase of 6.7 per cent. by reducing the number out of service for repairs. This, I think, judged by any standards, a remarkable performance.

In order to secure the greatest possible measure of efficiency in all forms of transport, legislation for the post-war period should deal with transport as a whole and on a basis of equality for all. Such legislation should require, *inter alia*, that each type of transport should be so organised as to enable it to assume and carry out the obligations attached to the performance of public transport. It is also highly important that there should be equality of treatment in the incidence of track costs. Meanwhile the railway companies are discussing these and other matters with other transport undertakers with a view to the formulation of an agreed policy. A further question of first importance is that of common user of all wagons and discussions are taking place with the owners of the private wagons on how best common user can be achieved, whilst at the same time meeting the needs of the traders owning and using them.

The report and accounts were adopted.

## MIDLAND ELECTRIC CORPORATION FOR POWER DISTRIBUTION LIMITED

### FUTURE OF THE INDUSTRY

#### NEED FOR AGREED POLICY

#### SIR ALEXANDER ROGER ON ESSENTIALS FOR EFFICIENCY

The forty-sixth ordinary general meeting of the Midland Electric Corporation for Power Distribution Limited will be held, on the 15th instant, at the Adelphi Hotel, Liverpool.

The following is the statement issued by the chairman of the company, Sir Alexander Roger, K.C.I.E., with the report:—

Publication of the company's accounts remains prohibited under the Defence Regulations, but permission is still given to shareholders to inspect a copy at the head office of the company after giving not less than seven days' notice in writing of their intention so to do.

The same regulations do not allow me to comment in detail on the past year's working, but I am permitted to give you the assurance that your company continues to make progress, and that the value of your investment has been maintained. The company's transmission and supply systems have been kept in good order, and proper provision has been made for depreciation.

#### DIVERGENT VIEWS

My comments last year included a general review of the steady development and wide expansion of our industry as a whole. They were characterised as a vigorous defence of private enterprise, which I based on an impressive record of accomplishment. I take no exception to this view. Since then suggestions have been made, from platform and press, for shaping the destiny of electricity supply, and various reports on the subject have been published. These reports agree that the industry as a whole is enterprising, is giving efficient service, and has made remarkable progress. There, however, agreement ends, and the suggestions for the

future show considerable divergence of opinion.

The future of electricity supply is an important question for industry generally, for the public, and for you as shareholders. I thought, therefore, that you would wish me to comment in a general way on some of the suggestions in the reports issued by associations and committees within and without the industry. The problem is not one of dealing with a moribund industry which requires to be brought up to a higher standard, but of examining an industry which has made rapid and efficient progress with the object of shaping it for national rather than regional or local use.

#### CO-OPERATION ESSENTIAL

There is nothing, however, to warrant the claims of those who advocate nationalisation purely as a political doctrine. Even in this connection it is interesting to note that different views have been expressed as to the methods under which nationalisation would operate if that should be adopted. Some suggest national control, others regional control, while some would retain existing controls with the addition of regional co-ordinating committees or boards.

It is perfectly natural that this industry, with its many problems thrown up by individualistic operation over years, should at this stage speak with diverse voices, but I believe that underneath it all there exists a sincere desire that agreed recommendations should be made to the Minister of Fuel and Power. Whatever the future may hold in the way of legislation, it is certain that maximum development, accompanied by maximum efficiency and highest service to the consumer, will not be possible in this country without the good will, active assistance, and full co-operation of the industry itself.

Compromise within the industry cannot be avoided if agreed recommendations are to be presented to the Minister, and in arriving at this essential goal each of us may have to give up something of our own policy and plans. Unless this is done, the Minister may have no alternative but to produce his own plan. In industry generally, we are encouraged by the Government to use our valuable fund of experience to make up our own minds and plans on post-war problems and their solution. The electricity supply industry cannot very well take exception to the Government making plans for it if they are not guided by a united industry. It is in the interests of all concerned, therefore, to try to arrive at an agreed policy and to persevere until this desirable end is achieved.

#### REPORT OF MCGOWAN COMMITTEE

The report of the McGowan Committee of 1936 remains the most complete and judicial report upon which to base future action within the industry, but, unfortunately, some of the recommendations are open to different interpretations. A notable example is the suggestion that changes of ownership of undertakings were to be based upon size alone, rather than upon both size and efficiency.

There is an optimum size for an undertaking. This should not be so large as to remove local interest and personal enthusiasm, nor so small as to exclude the probability of a reasonable variety of load. Size of area alone is not an adequate reason for change, but it should be sufficient to cover such diversity of load as is necessary to keep charges for supply at a low level.

#### CHARGES AND SERVICE

Efficiency should be determined by charges for supply in relation to the nature of the area and to service provided. It is essential that no change should be permitted unless it brings benefits to the consumers.

In my opinion the one outstanding thing required is to see that the industry, which has been so laboriously and efficiently built up, is not allowed to be made a political shuttlecock, that its future will be shaped and determined by enterprise in development, by efficiency of service, and low cost to the consumer. The best means of maintaining and perhaps speeding up these desirable results is to continue to permit different forms of control to exist. This will afford the opportunity for comparison so that each area of supply can measure its attainments by those of similar undertakings in the industry. I have not moved from my principle that free, open, and friendly rivalry is the ground where efficiency grows to best advantage. Without rivalry efficiency dies.

#### THE RECORD OF THE CORPORATION

We have the satisfaction of knowing that this company has a record well above the average, expressed in terms of service, development, efficiency, and low charges. The Special Order which we operate is essentially a partnership between local authorities, consumers, and the company, its main principle being freedom of management up to a permitted rate of profit, and thereafter additional profits are in effect divided in agreed proportions between the consumer and the company. I therefore see no danger of major disturbance of this undertaking.

In conclusion, I desire to express, on behalf of you all, my best wishes to the employees of the company who are serving with His Majesty's Forces in all parts of the Empire, and to those who remain to carry out the unsleeping duties of electricity supply. Our thanks are due also to our managing director, Mr Charles Heathcock, and to my other colleagues on the board, for their continued help and co-operation during the past year.

## GREAT WESTERN RAILWAY COMPANY

### RECORD TRAFFICS

#### BENEFITS OF PRIVATE OWNERSHIP

The annual general meeting of the Great Western Railway Company was held, on the 8th instant, in London.

Sir Edward Cadogan (the deputy chairman), in the course of his speech, said: With the balance of £275,077 brought forward from last year, the amount available for dividend on the consolidated ordinary stock is £2,225,291. We are able, therefore, to recommend a dividend of 2½ per cent. for the half-year ended December 31st last, making 4½ per cent. for the whole year, with a carry-forward of £293,453. The dividend is the same as for the previous year, when the carry-forward was £18,376 lower.

Payments to the trust fund set up under the Railway Control Agreement amounted at the end of last year to £11,702,385, an increase of about £3,200,000 over the previous year. The fund accumulates at interest, and will ultimately be available for overtaking the arrears of work when we are in a position to put them in hand.

#### ARREARS OF RENEWALS

Our arrears in complete renewals of the permanent way are at present equivalent to the total amount of renewal work we would normally carry out in a period of about 15 months. Our arrears in locomotive renewals represent a normal two years' building programme, and in passenger train vehicles a normal three years' programme. The position in regard to other maintenance work is somewhat similar. It is, I think, an eloquent testimony to our past efficiency and our recognition of future needs that the standard of maintenance which we adopted in pre-war years—several of them none too prosperous—was of such an order that we have been able to allow arrears of maintenance to accumulate so considerably without serious detriment to our operations, notwithstanding that throughout the war period the volume of traffic conveyed annually over the company's system has been far in excess of that carried in any pre-war year.

The achievements of the railways during the present national emergency are aptly summed up in the Prime Minister's message on the occasion of the twenty-first anniversary of the grouping in December last, when he expressed the nation's thanks for the highly efficient manner in which they had met every demand made upon them during the four years of desperate struggle with Nazi Germany.

#### POST-WAR TRANSPORT PROPOSALS

Owing to the radical change in the military outlook, our thoughts have naturally centred on the post-war position of the railways, and especially on the part which we shall be expected to play in connection with the solution of the problems that will confront us immediately upon the cessation of hostilities.

We fully recognise that when hostilities are concluded we shall have to plan and build anew; but if the objective is to secure the most efficient and economical use of all forms of transport with due regard to the requirements of industry and of the community in general, we support the conclusions reached by the Transport Advisory Council that the best line of approach to achieve this end is to secure for traders adequate alternative facilities with competition on fair terms. The problems we have to face cannot be solved by changes such as those advocated in some quarters for political reasons without regard to practical realities. In our view, the advantages derived from the present ownership and management of the main line railways as four separate statutory entities have proved to be far more beneficial than those likely to be derived under any form of public or quasi-public ownership.

#### ROAD-RAIL COMPETITION

The eulogy of the Prime Minister, to which I have already made reference, is a clear indication that the Government are now fully alive to the importance of the railways as a national asset. In the debate which took place in the House of Lords in October last, the Minister of War Transport, the Rt. Hon. Lord Leathers, referred to road-rail competition as the main problem to be solved. Parliament, by its discriminatory treatment in allowing road hauliers complete freedom to fix their own charges, has hitherto fostered competition against the older forms of transport, whose charges are subject to regulation. There may have been good grounds for adopting this course as a means of assisting the development of a new section of the transport industry in its early stages, but there can certainly be no justification for allowing that state of affairs to continue indefinitely, and, in our view, the first essential is that Parliament should legislate for the equal treatment of all forms of transport.

As I have already mentioned, the Government promised legislation immediately prior to the outbreak of war, to implement the principles of the Transport Council's recommendations on our "Square Deal" proposals. These proposals were, however, only intended as a stop-gap to enable the transport interests to prepare their plans for co-ordination within a limited period. As the Minister indicated in his speech, a more radical solution has still to be found, and we have, therefore, initiated discussions with other transport undertakings with a view to formulating an agreed policy.

We cannot resist the conclusion that Parliament will require road hauliers, other than those operating purely local services, to be so organised that they can assume the responsibilities appropriate to undertakings providing a public service. This must be an essential feature of any effective scheme of co-operation, and the obligations attaching to all such undertakings should include the provision of reasonable facilities for traders; the regulation of rates and their application without discrimination between traders and between routes.

It is equally essential that means should be found for removing the disability suffered by the railways owing to the present disparity of road and rail track costs.

#### TRACK MAINTENANCE

Another factor to be borne in mind is that the enormous volume of traffic ordinarily conveyed by rail represents a considerable saving in highway costs, and if, as the Minister of War Transport recently indicated, the post-war policy which he has in mind is a co-ordinated transport system which can provide the best possible service at the least real cost to the community, the sound solution in our opinion is to devise some means whereby the maintenance of rail tracks and canal waterways, while remaining in their present ownership, should be treated as part of the whole system of national highways.

Our carrying capacity in the immediate post-war years is likely to be very severely taxed, and there is a limit to the amount of constructional work which can be carried out at any one time without serious interference with the working of traffic. The first essential will be to overtake the heavy arrears of maintenance accumulating during the war period, and in carrying out this work we shall, as usual, incorporate any improvements which may be considered necessary or desirable.

The resolution for the adoption of the report and accounts was carried unanimously.

## LONDON AND NORTH EASTERN RAILWAY COMPANY

### POST-WAR TRAFFIC PROBLEMS

The annual general meeting of the London and North Eastern Railway Company was held, on the 3rd instant, in London.

Sir Ronald W. Matthews (the chairman) said in the course of his speech: The net revenue for the year 1943 was £10,655,441, which is a decrease of £45,158, or ½ per cent., compared with the year 1942. The directors recommend a dividend of 1½ per cent. for the half-year on the 4 per cent. second preference stock, making 2½ per cent. for the year, as compared with 2½ per cent. for 1942.

#### ABNORMAL WEAR AND TEAR

The volume of traffic that is being handled by the company under wartime conditions, and especially since America entered the war, is far in excess of the normal, and it follows that the wear and tear of a great deal of the company's property and equipment is very much greater than it was in pre-war years.

Whilst the control agreement affords us adequate financial protection in the matter of the normal maintenance of our assets, and the accounts show that a considerable sum is accumulating in the form of a trust fund representing arrears of maintenance, it makes no specific provision for abnormal wear and tear to be charged to the revenue account except so far as the Minister may agree to its inclusion. In view of the extra strain to which much of our equipment is being subjected under war conditions, the question is being borne in mind with a view to an approach being made at a later stage to the Government for special consideration.

I come now to the problems of transport after the war, or, more strictly speaking, after the lifting of the controls under which the various forms of transport are operating to-day. Lord Leathers, in the course of a debate on the post-war co-ordination and development of inland transport in the House of Lords on October 27th last, stated that the war had made it clearer than ever that the railways are a national asset which must be retained in full efficiency, and that their financial position must be firmly established. He indicated that the object in view was a transport system so co-ordinated and run that it would meet the needs of each separate industry or activity and provide the best possible service for the least real cost to the community.

#### NEED FOR CLOSER CO-ORDINATION

Lord Leathers referred to competition between road and rail as the main problem to be solved. The solution of that particular aspect of the problem lies, of course, outside the province of the railways. But there can be no doubt that some much closer form of co-ordination than exists to-day on the road side must be arrived at before the greater co-ordination between road and rail can be brought about. The railways feel that Parliament should pass legislation providing for the equal treatment of all forms of internal transport.

I believe most profoundly that the transport industry of the country can best serve the nation and the nation's trade in private ownership, and free from any suspicion of political pressure.

We stand to-day on the threshold of great events. Demands greater than ever before will ere long be made on the railways and all who serve them. They will do their job, men and women, tirelessly and courageously, and, doing their job, they will give the final incontrovertible proof that victory in war depends on a well-found, efficiently run railway organisation, a lesson which, I hope, will never be forgotten by Parliament or people.

The report was adopted.



## SOUTHERN RAILWAY COMPANY

### INCREASED TRAFFICS

The annual general meeting of the Southern Railway Company was held, on the 9th instant, in London.

Colonel Eric Gore-Browne, D.S.O., O.B.E., T.D., A.D.C. (the chairman), said that the balance available for dividend on the deferred ordinary stock was £715,407, which would enable them to pay a dividend of 2 per cent., compared with 1½ per cent. for 1942. He hoped stockholders would agree that that was not an altogether unsatisfactory result having regard to all the circumstances.

The freight traffic on their system still grew. Whether measured by the tonnage originating or by the loaded wagon miles moved, the increase over pre-war figures approached 50 per cent. The freight train miles run by the Southern Railway engines exceeded by 25 per cent the corresponding figures for 1938. That vast additional traffic could not have been handled unless in years before the war their resources had been devoted to the upkeep and maintenance of the undertaking, so that, when war came, it was in a condition to bear that unprecedented strain.

### PASSENGER EXPANSION

In addition the passenger side continued to expand. It was not possible at this stage to assess accurately what was the total increase in passenger movement; the traffic measured by a rough computation of the number of passengers multiplied by the miles they were conveyed was at the present time at least 60 per cent. in excess of that before the war. Yet they were doing that with a passenger train mileage which was over 30 per cent. lower than in 1938. Overcrowding and discomfort were, he feared, unavoidable.

As to the general policy in relation to the railways as an industry, they had all been heartened by the speech of the Minister of War Transport last October in which he had stated that the war had made it clearer than ever that the railways were a national asset which must be retained in full efficiency and that their financial position must be firmly established. He had gone further. The object in view was a transport system so co-ordinated and run that it would meet the needs of each separate industry or activity and provide the best possible service for the least real cost to the community.

### THE RAIL AND ROAD PROBLEM

The core of the problem was, of course, the relationship of the railways with other

forms of transport and in particular with road transport. Steps must be taken to bring about a proper balance between different forms of transport in their obligation to the public, their rates structure and so on.

Was it possible to achieve that balance and provide the nation with an efficient and economic system of transport whilst the railways continued as privately-owned and managed undertakings? There were some who offered them the panacea of nationalisation; others who would thrust on them the nostrum of the public corporation. Judging the record of the railways fairly, would they tell them in what way the railways had failed to meet the public need in peace and in war and give them evidence to show that any other system would be able to serve those needs better, or indeed as well, in the future? While they accepted the obligation of public service, they stood for private enterprise and only asked for fair dealing in the solution of their problems. Transport had an immense part to play in restoration and development after the war. It was therefore to be hoped that the transport industry would achieve a form of organisation which would obviate irresponsible competition and yet allow room for vigorous development and freedom of choice for the user.

The report was adopted.

## GOVERNMENT RETURNS

For the week ended Mar. 4, 1944, total ordinary revenue was £91,454,000, against ordinary expenditure of £143,737,000, and issues to sinking funds of £2,303,926. Thus, including sinking fund allocations of £14,471,045, the deficit accrued since April 1st is £2,557,713,000 against £2,601,386,000 for the corresponding period a year ago.

### ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

| Revenue                         | Estimate 1943-44 | Receipts into the Exchequer (£ thousands) |                         |                         |                         |
|---------------------------------|------------------|-------------------------------------------|-------------------------|-------------------------|-------------------------|
|                                 |                  | April 1 to Mar. 6, 1943                   | April 1 to Mar. 4, 1944 | Week ended Mar. 6, 1943 | Week ended Mar. 4, 1944 |
| ORDINARY REVENUE                |                  |                                           |                         |                         |                         |
| Income Tax                      | 117,500          | 897,960                                   | 1,073,889               | 52,318                  | 48,873                  |
| Sur-tax                         | 80,000           | 64,679                                    | 66,322                  | 4,520                   | 2,210                   |
| Estate, etc.                    | 100,000          | 86,492                                    | 89,728                  | 2,181                   | 1,878                   |
| Duties                          | 17,000           | 13,180                                    | 15,500                  | 260                     | 250                     |
| N.D.C.                          | 500,000          | 27,199                                    | 29,795                  | 750                     | 590                     |
| E.P.T.                          | 319,667          | 437,156                                   | 10,915                  | 7,648                   | 1,300                   |
| Other Ind. Rev.                 | 1,000            | 850                                       | 858                     | 60                      | 130                     |
| Total Ipld. Rev.                | 1,873,000        | 1,410,027                                 | 1,713,248               | 70,744                  | 61,589                  |
| Customs                         | 525,320          | 423,957                                   | 514,901                 | 12,727                  | 16,581                  |
| Excise                          | 450,180          | 401,800                                   | 451,790                 | 5,400                   | 12,783                  |
| Total Customs & Excise          | 975,500          | 825,757                                   | 966,691                 | 18,127                  | 29,364                  |
| Motor Duties                    | 25,000           | 28,224                                    | 27,171                  | 232                     | 251                     |
| Canadian Govt. Contribution     | ...              | 224,719                                   | ...                     | ...                     | ...                     |
| P.O. (Net Receipts)             | 400              | 9,500                                     | ...                     | ...                     | ...                     |
| Wireless Licences               | 4,700            | 4,200                                     | 4,340                   | ...                     | ...                     |
| Crown Lands                     | 800              | 960                                       | 980                     | ...                     | ...                     |
| Receipts from Sundry Loans      | 4,100            | 3,333                                     | 6,390                   | ...                     | ...                     |
| Miscell. Receipts               | 24,000           | 84,937                                    | 70,329                  | 192                     | 250                     |
| Total Ord. Rev.                 | 2,907,500        | 2,591,657                                 | 2,789,148               | 89,294                  | 91,454                  |
| SELF-BALANCING P.O. & Brdcastg. | 110,632          | 99,000                                    | 103,850                 | 2,000                   | 1,700                   |
| Total                           | 3,018,132        | 2,690,657                                 | 2,892,998               | 91,294                  | 93,154                  |

| Expenditure                     | Estimate 1943-44 | Issues out of the Exchequer to meet payments (£ thousands) |                         |                         |                         |
|---------------------------------|------------------|------------------------------------------------------------|-------------------------|-------------------------|-------------------------|
|                                 |                  | April 1 to Mar. 6, 1943                                    | April 1 to Mar. 4, 1944 | Week ended Mar. 6, 1943 | Week ended Mar. 4, 1944 |
| ORDINARY EXPENDITURE            |                  |                                                            |                         |                         |                         |
| Int. & Man. of Nat. Debt        | 375,000          | 304,104                                                    | 354,455                 | 15,259                  | 29,577                  |
| Payments to N. Ireland          | 9,500            | 8,080                                                      | 7,882                   | 559                     | 553                     |
| Other Cons. Fund Services       | 7,500            | 7,188                                                      | 6,931                   | 6                       | 6                       |
| Total                           | 392,000          | 319,372                                                    | 369,268                 | 15,824                  | 30,137                  |
| Supply Services                 | 546,984          | 486,024                                                    | 496,312                 | 11,325                  | 11,360                  |
| Total Ord. Exp.                 | 586,184          | 517,957                                                    | 532,390                 | 12,914                  | 14,373                  |
| SELF-BALANCING P.O. & Brdcastg. | 110,632          | 99,000                                                     | 103,850                 | 2,000                   | 1,700                   |
| Total                           | 597,247          | 527,857                                                    | 543,624                 | 13,114                  | 14,537                  |

A change has been made in the method of showing an excess of Post office Expenditure over Post office revenue. Such excess is now included as ordinary expenditure (under "Total Supply Services") instead of being shown, as up to July 24 inclusive, as a deduction from ordinary revenue.

After increasing Exchequer balances by £4,754 to £3,004,511, the other operations of the week (no longer shown separately) raised the gross National Debt by £4,636,923 to £19,398 million.

| NET ISSUES (£ thousands)   |     |
|----------------------------|-----|
| To. and Telegraph          | 150 |
| Foreign Trade Guarantees   | 46  |
| 196                        |     |
| NET RECEIPTS (£ thousands) |     |
| By Act                     | 130 |
| By Damage Act              | 100 |
| 230                        |     |

## BANK OF ENGLAND RETURNS

MARCH 8, 1944

### ISSUE DEPARTMENT

| Notes Issued: £     |              | Govt. Debt: £                               |              |
|---------------------|--------------|---------------------------------------------|--------------|
| In Circul.          | 1090,601,022 | Other Govt.                                 | 11,015,100   |
| In Bank, Department | 59,640,696   | Securities                                  | 1138,347,219 |
|                     |              | Other Secs.                                 | 631,303      |
|                     |              | Silver Coin                                 | 6,378        |
|                     |              | Amt. of Fid.                                |              |
|                     |              | Issue                                       | 1150,000,000 |
|                     |              | Gold Coin & Bullion (at 168s. per oz. fine) | 241,718      |
|                     |              |                                             | 1150,241,718 |

### BANKING DEPARTMENT

| Props. Capital: £ |             | Govt. Secs.: £        |             |
|-------------------|-------------|-----------------------|-------------|
| Rest.             | 14,553,000  | Other Secs.           | 161,597,151 |
| Public Depts.     | 3,480,595   | Advances & Securities | 16,522,720  |
|                   | 8,467,588   |                       | 25,728,695  |
| Other Depts.      | 163,198,054 | Notes                 | 59,640,696  |
| Bankers           | 58,949,185  | Gold & Silver Coin    | 681,881     |
| Other Accts.      | 221,147,239 |                       | 247,648,423 |
|                   | 247,648,423 |                       |             |

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

### COMPARATIVE ANALYSIS

| (£ millions)                    |       | 1943    |         | 1944   |        |
|---------------------------------|-------|---------|---------|--------|--------|
|                                 |       | Mar. 10 | Feb. 23 | Mar. 1 | Mar. 8 |
| Issue Dept.                     |       |         |         |        |        |
| Notes in circulation            | 926.4 | 1077.5  | 1086.3  | 1090.6 |        |
| Notes in banking department     | 23.9  | 22.8    | 13.9    | 59.6   |        |
| Government debt and securities  | 949.3 | 1099.4  | 1099.3  | 1149.4 |        |
| Other securities                | 0.7   | 0.6     | 0.7     | 0.6    |        |
| Silver Coin                     | 0.0   | 0.0     | 0.0     | 0.0    |        |
| Gold, valued at s. per fine oz. | 0.2   | 0.2     | 0.2     | 0.2    |        |
| Deposits                        |       |         |         |        |        |
| Public                          | 4.7   | 8.9     | 10.4    | 8.5    |        |
| Bankers                         | 160.4 | 200.3   | 179.9   | 162.2  |        |
| Others                          | 54.3  | 53.7    | 63.2    | 58.9   |        |
| Total                           | 219.4 | 262.9   | 253.5   | 229.6  |        |
| Banking Dept. Secs.             |       |         |         |        |        |
| Government                      | 188.6 | 240.4   | 222.2   | 161.6  |        |
| Discounts, etc.                 | 4.7   | 2.1     | 9.3     | 9.2    |        |
| Other                           | 19.2  | 14.8    | 25.3    | 16.5   |        |
| Total                           | 212.5 | 257.3   | 256.8   | 187.3  |        |
| Banking depart. res.            | 25.0  | 23.7    | 14.7    | 60.3   |        |
| "Proportion"                    | 11.3  | 8.9     | 5.8     | 26.2   |        |

\* Government debt is £11,015,100; capital £14,553,000. Fiduciary issue raised from £1,050 million to £1,150 million on March 7, 1943.

### PROVINCIAL BANK CLEARINGS

| £ thousands  |        | Week Ended   |              | Aggregate from Jan. 1 to |              |
|--------------|--------|--------------|--------------|--------------------------|--------------|
|              |        | Mar. 6, 1943 | Mar. 4, 1944 | Mar. 6, 1943             | Mar. 4, 1944 |
| Working days |        | 6            | 6            | 55                       | 54           |
| Birmingham   | 3,060  | 2,028        | 26,742       | 17,413                   |              |
| Bradford     | 2,005  | 1,822        | 21,388       | 17,491                   |              |
| Bristol      | 754    | 642          | 6,887        | 6,424                    |              |
| Hull         | 824    | 617          | 7,854        | 5,941                    |              |
| Leeds        | 1,010  | 1,630        | 13,171       | 12,521                   |              |
| Leicester    | 986    | 946          | 9,217        | 8,023                    |              |
| Liverpool    | 4,253  | 5,366        | 41,568       | 47,686                   |              |
| Manchester   | 13,518 | 3,555        | 124,314      | 32,307                   |              |
| Newcastle    | 1,962  | 1,546        | 15,254       | 17,026                   |              |
| Nottingham   | 561    | 465          | 5,698        | 4,056                    |              |
| Sheffield    | 1,460  | 1,336        | 11,857       | 10,748                   |              |
| Southampton  | 231    | 157          | 1,518        | 1,596                    |              |
| 12 Towns     | 31,024 | 20,110       | 285,469      | 181,212                  |              |
| Dublin*      | 6,725  | 6,824        | 68,388       | 72,093                   |              |

\* February 27, 1943, and February 26, 1944.

# RECORDS and STATISTICS

## INVESTMENT

### Stock Exchanges: London

#### "FINANCIAL NEWS" INDICES

| 1944   | Total Bargains in S.E. List | Corres. Day 1943 | Security Indices |                |
|--------|-----------------------------|------------------|------------------|----------------|
|        |                             |                  | 30 Ord. shares*  | 20 Fixed Int.† |
| Mar. 2 | 4,412                       | 4,300            | 103.5            | 135.0          |
| " 3    | 4,921                       | 4,748            | 103.6            | 135.1          |
| " 6    | 6,179                       | 5,780            | 103.6            | 135.1          |
| " 7    | 4,854                       | 4,688            | 103.7            | 135.1          |
| " 8    | 4,879                       | 4,869            | 103.7            | 135.1          |

\* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1944: highest, 104.6 (Feb. 18); lowest, 103.0 (Feb. 28). 20 Fixed Int., 1944: highest, 135.4 (Feb. 23); lowest, 134.0 (Jan. 3).

## New York

### (WEEKLY AVERAGES) (1936-35=100)

|                | 1943       |              | Feb. 16, 1944 | Feb. 23, 1944 | Mar. 1, 1944 |
|----------------|------------|--------------|---------------|---------------|--------------|
|                | Low Jan. 6 | High July 13 |               |               |              |
| 37 Industrials | 81.1       | 133.5        | 95.7          | 96.1          | 96.2         |
| 32 Rails       | 72.6       | 99.9         | 96.9          | 99.8          | 97.7         |
| 40 Utilities   | 72.9       | 89.6a        | 87.0          | 87.3          | 88.2         |
| 419 Stocks     | 78.5       | 100.9        | 94.4          | 94.9          | 95.0         |
| Av. yield %*   | 5.36       | 4.35         | 4.77          | 4.83          | 4.78         |

\* Common Stocks. (a) Aug. 25.

### STANDARD STATISTICS INDICES

#### DAILY AVERAGE OF 50 COMMON STOCKS

| 1944    | Average | Transactions | 1944    | Average | Transactions |
|---------|---------|--------------|---------|---------|--------------|
| Feb. 25 | 116.5   | 900,000      | Feb. 29 | 116.6   | 866,000      |
| " 26    | 116.4   | 375,000*     | Mar. 1  | 116.2   | 633,000      |
| " 28    | 116.5   | 754,000      | " 2     | 116.6   | 706,000      |

1943: High, 125.4 (July 14). Low, 99.3 (Jan. 2). \* Two-hour session.

## Capital Issues

| Week ending<br>March 11, 1944                        | Nominal<br>Capital | Con-<br>versions         | New<br>Money             |
|------------------------------------------------------|--------------------|--------------------------|--------------------------|
| To Shareholders only .....                           | 1,800,000          | 1,764,000                | £                        |
| Particulars of Government issues appear on page 353. |                    |                          |                          |
| Year†                                                |                    | Including<br>Conversions | Excluding<br>Conversions |
| 1944.....                                            |                    | 182,582,499              | 172,289,843              |
| 1943.....                                            |                    | 245,891,921              | 238,536,421              |

## FINANCE AND BANKING

**THE MONEY MARKET.**—Freed from the effects of winnowing, the position in the money market has eased this week, despite a substantial contraction in the cash basis. Bankers' deposits are shown in this week's Bank return at £162,198,000, which is £17,718,000 down on the week. Part of this decline is accounted for by the continued expansion in circulation, the latest weekly increase amounting to £4,269,000 and carrying the total to the new record level of £4,269,000. In addition to the impact of a larger demand for currency, the cash basis was affected by a further contraction in the holding of securities. Government securities are £60,610,000 down. Of this, £50,000,000 is accounted for by the transfer of securities to the Issue department following the latest increase in the fiduciary issue. The balance probably represents the maturity of early March bills bought from the market by the special buyer in order to ease recent periods of stress. The banks have been diffident buyers of bills, since their Treasury Deposit Receipt

(Continued on page 354)

## OVERSEAS BANK RETURNS

## U.S. FEDERAL RESERVE

Million \$'s

| 12 U.S.F.R. BANKS                           | Mar. 1943 | Feb. 1944 | Mar. 1944 | Mar. 1944 |
|---------------------------------------------|-----------|-----------|-----------|-----------|
| RESOURCES                                   |           |           |           |           |
| Gold certifi. on hand and due from Treasury | 20,449    | 19,374    | 19,311    | 19,303    |
| Total reserves                              | 20,850    | 19,985    | 19,911    | 19,894    |
| Total cash reserves                         | 374       | 347       | 336       | 349       |
| Total U.S. Govt. sec.                       | 5,865     | 11,394    | 11,816    | 11,624    |
| Total loans and sec.                        | 5,825     | 11,437    | 11,873    | 11,671    |
| Total resources                             | 28,360    | 33,815    | 33,651    | 33,472    |
| LIABILITIES                                 |           |           |           |           |
| F.R. notes in circ.                         | 12,672    | 17,114    | 17,186    | 17,339    |
| Excess n.r. bank res.                       | 1,790     | 1,360     | 1,100     | 1,200     |
| Mr. bank res. dep.                          | 12,935    | 12,244    | 12,109    | 12,380    |
| Govt. deposits                              | 14        | 350       | 64        | 140       |
| Total deposits                              | 14,090    | 14,571    | 14,693    | 14,534    |
| Total liabilities                           | 28,360    | 33,815    | 33,651    | 33,472    |
| Reserve ratio                               | 77.9%     | 63.1%     | 62.4%     | 62.8%     |
| BANK AND TREASURY RESOURCES                 |           |           |           |           |
| Monetary gold stock                         | 22,643    | 21,602    | 21,742    | 21,712    |
| Treasury & bank currency                    | 3,953     | 4,093     | 4,050     | 4,091     |
| LIABILITIES                                 |           |           |           |           |
| Money in circulation                        | 16,154    | 20,610    | 20,696    | 20,823    |
| Treasury cash and dep.                      | 2,226     | 2,695     | 2,982     | 2,490     |

(Continued from page 352.)

payments this week amounted to £90,000,000 and exceeded effective maturities by nearly £50,000,000. The market, however, only obtained a 23 per cent allotment at last week's Treasury bill tenders and, moreover, had the benefit of a special order for bills.

**MONEY RATES, LONDON.**—The following rates remained unchanged between Mar. 3rd and Mar. 9th:—

Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days, 1½%; 3 months, 1½%; 4 months, 1½-½%; 6 months 1½-½%. Treasury Bills: 2 months, 1-1½%; 3 months, 1-1½%; Day-to-day money, 1-1½%. Short Loans, 1-1½%. Bank deposit rates, ½%. Discount deposit at call, ½%; at notice, ½%.

**Exchange Rates.**—The following rates fixed by the Bank of England remained unchanged between Mar. 3rd and Mar. 9th. (Figures in brackets are par of exchange).

United States, \$ (4-66½) 4-02½-05½; mail transfers 4-02½-05½. Canada, \$ (4-66½) 4-43-47; mail transfers 4-43-47. Switzerland, Francs (25-22½) 17-30-40. French Empire, Francs 1974-204. Syria, p. 81-85. Sweden, Krona (18-159) 11-16-85-95. Dutch West Indies, Florin (12-11) 7-58-62. Portugal, Escudos (110) 99-80-100-20; mail transfers 99-80-100-30. Panama, P-02-04; mail transfers 4-02-04½. Brazil, 83-64½ cr. (buying); mail transfers 83-56½. Uruguay, 7-6597 p. (buying).

**Fixed Rates for Payment at Bank of England for Clearing Offices.** Spain, Ptas 44-00. Turkey, Liras 520. Italy, 71-25 lire.

**Mar. 9th.** Egypt, Piastres (97½) 97½-1. India, Rupee (18d. per rupee) 17½-18½. Belgian Congo, Francs 176½-1. China, National 33-3½. Iran, Rl. 126-130.

**Special Accounts** are in force for Chile, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London. Rate for payment into Argentine special account: 16-08 pesos.

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

## NEW YORK EXCHANGE RATES

| New York on | Mar. 1 | Mar. 2 | Mar. 3 | Mar. 4 | Mar. 5 | Mar. 6 | Mar. 7 | Mar. 8 |
|-------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Cables:—    |        |        |        |        |        |        |        |        |
| London      | 402½   | 402½   | 402½   | 402½   | 402½   | 402½   | 402½   | 402½   |
| Montreal    | 89-430 | 89-375 | 89-375 | 89-375 | 89-430 | 89-375 | 89-430 | 89-430 |
| Zurich      | 35-60  | 34-25  | 34-00  | 33-00  | 32-50  | 32-15  | 31-00  | 31-00  |
| Rio         | 25-12* | 25-10* | 25-10* | 24-95* | 24-95* | 24-95* | 24-95* | 24-95* |
| S. Africa   | 5-16   | 5-16   | 5-16   | 5-16   | 5-16   | 5-16   | 5-16   | 5-16   |
| London      | 4-10   | 4-10   | 4-10   | 4-10   | 4-10   | 4-10   | 4-10   | 4-10   |
| Stockholm   | 9-20   | 9-20   | 9-20   | 9-20   | 9-20   | 9-20   | 9-20   | 9-20   |
| Stockholm   | 23-86  | 23-86  | 23-86  | 23-86  | 23-86  | 23-86  | 23-86  | 23-86  |

\* Official buying rate 29-78.

† Free rate.

‡ Bid.

## INDUSTRY AND TRADE

**Acres and Livestock.**—Some of the agricultural changes in England and Wales between 1942 and 1943 compared with before the war can be gained from the following figures, which show the percentage change from the pre-war position:—

|                        | 1942  | 1943  | 1942 | 1943 |
|------------------------|-------|-------|------|------|
| Arable (crops & grass) | -2.0  | 2.8   |      |      |
| Arable                 | +33.7 | +42.7 |      |      |
| Tillage                | +52.8 | +51.9 |      |      |
| Individual Crop        |       |       |      |      |
| Wheat                  | -65.7 | +80.0 |      |      |
| Wheat                  | +35.5 | +86.5 |      |      |
| Oats                   | +72.0 | +52.8 |      |      |
| Individual Crop        |       |       |      |      |
| Cattle                 | +4.6  | +5.4  |      |      |
| Sheep                  | -17.8 | -21.6 |      |      |
| Pigs                   | -51.9 | -59.3 |      |      |
| Farm poultry           | -34.2 | -33.9 |      |      |

## CENTRAL BANK OF IRELAND

Million £'s

| ASSETS               | Jan. 1944 | Feb. 1944 | Feb. 1944 | Feb. 1944 |
|----------------------|-----------|-----------|-----------|-----------|
| Gold                 | 2.65      | 2.65      | 2.65      | 2.65      |
| British Govt. sec.   | 23.36     | 22.91     | 22.91     | 22.91     |
| Sterling balances    | 1.19      | 1.51      | 1.58      | 1.60      |
| LIABILITIES          |           |           |           |           |
| Notes in circulation | 27.44     | 27.63     | 27.61     | 27.65     |

## SWISS NATIONAL BANK

Million Swiss Frs.

| ASSETS               | Oct. 1943 | Jan. 1944 | Jan. 1944 | Feb. 1944 |
|----------------------|-----------|-----------|-----------|-----------|
| Gold                 | 3434.1    | 4161.6    | 4210.7    | 4222.5    |
| Foreign exchange     | 87.3      | 68.2      | 75.1      | 78.4      |
| Discounts, etc.      | 41.8      | 124.4     | 100.8     | 100.5     |
| Advances             | 2.19      | 15.2      | 15.3      | 14.6      |
| Securities           | 64.6      | 64.6      | 64.7      | 64.7      |
| LIABILITIES          |           |           |           |           |
| Notes in circulation | 2428.9    | 2885.3    | 2913.7    | 2864.8    |
| Other sight liab.    | 236.9     | 240.4     | 245.8     | 244.3     |

## SOUTH AFRICAN RESERVE BANK

Million £'s

| ASSETS                   | Dec. 1943 | Dec. 1943 | Dec. 1943 | Dec. 1943 |
|--------------------------|-----------|-----------|-----------|-----------|
| Gold coin and bullion    | 76.85     | 83.88     | 84.72     | 85.23     |
| Bills discounted         | 0.94      | 13.67     | 15.21     | 12.77     |
| Invest. and other assets | 71.75     | 89.67     | 90.26     | 90.56     |
| LIABILITIES              |           |           |           |           |
| Notes in circulation     | 38.13     | 48.34     | 48.51     | 49.24     |
| Deposits: Government     | 3.04      | 7.35      | 7.44      | 4.29      |
| Deposits: Banks          | 97.98     | 121.26    | 121.43    | 123.44    |
| Others                   | 7.08      | 6.70      | 7.11      | 8.55      |
| Reserve ratio            | 52.6%     | 46.0%     | 46.1%     | 46.1%     |

## CENTRAL BANK OF ARGENTINA

Million paper pesos

| ASSETS                    | Jan. 1943 | Dec. 1943 | Dec. 1943 | Jan. 1944 |
|---------------------------|-----------|-----------|-----------|-----------|
| Gold at home              | 1,075     | 1,085     | 1,091     | 1,095     |
| Other gold and for. exch. | 1,080     | 2,080     | 2,109     | 2,156     |
| Non-int. Govt. bonds      | 113       | 102       | 101       | 101       |
| Treasury bonds            | 392       | 391       | 391       | 391       |
| LIABILITIES               |           |           |           |           |
| Notes in circulation      | 1,590     | 1,801     | 1,886     | 1,863     |
| Deposits: Government      | 190       | 431       | 448       | 448       |
| Banks                     | 805       | 1,161     | 1,116     | 1,184     |
| Certs. of participation   | 26        | 3         | 444       | 444       |
| Reserve ratio             | 79.2%     | 88.0%     | 87.5%     | 87.9%     |

## BANK OF CANADA

Million Can. \$'s

| ASSETS                                                                                        | Feb. 1943 | Jan. 1944 | Jan. 1944 | Feb. 1944 |
|-----------------------------------------------------------------------------------------------|-----------|-----------|-----------|-----------|
| Reserve: Gold                                                                                 | 0.3       | 0.56      | 0.44      | 0.44      |
| Other                                                                                         | 1010.0    | 1259.26   | 1284.87   | 1278.39   |
| LIABILITIES                                                                                   |           |           |           |           |
| Note circulation                                                                              | 679.7     | 869.55    | 861.15    | 863.60    |
| Deposits: Dom. Govt.                                                                          | 24.0      | 39.14     | 46.12     | 40.12     |
| Chartered banks                                                                               | 251.4     | 308.40    | 349.36    | 338.43    |
| † Gold and foreign exchange transferred to Foreign Exchange Control Board against securities. |           |           |           |           |

**The "Economist" Sensitive Index.**—There was no change in the index during the week ending March 8th. The complete index (1935=100) was 151.2; crops, 123.2; and raw materials 185.5.

**Vegetable and Tomato Prices.**—The maximum retail prices of some vegetables have been increased from March 6th to April 2nd to the following rates per lb.: savoy and cabbages, 4½d.; broccoli and cauliflower, 6d.; and swedes and turnips, 1½d. to 2½d., according to quality. Tomato prices for the 1944 season have been fixed between 1s. and 1s. 6d. a lb., according to the time of year. These prices are lower than those fixed for last year.

**Coal Output.**—The output of saleable coal in the four weeks ended February 19th averaged 3,769,000 tons, compared with 3,495,500 tons per week in the previous four weeks. Disputes accounted for an average loss of 91,700 tons a week.

## AVERAGE WEEKLY OUTPUT OF COAL

(Weekly Standard Tonnage 4,161,800 tons)

| Four Weeks ended* | 1942      | 1943      | Four Weeks ended* | 1942      | 1943      |
|-------------------|-----------|-----------|-------------------|-----------|-----------|
| Jan. 23rd         | 3,824,800 | 3,813,400 | Sept. 4th         | 3,978,900 | 3,767,800 |
| Feb. 20th         | 4,028,000 | 4,016,400 | Oct. 2nd          | 4,076,100 | 3,819,400 |
| March 20th        | 4,074,600 | 4,013,700 | Oct. 30th         | 4,124,500 | 3,908,000 |
| April 17th        | 3,739,800 | 4,005,200 | Nov. 27th         | 4,126,000 | 3,815,000 |
| May 15th          | 4,103,900 | 3,624,600 | Dec. 25th         | 3,880,100 | 3,662,600 |
| June 12th         | 3,724,800 | 3,936,600 |                   | 1943      | 1944      |
| July 10th         | 3,987,200 | 3,579,700 | Jan. 22nd         | 3,414,000 | 3,495,500 |
| Aug. 7th          | 3,339,300 | 3,097,800 | Feb. 19th         | 4,016,400 | 3,769,000 |

\* The actual dates given relate to 1943 and 1944.

The production from opencast workings averaged 101,600 tons per week. During the previous four weeks, an average of 76,800 tons per week was produced. Leicestershire and South Derbyshire qualify for the output bonus, for which about 13,600 miners are eligible.

## BRITISH WHOLESALE PRICES

|                                                 | Feb. 29, 1944 | Mar. 7, 1944 |
|-------------------------------------------------|---------------|--------------|
| GRAIN, etc.                                     |               |              |
| Wheat                                           | s. d.         | s. d.        |
| Eng. Gaz. av. per cwt. (e)                      | 15 6          | 15 5         |
| Barley, Eng. Gaz. av. per cwt. (e)              | 27 9          | 27 9         |
| Oats                                            | 16 5          | 16 5         |
| POTATOES (per cwt.)—                            |               |              |
| English                                         | 4 6           | 4 6          |
| JUTE (per ton)—                                 |               |              |
| Dunfermline 2½ c. and f. Dundee                 | 39/0/0        | 39/15/0      |
| COAL (best Admiralty)                           | 39 4          | 39 4         |
| Welsh, best Admiralty                           | 40 1          | 40 1         |
| CHEMICALS—                                      |               |              |
| Ammonia, Sulphate                               | 10/0/6        | 10/2/0       |
| (e) Average for weeks ended Feb. 26 and Mar. 4. |               |              |

## AMERICAN WHOLESALE PRICES

|                                                       | Feb. 29, 1944 | Mar. 7, 1944 |
|-------------------------------------------------------|---------------|--------------|
| GRAINS (per bushel)—                                  |               |              |
| Wheat, Chicago, May                                   | 170           | 171          |
| Oats, Chicago, May                                    | 80            | 80½          |
| Rye, Chicago, May                                     | 127½          | 128½         |
| MISCELLANEOUS (per lb.)—                              |               |              |
| Cotton, N.Y., Am. mid., spot                          | 21.20         | 21.42        |
| " " " " " " " "                                       | 20.67         | 20.93        |
| Meatly Index of staple commodities, Dec. 31, 1931=100 | 248.8         | 249.7        |

## COMPANY RESULTS (February 23, 1944, to March 8, 1944)

| Company                              | Year Ended | Total Profit | Depreciation, etc. | Net Profit after Deb. Interest | Available for Distribution | Appropriation |           |        |                  |                         | Preceding Year |            |           |
|--------------------------------------|------------|--------------|--------------------|--------------------------------|----------------------------|---------------|-----------|--------|------------------|-------------------------|----------------|------------|-----------|
|                                      |            |              |                    |                                |                            | Prof. Div.    | Ord. Div. | Rate   | To Free Reserves | + or - in Carry Forward | Total Profit   | Net Profit | Ord. Div. |
| Breweries, &c.                       |            |              |                    |                                |                            |               |           |        |                  |                         |                |            |           |
| Walker (P.), Warrington & Cain (R.)  | Dec. 31    | £ 561,798    | ...                | £ 395,302                      | £ 532,654                  | £ 160,000     | £ 181,600 | 8      | £ 50,000         | + 3,702                 | £ 561,867      | £ 394,184  | ...       |
| Coal, Iron and Steel                 |            |              |                    |                                |                            |               |           |        |                  |                         |                |            |           |
| Clarke, Chapman & Co.                | Dec. 31    | 122,448      | 23,651             | 86,038                         | 123,792                    | 4,890         | 60,000    | 12½    | 20,000           | + 1,148                 | 122,239        | 88,605     | 12½       |
| Fife Coal Co.                        | Dec. 31    | 148,044      | ...                | 148,044                        | 319,608                    | 10,447        | 85,795    | 14     | 50,000           | + 1,892                 | 165,230        | 165,230    | 14        |
| Lancashire Steel Corporation         | Oct. 31    | £ 458,546    | ...                | £ 199,473                      | 284,157                    | 47,448        | 100,982   | 7      | 50,000           | + 1,043                 | 514,509        | 214,886    | 7         |
| Redpath, Brown & Co.                 | July 31    | 60,827       | 6,190              | 44,730                         | 44,730                     | 5,250         | 39,480    | 11-28½ | ...              | ...                     | 72,035         | 47,688     | 12-12½    |
| Shireoaks Colliery                   | Dec. 31    | Dr. 8,912    | ...                | Dr. 26,729                     | Dr. 26,729                 | ...           | ...       | ...    | ...              | - 26,729                | 3,137          | Dr. 14,400 | Nil       |
| Wigan Coal Corporation               | Oct. 31    | £ 883,837    | 50,210             | £ 23,601                       | 46,057                     | 7,780         | 15,415    | 2½     | ...              | + 406                   | 103,030        | 29,574     | 2½        |
| Financial, Land, &c.                 |            |              |                    |                                |                            |               |           |        |                  |                         |                |            |           |
| Culloden Consolidated Co.            | Dec. 31    | 7,784        | ...                | 2,343                          | 4,347                      | ...           | 2,156     | 3½     | ...              | + 187                   | 6,661          | 2,342      | Nil       |
| Lennards Real Property               | Dec. 31    | 25,712       | ...                | 11,506                         | 12,653                     | 7,500         | 3,375     | 4½     | ...              | + 631                   | 36,822         | 17,463     | 4½        |
| North Queensland Mortgage, &c.       | Sept. 30   | 18,348       | ...                | 8,205                          | 11,143                     | 7,358         | ...       | 1,000  | ...              | + 152                   | 18,554         | 7,862      | Nil       |
| Rubber Plantations Investment        | Dec. 31    | 35,171       | ...                | 15,188                         | 136,540                    | ...           | ...       | ...    | ...              | + 15,188                | 51,731         | 24,608     | Nil       |
| Scottish Australian Co.              | June 30    | 88,799       | ...                | 67,217                         | 74,845                     | 32,000        | 25,000    | 5      | ...              | + 10,217                | 76,453         | 52,721     | 5         |
| Motor, Aviation, &c.                 |            |              |                    |                                |                            |               |           |        |                  |                         |                |            |           |
| Enfield Cycle Co.                    | Aug. 31    | 122,846      | 48,032             | 9,692                          | 21,794                     | 1,812         | 8,438     | 7½     | ...              | - 558                   | 82,043         | 9,643      | 7½        |
| Oil                                  |            |              |                    |                                |                            |               |           |        |                  |                         |                |            |           |
| Kern Oil Co.                         | May 31     | 189,763      | 62,113             | £ 36,632                       | 67,094                     | ...           | 26,750    | 6      | ...              | + 9,882                 | 199,366        | 35,305     | 6         |
| Rubber                               |            |              |                    |                                |                            |               |           |        |                  |                         |                |            |           |
| Bandanga Limited                     | Sept. 30   | 6,883        | ...                | 705                            | 1,630                      | ...           | 948       | 4      | ...              | - 243                   | 9,954          | 1,957      | 4         |
| Bangawan Estates                     | Dec. 31    | Dr. 310      | ...                | Dr. 310                        | 7,939                      | ...           | ...       | ...    | ...              | - 310                   | Dr. 1,191      | Dr. 1,191  | Nil       |
| Batu Kawan Rubber                    | Sept. 30   | 78           | ...                | Dr. 681                        | Dr. 681                    | ...           | ...       | ...    | ...              | - 681                   | Dr. 8,673      | Nil        | Nil       |
| Buloh River Rubber                   | Sept. 30   | 2            | ...                | Dr. 964                        | Dr. 5,301                  | ...           | ...       | ...    | ...              | - 964                   | 68             | Dr. 5,017  | Nil       |
| Kuala Goh Estates                    | Dec. 31    | Dr. 720      | ...                | Dr. 720                        | Dr. 720                    | ...           | ...       | ...    | ...              | - 720                   | Dr. 1,062      | Dr. 1,062  | Nil       |
| Kuala Pilah Rubber                   | Dec. 31    | 167          | ...                | Dr. 545                        | 367                        | ...           | ...       | ...    | ...              | - 545                   | 204            | Dr. 767    | Nil       |
| Muar Itam Estates                    | Dec. 31    | Dr. 508      | ...                | Dr. 508                        | Dr. 508                    | ...           | ...       | ...    | ...              | - 508                   | Dr. 992        | Dr. 992    | Nil       |
| North Malay Rubber                   | Dec. 31    | 19,547       | ...                | 8,596                          | 30,649                     | ...           | ...       | ...    | ...              | + 8,596                 | 1,266          | Dr. 5,848  | Nil       |
| Rambutan Rubber                      | Dec. 31    | 752          | ...                | Dr. 1,776                      | 11,482                     | ...           | ...       | ...    | ...              | - 1,776                 | 674            | Dr. 3,626  | Nil       |
| Ratanui Rubber                       | June 30    | 335          | ...                | Dr. 1,812                      | Dr. 3,776                  | ...           | ...       | ...    | ...              | - 1,812                 | 4,432          | 2,686      | Nil       |
| Serdang (F.M.S.) Rubber              | Sept. 30   | 1,112        | ...                | 629                            | 24,570                     | ...           | ...       | ...    | ...              | + 629                   | 2,032          | 1,419      | Nil       |
| Serdang Central Plantations          | Aug. 31    | 68           | ...                | Dr. 692                        | Dr. 538                    | ...           | ...       | ...    | ...              | - 692                   | 340            | Dr. 5,682  | Nil       |
| Sungei Kari (Sumatra) Rubber         | June 30    | 82           | ...                | 2,876                          | Dr. 2,092                  | ...           | ...       | ...    | ...              | + 2,876                 | 3,097          | Dr. 6,214  | Nil       |
| Tanaga Batu Rubber                   | Dec. 31    | 1,175        | ...                | 870                            | 3,487                      | ...           | ...       | ...    | ...              | - 870                   | Dr. 961        | Dr. 961    | Nil       |
| United Serdang (Sumatra) Rubber      | Aug. 31    | 14,801       | ...                | Dr. 14,790                     | 20,906                     | ...           | ...       | ...    | ...              | - 14,790                | 53,578         | Dr. 20,791 | Nil       |
| Shipping                             |            |              |                    |                                |                            |               |           |        |                  |                         |                |            |           |
| British Oil Shipping                 | Dec. 31    | 4,523        | ...                | Dr. 42,289                     | Dr. 5,844                  | ...           | 4,687     | 3½     | Dr. 15,000       | - 31,976                | 11,433         | 9,156      | Nil       |
| Laupport and Holt Line               | Dec. 31    | 100,448      | 50,000             | 40,537                         | 243,639                    | ...           | 35,712    | 8      | ...              | + 4,825                 | 111,748        | 26,299     | 8         |
| Shops and Stores                     |            |              |                    |                                |                            |               |           |        |                  |                         |                |            |           |
| British Home Stores                  | Dec. 31    | 171,183      | 22,111             | 52,881                         | 72,402                     | 47,333        | 17,360    | 25     | 15,000           | + 3,188                 | 169,065        | 42,951     | 25        |
| Greenless & Sons ("Esiephit" Footwr) | Dec. 25    | 86,532       | 12,380             | 56,283                         | 77,381                     | 18,751        | 27,000    | 10     | ...              | + 10,532                | 80,993         | 49,354     | 10        |
| Public Benefit Boot Co.              | Jan. 1     | 129,030      | 10,158             | 22,651                         | 33,059                     | 16,314        | 7,500     | 10     | ...              | - 1,183                 | 171,520        | 26,926     | 10        |
| Rotherham (Jeremiah) & Co.           | Jan. 15    | 75,104       | ...                | 65,854                         | 90,767                     | 10,000        | 45,000    | 7½     | 5,000            | + 5,854                 | 47,753         | 42,385     | 5         |
| Sixton Shoe Co.                      | Dec. 31    | 213,185      | 31,267             | 44,293                         | 71,594                     | 15,438        | 29,687    | 12½    | ...              | - 827                   | 248,725        | 44,475     | 12½       |
| Whiteley (William)                   | Jan. 31    | 193,191      | 16,509             | 31,469                         | 99,901                     | 22,500        | ...       | ...    | 5,000            | + 3,969                 | 186,098        | 23,334     | ...       |
| Textiles                             |            |              |                    |                                |                            |               |           |        |                  |                         |                |            |           |
| Wolsey Limited                       | Dec. 31    | 150,697      | 34,123             | 46,575                         | 86,569                     | 28,125        | 16,875    | 4½     | ...              | + 1,575                 | 141,170        | 45,591     | 4½        |
| Tramway and Omnibus                  |            |              |                    |                                |                            |               |           |        |                  |                         |                |            |           |
| Buenos Aires Town & Docks Trams      | June 30    | 4,299        | ...                | Dr. 1,264                      | 531                        | ...           | ...       | ...    | ...              | - 1,294                 | 4,695          | Dr. 475    | Nil       |
| West Riding Automobile Co.           | Dec. 31    | 304,976      | 25,971             | 48,114                         | 72,832                     | 6,939         | 20,488    | 10     | 21,000           | - 315                   | 311,289        | 48,936     | 10        |
| Trusts                               |            |              |                    |                                |                            |               |           |        |                  |                         |                |            |           |
| American Trust Co.                   | Jan. 31    | 80,478       | ...                | 25,266                         | 38,383                     | 12,000        | 9,600     | 6      | 3,500            | + 166                   | 78,100         | 24,044     | 6         |
| Average Trust Limited                | Dec. 31    | 1,413        | ...                | 396                            | 884                        | ...           | ...       | ...    | 500              | - 104                   | 1,230          | 488        | ...       |
| British Maritime Trust               | Dec. 31    | 81,592       | 25,000             | 36,548                         | 73,484                     | ...           | 37,500    | 7½     | ...              | + 952                   | 83,635         | 38,145     | 7½        |
| Broadstone Investment Trust          | Dec. 31    | 65,330       | ...                | 16,270                         | 71,890                     | 16,188        | ...       | ...    | ...              | - 63,585                | 12,251         | ...        | ...       |
| Debiture and Capital Investment      | Jan. 15    | 136,950      | ...                | 35,331                         | 63,587                     | 14,329        | 18,173    | 5½     | ...              | + 2,282                 | 132,431        | 32,674     | 5½        |
| Debiture Trust                       | Dec. 31    | 70,981       | ...                | 28,398                         | 33,148                     | 3,713         | 14,425    | 7      | ...              | + 4,610                 | 64,910         | 27,376     | 7         |
| General Investors and Trustees       | Jan. 31    | 94,839       | ...                | 31,001                         | 39,284                     | 10,291        | 19,929    | 9      | 5,000            | - 4,219                 | 53,146         | 30,287     | 9         |
| International Investment Trust       | Jan. 31    | 64,809       | ...                | 33,535                         | 100,381                    | 14,400        | 16,000    | 7½     | ...              | + 3,135                 | 61,004         | 30,051     | 7½        |
| Midland-Caledonian Investment Trust  | Dec. 31    | 24,746       | ...                | 8,207                          | 17,709                     | ...           | 6,290     | 5      | 5,000            | - 2,993                 | 24,750         | 8,085      | 5         |
| Orient Trust                         | Dec. 31    | 8,046        | ...                | 6,349                          | 16,460                     | ...           | 6,825     | 2      | ...              | - 276                   | 8,849          | 7,000      | 2         |
| Scottish Central Investment Trust    | Jan. 15    | 104,372      | ...                | 26,047                         | 48,214                     | 15,500        | 7,233     | 3½     | 5,000            | - 1,686                 | 99,846         | 24,469     | 3½        |
| Second British Assets Trust          | Dec. 31    | 122,549      | ...                | 33,221                         | 92,380                     | 12,286        | 14,566    | 8      | 8,743            | - 2,564                 | 119,210        | 35,192     | 8         |
| Second Edinburgh & Dundee Invest.    | Jan. 31    | 67,340       | ...                | 16,975                         | 29,069                     | 10,213        | 3,405     | 24     | ...              | + 3,367                 | 63,541         | 14,942     | 24        |
| Second Scottish-American Trust       | Feb. 1     | 94,710       | ...                | 32,797                         | 44,870                     | 6,400         | 21,333    | 20     | 5,000            | + 64                    | 94,045         | 32,114     | 20        |
| Share and General Investment         | Jan. 15    | 124,206      | ...                | 48,463                         | 119,576                    | 25,575        | 20,150    | 6½     | ...              | + 2,738                 | 120,249        | 46,243     | 6½        |
| United Counties Trust                | Sept. 30   | 4,844        | ...                | Dr. 487                        | 5,034                      | ...           | ...       | ...    | ...              | - 487                   | 7,109          | 2,519      | Nil       |
| United States Investment Corporation | Dec. 31    | 39,591       | ...                | 13,379                         | 34,276                     | 5,600         | 5,227     | 7      | ...              | + 2,552                 | 37,797         | 12,596     | 7         |
| Utilities and General Trust          | Dec. 31    | 43,357       | ...                | 10,479                         | 19,365                     | 6,667         | 2,666     | 2      | 2,000            | - 894                   | 40,635         | 8,824      | 2         |
| Waterworks                           |            |              |                    |                                |                            |               |           |        |                  |                         |                |            |           |
| Bristol Waterworks                   | Dec. 31    | 251,331      | ...                | 175,033                        | 228,469                    | 68,002        | 77,735    | 6      | 30,000           | - 704                   | 241,039        | 160,821    | 6         |
| Newcastle & Gateshead Water          | Feb. 1     | 263,908      | ...                | 149,418                        | 229,274                    | 75,262        | 76,170    | 9 & 6½ | ...              | - 2,014                 | 260,594        | 180,588    | 9 & 6½    |
| Southend Waterworks                  | Dec. 31    | 324,192      | ...                | 90,526                         | 155,878                    | 48,154        | 38,533    | 3      | ...              | + 3,859                 | 304,445        | 84,588     | 3         |
| Other Companies                      |            |              |                    |                                |                            |               |           |        |                  |                         |                |            |           |
| Atlas Stone Co.                      | Oct. 31    | 14,935       | 7,500              | Dr. 4,679                      | 32,593                     | ...           | 4,583     | 5      | ...              | - 9,222                 | 30,481         | 7,356      | 10        |
| Barratt & Co.                        | Dec. 31    | 79,977       | ...                | 55,077                         | 216,345                    | 19,500        | 33,190    | 27     | ...              | + 477                   | 76,142         | 64,793     | 27        |
| Bovril Limited                       | Dec. 31    | 582,282      | 21,408             | 162,255                        | 289,228                    | 40,500        | 82,500    | 7½ & 9 | 35,000           | - 4,275                 | 310,109        | 162,411    | 9         |
| British Wagon Co.                    | Dec. 31    | 97,666       | ...                | 22,217                         | 69,762                     | ...           | 16,250    | 25     | ...              | + 5,967                 | 97,235         | 28,066     | 25        |
| Brue Poches & Co.                    | Dec. 31    | 41,042       | 20,000             | 19,737                         | 31,612                     | 5,107         | 14,223    | 8      | ...              | + 407                   | 40,815         | 20,565     | 8         |
| Butlin's Limited                     | Sept. 30   | 61,500       | ...                | 10,327                         | Dr. 88,165                 | ...           | 625       | 5      | 1,000            | + 89                    | 3,909          | 1,258      | 5         |
| City Safe Deposit                    | Dec. 31    | 9,690        | ...                | 2,955                          | 7,653                      | ...           | 18,750    | 15½    | ...              | + 5,206                 | 139,660        | 36,921     | 15½       |
| Country Garage and Tool              | Aug. 31    | 159,894      | 36,078             | 14,640                         | 47,054                     | 5,100         | 7,500     | 10     | ...              | + 2,040                 | 18,174         | 15,627     | 10        |
| Crosby Building Products             | Jan. 31    | 17,903       | ...                | 31,431                         | 38,679                     | ...           | 16,406    | 12½    | 10,000           | + 5,025                 | 35,744         | 24,010     | 10        |
| Culter Mills Paper Co.               | Dec. 31    | 47,481       | ...                | 11,061                         | 16,954                     | ...           | 11,000    | 11     | ...              | + 61                    | 60,791         | 16,685     | 11        |
| Darnell, J. & Son                    | Dec. 31    | 55,040       | 729                | 10,153                         | 32,602                     | ...           | 8,406     | 6      | 1,500            | + 253                   | 15,810         | 10,854     | 6         |
| Devas, Kentledge & Co.               | Dec. 31    | 49,120       | ...                | 44,617                         | 59,076                     | 27,934        | 14,966    | 1      | ...              | + 1,717                 | 49,729         | 45,043     | 1         |
| English China Clays                  | Dec. 31    | 98,875       | 7,174              | 23,552                         | 61,943                     | 2,727         | 15,695    | 20     | 5,000            | + 130                   | 88,598         | 18,743     | 20        |
| Field, Sons & Co.                    | Sept. 30   | 84,025       | 13,833             | 10,052                         | 11,827                     | ...           | 6,000     | 5      | 4,000            | + 52                    | 83,818         | 18,557     | 6         |
| Foster, Yates & Thom                 | Dec. 31    | 15,136       | 4,717              | Dr. 2,490                      | 5,208                      | 7,500         | ...       | ...    | Dr. 2,500        | - 7,490                 | 26,155         | 12,019     | Nil       |
| Gray (William C.) & Sons             | Jan. 31    | 13,324       | ...                | 11,325                         | 38,962                     | 2,590         | 8,250     | 7½     | ...              | + 375                   | 15,727         | 12,267     | 7½        |
| Hine, Parker & Co.                   | Dec. 31    | 59,833       | 6,032              | 16,387                         | 22,350                     | 5,156         | 7,500     | 10     | ...              | + 7,731                 | 47,027         | 20,164     | 10        |
| Johnson & Slater                     | Feb. 8     | 48,259       | 6,000              | 40,513                         | 62,360                     | 3,250         | 30,000    | 12½    | 5,000            | - 2,249                 | 48,415         | 40,059     | 10        |
| Levi's Royal Polytechnic             | Sept. 30   | 11,318       | ...                | 19,814                         | 97,032                     | ...           | 24,326    | 19     | ...              | + 5,112                 | 207,995        | 62,164     | 8         |
| Monotype Corporation                 | Dec. 31    | 61,452       | ...                | 26,939                         | 35,145                     | 3,600         | 16,031    | 12½    | 5,000            | + 2,908                 | 57,085         | 30,910     | 12½       |
| Oakey (James) Limited                | Dec. 24    | 110,929      | 10,077             | 26,792                         | 51,879                     | 22,941        | 4,217     | 47     | ...              | - 36                    | 91,428         | 24,862     | 47        |
| Pallin (R. B.) & Co.                 | Oct. 31    | 131,786      | 8,723              | 15,655                         | 17,062                     | ...           | 10,000    | 20     | 6,000            | - 345                   | 107,087        | 30,080     | 20        |
| Robinson (Thomas) & Son              | Dec. 31    | 143,432      | 9,244              | 31,155                         | 68,787                     | 11,250        | 16,619    | 7½     | ...              | + 3,266                 | 94,764         | 36,934     | 7½        |
| Selincourt & Sons                    | Nov. 30    | 65,605       | ...                | 17,238                         | 29,240                     | 12,500        | ...       | ...    | ...              | + 4,738                 | 41,690         | 25,240     | Nil       |
| Southalls (Birmingham)               | Dec. 31    | 176,911      | ...                | 76,642                         | 112,380                    | ...           | 58,500    | 25     | 13,271           | + 4,871                 | 174,599        | 137,531    | 20        |
| Variety Theatres Consolidated        | Dec. 31    | 29,606       | ...                | 13,027                         | 35,377                     | 6,094         | ...       | ...    | 5,000            | + 2,023                 | 29,791         | 21,642     | Nil       |
| Vaers Limited                        | Dec. 31    | 66,353       | 5,714              | 38,622                         | 48,849                     | 3,712         | 18,080    | 30     | ...              | + 15,910                | 39,091         | 18,058     | 30        |
| Wembley Stadium Limited              | Dec. 31    | 125,421      | 12,304             | 47,796                         | 54,879                     | 16,625        | 20,000    | 20     | 10,000           | + 1,171                 | 86,377         | 43,679     | 17½       |
| West Ham Stadium                     | Dec. 31    | 74,325       | ...                | 9,190                          | 15,853                     | 5,090         | 1,250     | 19     | ...              | + 2,                    |                |            |           |



## WAGES IN INDUSTRY

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

| Industry Group                                          | Average Earnings in the First Pay Week of July, 1943 |                                  |                           |                        |             | Average Percentage Increases between Oct., 1938, and July, 1943† |                 |       |       |             | Percentage Increase or Decrease (—) between Jan., 1943, and July, 1943 |                 |       |       |             |
|---------------------------------------------------------|------------------------------------------------------|----------------------------------|---------------------------|------------------------|-------------|------------------------------------------------------------------|-----------------|-------|-------|-------------|------------------------------------------------------------------------|-----------------|-------|-------|-------------|
|                                                         | Men (21 years and over)                              | Youths and Boys (under 21 years) | Women (18 years and over) | Girls (under 18 years) | All Workers | Men                                                              | Youths and Boys | Women | Girls | All Workers | Men                                                                    | Youths and Boys | Women | Girls | All Workers |
| Iron, stone, etc., mining and quarrying                 | s. d. 97 11                                          | s. d. 52 0                       | s. d. †                   | s. d. †                | s. d. 91 7  | % 63                                                             | % 72            | % ... | % ... | % 62        | % 7.9                                                                  | % 7.4           | % ... | % ... | % 8.7       |
| Treatment of non-metalliferous mine and quarry products | 109 5                                                | 52 9                             | 59 0                      | 37 8                   | 97 10       | 65                                                               | 66              | 99    | 110   | 60          | 3.9                                                                    | 1.8             | 1.3   | 4.9   | 5.1         |
| Brick, pottery and glass                                | 104 3                                                | 44 6                             | 49 4                      | 29 4                   | 78 3        | 65                                                               | 61              | 77    | 98    | 64          | 4.5                                                                    | 3.3             | 4.8   | 4.8   | 0.5         |
| Chemical, paint, oil, etc.                              | 116 3                                                | 42 8                             | 63 7                      | 32 1                   | 90 1        | 68                                                               | 45              | 95    | 77    | 64          | 5.0                                                                    | 0.4             | 3.7   | 10.0  | 0.5         |
| Metal, engineering and shipbuilding                     | 138 3                                                | 50 9                             | 69 10                     | 38 8                   | 108 3       | 84                                                               | 95              | 110   | 94    | 81          | 5.1                                                                    | 5.2             | 5.1   | 2.8   | 5.1         |
| Textiles                                                | 96 11                                                | 41 5                             | 52 11                     | 35 8                   | 64 2        | 69                                                               | 73              | 67    | 81    | 70          | 3.9                                                                    | 2.7             | 5.3   | 7.3   | 4.5         |
| Leather, fur, etc.                                      | 100 2                                                | 42 3                             | 50 10                     | 31 3                   | 74 5        | 56                                                               | 67              | 46    | 79    | 59          | 0.6                                                                    | 3.0             | 4.4   | 3.6   | 3.7         |
| Clothing                                                | 98 9                                                 | 39 3                             | 50 3                      | 30 2                   | 54 9        | 54                                                               | 59              | 53    | 72    | 56          | 4.0                                                                    | 4.2             | 4.0   | 4.3   | 3.3         |
| Food, drink and tobacco                                 | 101 8                                                | 40 1                             | 50 10                     | 30 5                   | 72 9        | 56                                                               | 43              | 54    | 60    | 55          | 5.1                                                                    | 1.7             | 6.1   | 6.1   | 5.6         |
| Woodworking                                             | 102 3                                                | 37 8                             | 56 9                      | 34 0                   | 79 4        | 54                                                               | 61              | 69    | 95    | 53          | 6.2                                                                    | 2.3             | 5.6   | 7.9   | 6.6         |
| Paper, printing, stationery, etc.                       | 112 7                                                | 32 5                             | 51 2                      | 28 6                   | 80 6        | 34                                                               | 31              | 50    | 67    | 40          | 4.7                                                                    | 1.0             | 9.7   | 11.0  | 5.7         |
| Building, contracting, etc.                             | 108 4                                                | 46 10                            | 61 5                      | †                      | 100 4       | 64                                                               | 82              | ...   | ...   | 64          | 14.4                                                                   | 6.6             | 17.2  | ...   | 14.2        |
| Miscellaneous manufacturing industries                  | 122 10                                               | 48 9                             | 59 3                      | 35 10                  | 84 1        | 78                                                               | 83              | 87    | 95    | 81          | 6.7                                                                    | 5.2             | 8.9   | 9.7   | 7.1         |
| Transport, storage, etc. (except railways)              | 104 2                                                | 43 10                            | 71 5                      | †                      | 95 0        | 49                                                               | 62              | 105   | ...   | 45          | 4.4                                                                    | 1.0             | 6.3   | ...   | 4.9         |
| Public utility services                                 | 88 7                                                 | 37 1                             | 47 10                     | 27 0                   | 80 3        | 40                                                               | 34              | 73    | 26    | 34          | 0.5                                                                    | 3.0             | 6.5   | 3.8   | 4.4         |
| Govt. industrial estab.                                 | 132 3                                                | 49 5                             | 81 0                      | 40 6                   | 107 5       | 76                                                               | 52              | 81    | ...   | 52          | 8.5                                                                    | 9.6             | 12.2  | —1.6  | 10.1        |
| All the above                                           | 121 3                                                | 47 2                             | 62 2                      | 33 10                  | 93 7        | 78                                                               | 81              | 91    | 83    | 76          | 6.6                                                                    | 4.6             | 6.3   | 5.5   | 6.4         |

\* In calculating the averages for women and for all workers, given in this table, women employed as part-time workers for not more than 30 hours a week have been included, on the basis of two-part-timers taken as representing one full-timer. † The number returned in this group was very small. ‡ In the case of the Government industrial establishments, the comparisons between the average earnings in October, 1938, and July, 1943, are materially affected by the fact that the returns for the latter date covered a number of establishments, employing large numbers of workers, which were not in operation in October, 1938.

## THE CHARTERED BANK OF INDIA AUSTRALIA AND CHINA

(Incorporated by Royal Charter 1853)

CAPITAL (PAID UP) - £3,000,000

RESERVE FUND - £3,000,000

Branches and Agencies throughout INDIA and the EAST. AFFILIATED BANK IN INDIA

THE ALLAHABAD BANK LTD., with 15 Branches &amp; Sub-Agencies. The Bank offers a complete Banking Service and provides exceptional facilities for financing every description of trade with the East.

Deposits for Fixed Periods or repayable at call or at short notice are received at rates which may be ascertained on application. The Bank also undertakes Trusteeships and Executorships.

Head Office: 38, BISHOPSGATE, LONDON, E.C.2

West End Branch:

28, CHARLES II STREET, HAYMARKET, S.W.1

Manchester Branch: 52, MOSLEY STREET

New York Agency: 65, BROADWAY, NEW YORK CITY

## NATIONAL BANK OF INDIA LIMITED

Bankers to the Government in Kenya Colony and Uganda.

Head Office: 26 BISHOPSGATE, LONDON, E.C.2.

## BRANCHES:

|                     |                   |           |         |                      |
|---------------------|-------------------|-----------|---------|----------------------|
| Aden and Aden Point | Cochin (S. India) | Madras    | Risumu  | Kenya Colony         |
| Amritsar            | Colombo           | Mandala   | Mombasa | British E.A.         |
| Bombay              | Delhi             | Nuwara    | Nairobi |                      |
| Calcutta            | Kandy             | Eliya     | Nakuru  |                      |
| Cawnpore            | Karachi           | Rangoon   | Entebbe |                      |
| Chittagong          | Lahore            | Tuticorin | Jinja   | Uganda               |
| Dar-es-salaam       | Mwanza            | Tanga     | Kampala |                      |
|                     |                   |           |         | Tanganyika Territory |

SUBSCRIBED CAPITAL ... £4,000,000

PAID-UP CAPITAL ... £2,000,000

RESERVE FUND ... £2,200,000

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

## ALEXANDRIA WATER COMPANY, LIMITED

ALEXANDRIA, EGYPT.

NOTICE IS HEREBY GIVEN that the sixty-sixth ordinary general meeting of the shareholders will be held at the company's offices, 61 Avenue Fouda Ier, Alexandria, on Thursday the 6th April 1944 at half past four in the afternoon for the transaction of the ordinary business of the company pursuant to Act of Parliament and to fix the directors' remuneration.

Holders of share warrants to bearer desiring to attend or to be represented at the meeting must deposit their share warrants in London before the 23rd March 1944 or in Alexandria before the 3rd April 1944 until after the meeting, at the National Bank of Egypt, 6 King William Street, London, E.C.4, or at the National Bank of Egypt, Alexandria, or at some other approved bank in London or Alexandria.

By Order of the Board,  
T. D. KEY,  
R. WALTON, } Joint Managers.

Dated, Alexandria, Egypt, the 20th January, 1944.

## THE HONGKONG AND SHANGHAI BANKING CORPORATION

CAPITAL ISSUED AND FULLY PAID UP \$20,000,000  
RESERVE FUNDS STERLING - £7,125,000  
RESERVE LIABILITY OF MEMBERS - \$20,000,000

Head Office (temporarily),

9, GRACECHURCH STREET, LONDON, E.C.3.

Chief Manager: A. MORSE.

BRANCHES AND AGENCIES THROUGHOUT INDIA AND THE FAR EAST, Etc.

HONGKONG &amp; SHANGHAI BANK (TRUSTEE) LIMITED,

9, Gracechurch Street, E.C.3, a company incorporated in England and an affiliate of The Hongkong and Shanghai Banking Corporation, is prepared to act as Executor and Trustee in approved cases.

Full particulars may be had on application.

## COMMONWEALTH BANK OF AUSTRALIA

Guaranteed by the Australian Government. Branches and Agencies throughout Australia.

Banking and Exchange Business of every description transacted. Bankers to the Government of the Commonwealth of Australia, the Government of the State of Queensland, the Government of the State of South Australia, the Government of Western Australia, the Government of the State of Tasmania, Commonwealth Savings Bank of Australia, 3,921 Agencies at Post Offices in Australia.

|                                             |              |
|---------------------------------------------|--------------|
| As at 30th June, 1943—General Bank Balances | £287,573,348 |
| Savings Bank Balances                       | 221,004,631  |
| Note Issue Department                       | 149,496,942  |
| Rural Credits Department                    | 2,464,150    |
| Other Items                                 | 21,990,375   |
|                                             | £682,529,446 |

A. H. LEWIS, Manager.

London Office: 8, OLD JEWRY, E.C.2.

Also at AUSTRALIA HOUSE, STRAND, W.C.

## REFUGE ASSURANCE COMPANY LTD.

Chief Office: OXFORD STREET, MANCHESTER, 1

ANNUAL INCOME EXCEEDS - £14,500,000

ASSETS EXCEED - £83,000,000

CLAIMS PAID EXCEED - £155,000,000

(1943 Accounts)

## THE EASTERN BANK, LIMITED

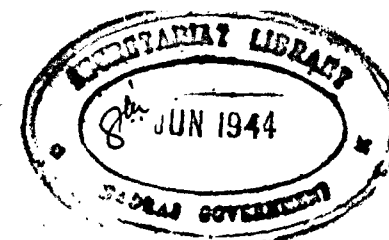
The Transfer Books will be CLOSED from 15th to 29th March 1944, both days inclusive.

By Order of the Board,

C. L. MANNING, Secretary.

2 and 3, Crosby Square, London, E.C.3. 8th March, 1944.

Printed in Great Britain by ST. CLEMENTS PRESS, LTD., Portugal St., Kingsway, London, W.C.2. Published weekly by THE ECONOMIST NEWSPAPER, LTD., at Brettenham House, Lancaster Place, London, W.C.2—Saturday, March 11 1944.



# THE ECONOMIST

ESTABLISHED 1843

Vol. CXLVI No. 5247

REGISTERED AS A NEWSPAPER

MARCH 18, 1944

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

ONE SHILLING

Irish Neutrality - - - 357

According to Plan - - - 358

Verdict on Munich - - - 360

NOTES OF THE WEEK - - - 362

The Russian Offensive; Roumanian Peace Feelers; Secondary Schools; Married Women Teachers; Stability and Efficiency; Russia Recognises Badoglio; The Italian Fleet; Health Questions; Voluntary Contributions; "The Prevention of General Unemployment"; Far Eastern Fighting; A Common Strategy?; Into Battle; American Bombing; Infant Mortality; King's Pidgin; Shorter Note.

AMERICAN SURVEY - - - 368

Contract Renegotiation; Kingpin of Victory; Senate Peace Survey; Army Casualties; Shorter Notes.

THE WORLD OVERSEAS - - - 370

After the Pucheu Trial; Canada's Imperial Relations; Social Reforms for Portugal.

After the Pucheu Trial - - - 370

The Future of Railways - - - 374

Mining Wages - - - 375

## THE BUSINESS WORLD

BUSINESS NOTES - - - 376

Civil Aviation; Each to His Capacity; Credit Contraction; Canadian Pacific Results; Powell Duffryn Issue; Resistance to Progress; Diamond Boom; Sweden's Monetary Policy; Interest and Premium Rates; LPTB Stocks; Caution Over Copper; Post-War Furniture; Shorter Notes; Company Result.

COMPANY MEETINGS - - - 382

RECORDS AND STATISTICS - - - 384

THE ECONOMIST, BRETTEHAM HOUSE, LANCASTER PLACE, LONDON, W.C.2.

TELE.: TEMPLE BAR 3316

ANNUAL SUBSCRIPTION £3.

## Irish Neutrality

FOR several weeks past, hints of a crisis in the relations between Eire and the United States have been leaking out through the censorships in Dublin, Washington and London, and over last week-end the whole story was released. On February 21st, the American Minister presented to Mr De Valera a note, couched in strong terms—so strong that the Irish Government did not know whether or not to treat it as an ultimatum—requesting that the German Legation and the Japanese Consulate-General in Dublin be closed down. The reason given was the leakage of military information via Dublin to the enemy. The United Kingdom Representative delivered a note on the next day in which the British Government stated that they had been informed of the American initiative and fully supported it. The Australian and Canadian Governments were approached (as friendly foreigners or as Sister Dominions?) to secure the withdrawal of the original note, but both refused to intercede. An explanation was, indeed, forthcoming from Washington that no use of physical force was contemplated. But the request was not withdrawn, and had to be answered. The answer was a refusal to infringe the strictest canons of impartial neutrality.

It is rarely that a clear-cut judgment is possible in any Irish affairs. On the one hand, there is no doubt that the overwhelming body of American and British opinion thinks that Irish neutrality is not only morally indefensible but also contrary to Ireland's own ultimate

interests. There has never been the slightest secret about the British Government's wish that Eire were in the war, that the enemy missions were expelled from Dublin and that naval and air bases were available all over Ireland, instead of in one corner of the country only. On the other hand, Irish opinion is even more nearly unanimous in support of the policy of neutrality and there cannot be any doubt that under international law or the Statute of Westminster—which ever is appealed to—Eire has a perfect right to her neutrality. The Irish believe themselves to be clearer-sighted about their own self-interest than any belligerent. And as for the morality of the matter, though there are signs of what looks like a tender conscience towards England and the European democracies, there is not even a hint of guilty conscience towards America. Is not Eire, the Irish ask, pursuing exactly the same policy as the United States did before Pearl Harbour? Were the German or Italian Embassies in Washington closed before December, 1941? And did America, before she was attacked, permit as much as one-tenth of her whole population to go abroad to fight or work for the United Nations?

The moralities are thus somewhat confused. And as for the practicalities, anyone in Washington or elsewhere who thought that there was a chance of inducing a change in the Irish attitude by anything short of force must have been sadly ignorant of the present posture of Irish public affairs. Indeed, an issue of this sort is just

what Mr De Valera needs for his domestic politics. He is, it will be recalled, in a minority in the Dail, and though he has never been very hard pressed, there is a gradual accumulation of grievances which might, at any time, lead to a combination against him. But he is now presented with the golden opportunity of once again standing up as the firm defender of Eire's rights, an issue on which the opposition parties can but applaud his action.

If there was no chance of a satisfactory response, why send notes? Why did Washington and London place themselves in the dilemma of accepting a rebuff or of having to go further? There is no obvious answer, and in both the timing and the wording of the British note there is more than a hint that London, while fully sharing Washington's aims, took a different view of the methods employed. The simple fact is that the only way of getting Eire to do what the United Nations want is to use force. In 1940, *The Economist* maintained that a forcible seizure of the Irish ports would be justified if it meant the difference between life and death. But the Battle of Britain and the Battle of the Atlantic were won without infringing Eire's neutrality. And if the inconvenience could be tolerated in that far greater emergency, would it not now be folly to lose all that had been gained by patience and forbearance? Similarly, the current talk about economic sanctions is the reverse of wise. The stoppage of virtually all traffic to Ireland is an obvious precaution against which no valid Irish complaint can be raised. But what purpose is it thought that economic sanctions would serve, since they would certainly not change Mr De Valera's policy?

The upshot of this minor crisis is thus likely to be that Eire's immediate position will be completely unchanged. But the sudden turning of the spotlight on Dublin has naturally brought up for discussion the position that Eire will occupy in the post-war world. Two years ago, it is now revealed, Mr Roosevelt warned Mr De Valera of the risk he was running of having no place at the peace conference table. But these warnings serve no purpose. The Irish know they are isolated. They like it—or at least they have liked it hitherto. There are, of course, inevitably some changes in the Irish attitude to the world as well as in the world's attitude to Ireland. There is a widespread and even grudgingly grateful recognition of the tolerant patience that British policy has shown. Since the historical tyrant is clearly not feeling tyrannical in the present generation, there is a growing willingness to admit that, after all, England and Ireland must live together and that the two islands are an economic and a strategic unit. General Smuts' suggestion of a possible association for defence between Great Britain and the small democracies of Western Europe was seized upon with some eagerness in Dublin, for it would enable Eire to admit the logic of facts without, in the act, declaring herself a British Dominion. But for one thing, it might be said that Irish opinion was moving back towards the Commonwealth.

That one thing is "Partition"—the existence of Northern Ireland as an integral part of the United King-

dom. To the inhabitants of Eire—or the great majority of them—the ending of Partition (which they look to the English to bring about) is a prerequisite of any closer association with England. First the ending of Partition; then they will talk about the details of External Association. But the prospects of ending Partition—if they ever existed—have, of course, vanished. The British attitude has significantly changed. It will be a very long time before there is any party in England or Scotland in favour of bringing the slightest pressure to bear on Ulster to leave the United Kingdom and enter Eire. And if, by some miracle, the inhabitants of Northern Ireland wanted to make the change, the behaviour of Eire during this war has demonstrated that the strategic interests of the United Kingdom would not permit it. The ports were ceded in the expectation that closer relations would follow: clearly no such risk will be taken again. The only weapon the Southern Irish have ever possessed has been their ability to make the English feel ashamed of themselves. And now it has been thrown away.

The only significant change in Anglo-Irish relations—and it may be very significant—is that it now seems to be the Irish who are the more anxious to reach an accommodation. If this is hardly true of Mr De Valera, it is likely to be true of any Government that succeeds him. The English have learned that the Irish problem, on which they have expended so much energy and passion in the past, really matters to them very little indeed; their new-found attitude is one of indifference. It is most unlikely that anyone in England, for many years to come, will lift a finger to meet Eire's own terms for re-entering the Commonwealth. Indeed, if any fingers are lifted at all, it is more likely to be to exact a price for Eire's continuing to enjoy the considerable material benefits of not being formally excluded from the Commonwealth. In other words, deadlock—a not unfriendly deadlock—will continue. To Great Britain, the damage will be slight—if, indeed, it is perceptible, since the only place where damage might have been inflicted was in honour or conscience, and that has been inoculated by the war. But to Ireland the damage will be considerable. Irish society will get steadily more isolated and inbred. The first masochistic raptures of deliberate isolation are passing, and the results are beginning to appear. A peculiarly narrow, bigoted and tyrannical form of Roman Catholicism gains new victories every day. The old slogan has been proved true: "Home Rule means Rome Rule," and in the archdiocese of Dublin the faithful have just been forbidden to attend Trinity College or to contact any form of mixed marriage, even if the children's upbringing is safeguarded. The censorship is arbitrary, erratic and ridiculously stringent, whether it be on political or on moral grounds. Twenty years of insistence by the politicians not merely on the teaching of Irish, but on the teaching of all other subjects in Irish, has reduced the Irish masses to a state that is bordering on illiteracy. Nothing of all this is likely to move the politicians. It cannot help but move the friends of Ireland.

## According to Plan

MR WILLINK, the Minister of Health, had a bad day in the Commons on Wednesday. He was unfortunate. He went down to the House to talk about his plans for building 300,000 permanent houses in the two years after the war; and his scheme is creditably ambitious in scope, in view of the inevitable difficulties of construction in the immediately post-war period. But he found himself violently attacked from all sides on the question of planning for which he is one of the few Ministers who has no personal responsibility.

Yet the critics are right. The Cabinet cannot complain, though Mr Willink can, of unfair treatment. It is impossible for local authorities to draw up and carry out even short-term housing programmes satisfactorily until Government policy is known on the location of industry,

the distribution of population and the enforcement of planning and, more specifically, on the powers of local authorities to buy land and the price they will have to pay. The Barlow and Scott reports on the control of land-use have been shelved; and the battle is at present raging around the proposals of the Uthwatt Committee to compensate the owners of land affected by planning schemes. It is fairly clear now that they have been rejected by the Government. The search is on again for some method of compensation sufficiently cheap, simple and effective, while being fair, to prevent planning from being held up as it has been in the past. The drastic solution of nationalisation is always just around the corner. Its logic was nearly accepted by the Uthwatt Committee itself when it proposed that, in the case of unbuilt-up land, the state

should purchase first the development rights and then the land itself when required for public purposes or approved private development.

The issue is, of course, far wider than the very technical and very complicated question of compensation. It is whether there is to be a plan to make the best use of the land in the interests of the community; and whether private ownership can be made compatible with such a plan. It is largely because of the failure to find a satisfactory method of compensating private rights that the slight and tentative amount of planning attempted in the past has been so effective. But the main reason for failure in the past was the absence of planning itself. Planning before the war was negative in aim as well as inadequate in methods. Local authorities could ban particular kinds of building in particular districts. But neither they nor the Ministry of Health, the responsible central department, could positively push forward desirable building, and they lacked even the financial resources required to make their prohibitions effective; their powers of purchase, as well as their means, were limited, and they could not meet the cost of compensating owners for the loss of the prospective increases in the value of their property that might have occurred had development been allowed. This unsatisfactory situation has not been altered. In general terms, the Government has decided to have a positive planning policy; but it has not decided what its policy should be.

The names of Barlow, Scott and Uthwatt are generally linked together like a famous half-back line. The contents of the reports associated with these names are very much less widely known. Early in the war, the Barlow Commission, having looked at the uneven distribution of this country's population into congested, depressed or despoiled districts, proposed that the Government should do something definite about it; that a central planning authority should be set up with at least the power to prevent industrial settlement in already crowded places. The Scott Committee was set up to make proposals to prevent rural land from being spoiled or wrongly used. The Uthwatt Committee of experts was appointed to tackle the problem of compensation.

Two things are needed if the use of land is to be brought under effective public control. They are, first, a planning policy; and, secondly, the means to carry it out, including a workable method of compensation. Both requirements pose the solution of nationalisation. From all past experience it is clear that even the mildest planning of the use of land cannot be effective without public control over the area of land affected by the plan; and all the ingenious and complicated efforts to combine public control with individual ownership, by solving the problem of compensation, have so far proved unavailing, both politically and technically. Local purchase is the only method that has so far been successful in ensuring that a local plan shall be carried out—though that does

not mean, as is often argued, that the building must also be done by public bodies. If the public has the landlord's rights, that is usually sufficient. Similarly, national purchase may well be the only workable way of national planning; but whether the actual building and other development, after the plan has been made, should be carried out by public or private enterprise is a matter for decision on the merits of each individual case.

The Government has had four years in which to make up its mind on the planning of land use. Over three years ago, Lord Reith accepted the principle of central planning. In 1942, after the Scott and Uthwatt Committees' reports, Lord Portal agreed that the control of land development should cover the whole country and that, as the Uthwatt Committee had recommended in its first and interim report, local authorities should be given powers to buy war damaged areas and "reconstruction areas" as a whole, in order that they should be able to make comprehensive local plans for rebuilding. In February last year, the Ministry of Town and Country Planning was set up. The new Ministry has inherited the old negative power of the Ministry of Health to record local plans; in addition, it administers the powers given by the Interim Development Act of last August to control building all over England and Wales until planning schemes are made and brought into force.

In all, there has been little change in practice, and none in principle. Control of building and other development, under the Act of 1943, is still negative, a way of preventing wrong development (provided compensation is paid), not of ensuring right development. None of the crucial decisions has, in fact, been taken; and, without them, "control of interim development" is just a cloak for the absence of a planning policy. There is no plan of control for the new Ministry to enforce, and no technical means to enforce it.

Compensation is the most critical item in the technical enforcement of planning. The Uthwatt Committee proposed that the state should buy the "development rights" in all land outside built-up areas, on payment of fair compensation. Owners would then be forbidden to build on or otherwise develop this land, except with public consent; and the state would have compulsory powers to buy the land when required for public or private building according to plan. Compensation for the owner's loss of the right to increase the value of his property by developing it should be paid, as in the case of coal-mining royalties, out of a global sum calculated on the total value of unbuilt-up land throughout the country, and not on the market price of each particular parcel of land at the time of planning. This method of compensation was devised to prevent the inclusion in compensation of what is called "floating value." The market price of all land, especially on the fringes of towns, is much affected by the expectation that building and other development will take place. But



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only part of the land will actually be built on or needed for roads, other means of transport or services. In the words of the Uthwatt report, "the sum of the probabilities greatly exceeds the actual possibilities"; the effect of this in inflating compensation claims has been a major deterrent to planning. For land that is already built-up, the Committee proposed a different procedure. There should be a periodic levy of three-quarters of all increases in site values in built-up areas.

It is hard to see why this long drawn out and complicated procedure should be necessary simply as a preliminary to public purchase, whenever effective planning is called for, which is in effect what the Uthwatt Committee has recommended. How is the line to be drawn in the meantime between building which the owner may be permitted to do and planned development which requires the state to exercise the rights which it has purchased? It all seems quite unnecessarily cumbersome. The chief political criticism that has been made of the scheme refers not to this crucial point but to the distinction drawn between unbuilt-up land and built-up land. Much of the increase in values due to development comes in the second or third stage after the development of an area has begun. There is no obvious reason why land in urban areas should command its full market value, while land in rural areas commands only a price based upon a somewhat arbitrary formula. This is the line of criticism adopted by the Tory Reform Committee which, in the first of a new series of bulletins, offers an alternative scheme. This provides that no development or redevelopment of land should be allowed without a licence; and that licences should be given on payment of a fee equal to three quarters of the difference between the value of the land for its present use and for its intended use. These fees should go into a fund from which owners who were refused a licence could claim compensation either for expenditure they have already incurred in preparing the land for development or to meet half the difference between the value of the land in March, 1939, and its reduced selling value as a result of new legislation. This scheme again is ingenious; but in its details it is much more arbitrary and complicated than it seems in outline. It is not likely to be more acceptable than the Uthwatt scheme either to the owners of property or to the legal and administrative experts. It does not solve the problem.

## Verdict on Munich

IT is five years this week since Hitler finished his assassination of the Czechoslovak Republic by occupying Prague; he slept in Hradcany Castle on March 15, 1939, and ever since then the Czechs have groaned under the brutalities of the "Protectorate." But this was only the killing stroke. The process had begun with the seizure of Austria in the spring of 1938, and the victim had been rendered helpless at Munich in September. British official apologists affected to regard the three incidents as isolated events—it was one of the weaknesses of British policy at that period that it would never believe what was obviously coming next—but they were in fact three consecutive stages of a single plan. And the decisive moment in the plan was at Munich, when it was made clear that Hitler would have no external interference to reckon with.

Lord Maugham, who was a member of the British Cabinet from the Austrian crisis to the Polish crisis, has written a book that is intended to vindicate the Munich policy.\* The book contains no new facts. Indeed, it contains no new arguments either, for Lord Maugham bases himself on the familiar contentions—that Czechoslovakia was hardly worth saving; that it was reasonable to expect that Hitler would stop when he had the Sudetenland; that the French were unwilling to fight; that no help could be expected from Russia; that Britain was still disarmed.

\* "The Truth About the Munich Crisis." By Viscount Maugham. 76 pages. 5s. net. (London) William Heinemann, Ltd.

It does not face the fact that, whenever public control has to be made effective for planning purposes, recourse must be had to public purchase.

No one would ask that the state should buy all land at a single stroke. The first requirement is a decision on planning; on the extent to which the location and mobility of industry are to be controlled; and on the extent to which the uses of land should be laid down by order. Then purchase and planning should march in step. What is needed at once is a short Act, declaring the state's intention of ultimately taking over all property rights in land, and its intention of paying for any land requisitioned, when that occurs, at its 1939 value only, with allowances for subsequent improvements and changes in the value of money. Land could then be bought piece by piece as planned development and the need for public control over its use require it. The necessity of controlling interim building would, of course, remain; but it would be exercised against the background of a known plan. Land bought would be leased to private or public developers; and its management would be in the hands of public trustees. Possibly, in addition, land could revert to the state, for purchase, on the expiry of leases.

This may seem a very radical solution. But all the technical requirements of planning point to it, as the Uthwatt analysis in effect proved. Nor would it be nearly so costly as is very generally supposed. According to Mr Campion's estimates, the total value of privately owned land in Great Britain in 1932-34 was about £620 million. The issue is fogged for the time being by the fact that the Government does not seem to have the faintest idea of where it wants to go in the matter of planning. Not even the pegging of land values to prevent speculation, although accepted in principle, has been done. Nor have local authorities yet been given any clear statement of what their powers and financial resources to buy land for rebuilding will be. Parliament's anger on Wednesday reflected a general mood of indignation. Lord Woolton promised a White Paper "after [last] Christmas." Perhaps in this White Paper the Government's goal will be made plain. If it is, it will also be plain, though maybe not admitted, that, if positive planning and public control are really intended, public purchase is almost certainly the only effective way of achieving it, besides being the most simple and the most direct.

Moreover, Lord Maugham's manner of arguing his case will not convert many doubters. He has the air of an innocent abroad in foreign affairs; he is capable of writing that "in September, 1938, Hitler had given few public examples of his talent for mendacity"; he calls Mr Lloyd George as an unbiased witness on Dr Benes, and the late Lord Rothermere as an impartial authority on the Hungarian claims. He sneers at "the more reasonable critics—who it will be remembered became critics after 'Munich' had removed the immediate danger." It will be remembered that it was just the same intolerant inability to concede that others could be intelligent and courageous—or even consistent—which most infuriated the opponents of Neville Chamberlain and, in the end, made him impossible as a war leader.

Nevertheless, Lord Maugham has served a useful purpose in bringing the subject up for review, for the time is approaching when it will be possible to pass a considered verdict on Munich. There are three possible lines of argument in defence of what was done at Munich. The first is that Hitler was right in his quarrel with Czechoslovakia. The second is that, though he was wrong, it was no concern of Britain's. The third is that Britain and France were compelled to buy time at all costs. Lord Maugham relies in part on all three.

The first contention cannot be sustained for a moment. It would not be sustained even if it could be established that Czechoslovakia was a worthless state. "The Czechs,"

wrote *The Economist* on March 18, 1939,

have made mistakes in their twenty years and four months of freedom. But the marvel is that a people with their history and their lack of national opportunities should have shown the energy, the humanity, the moderation, the liberal democracy, the manly decency—above all, the unexampled fortitude and silent courage—they have shown.

But even if this were not so, even if the Czechoslovakia of Masaryk and Benes were as worthless as, say, the Poland of Pilsudski and Beck, Hitler's action would still be a crime. The comparison is pertinent, for those of Chamberlain's apologists who take this line set themselves the task of proving that, while it was right—or at least not wrong—for Hitler to attack Czechoslovakia in 1938, it was sufficiently wrong of him to attack Poland in 1939 to warrant a declaration of war.

The second argument—that Hitler's action was wrong, but Britain was not concerned, that it was "a quarrel in far away country between people of whom we know nothing"—is also, in the light of subsequent events, early untenable. And even though subsequent events are not known in September, 1938, they were already showing their shadows sufficiently far in advance. Chamberlain and Lord Maugham may have been unable, or unwilling, at that time to see the obvious aim of Hitler's policy and the obvious consequences of the Munich policy. But plenty of other people could see them and laced their views on record. It simply is not true to say that Hitler's intentions were inscrutable and that one view, though it may since have been proved to be incorrect, was at the time as reasonable as the other. One view—that Hitler was aiming at world domination—was based on the available evidence and turned out to be correct. The other view was based on Micawberish wishful thinking and turned out to be dangerously wrong. It would be more careful on the part of the Chamberlainites to confess their mistake and acknowledge their error than to write books to repeat it.

Moreover, the argument of British unconcern, even if it could be sustained, is hardly a defence of Munich. If Britain was unconcerned, Britain should have stood aside. What fills so many Englishmen with a sense of personal shame when they remember Munich is not that the Czechs were allowed to face their fate without help—after all, that has happened many times before and since—but the knowledge that British policy held them on the operating table while Hitler carved them up. The essence of "Munich" as a term of general description is not merely the failure to help a small power against a large but also the placing of the smaller power in such a position that it cannot exist.

It is on the third argument—that Britain and France could not afford to fight—that any defence of Munich must alone rest. It is an argument of pure expediency, without any moral content, but that may not have prevented it from being of decisive force. Lord Maugham, however, overstates his case, for nearly all of his arguments—the weakness of France, the neglect of British armaments—would apply to 1939 as much as to 1938. It is the comparison of the two years that is decisive. Nor is it right to leap forward to 1940 and to say that the Battle of Britain could not have been won in 1938. Perhaps it could not have been won in 1939 either, and we owe our safety not so much to the year that Chamberlain bought at Munich but to the second year that Hitler gave us before launching the attack. Any defence of Chamberlain must establish that there were factors of weakness in 1938 that did not exist in such decisive measure in 1939.

The opponents of Munich take it far too much for granted that delay was in Hitler's interest and against ours. But it is a matter for delicate judgment, and a confident verdict will not be possible until all the archives are open. The margin by which safety was achieved was, as it turned out, a very narrow one, and it may be that the delay, though it certainly increased the absolute preponderance of German armaments, nevertheless made possible certain indispensable additions to purely defensive weapons on the Allied side. The Czech army and the Czech arsenals, it may be supposed, would have been lost within the first few weeks in any case. It is also possible that the shock of Munich was needed to bring the British peoples—not only in the United Kingdom but also in the Dominions—to the point of realising that there are some things more precious than peace.

All these are matters of speculation. So, too, is the final element in the problem. What would have been the attitude of Russia? After the event, it was confidently stated that Russia would have fought. But at the time all that M. Litvinoff promised was to bring the dispute before the League of Nations, and to give assistance to Czechoslovakia "by ways open to them." Czechoslovakia had no common frontier with Russia, and it may be doubted, in the light of all that has happened since, whether the Soviets would have declared war on Poland as well as on Germany. The purge of the Red Army was not long finished in September, 1938; and if Russia's need for time was so great as to require considerable complaisance towards Hitler in 1940 and early 1941, could war have been contemplated in 1938? This again is a question to which no answer can be taken for granted.

It may therefore be that there was a slight margin of military advantage in postponing the outbreak of war for twelve months. This by itself, it should be noted, does not excuse Chamberlain. He did not behave, after Munich, like a man who knows he has bought a very little time at a very high price. On the contrary, the whole attitude of the Chamberlain Government between Munich and Prague, from Chamberlain's own claim of "Peace with Honour" in October to Sir Samuel Hoare's prating of a new golden age in March, was that of men who thought they had passed the crisis. If Chamberlain did take the right strategic decision at Munich, he did it in ignorance and in miscalculation.

But if it was, on military grounds, the unavoidable, the compulsory decision, the effect is to shift the major blame from Chamberlain to other shoulders. If he was the uncomprehending victim of circumstances, who was responsible for the circumstances? That, of course, opens up the whole sad story of the bungling of international affairs from the Armistice of 1918 onwards. There are few citizens of Great Britain (or of the other democracies) who can escape some share of the blame for the fact that their countries approached the abyss with ineptness taking the place of policy and rhetoric that of arms. Mr Churchill and those who thought with him perhaps carry the smallest burden, though even Mr Churchill's record is not impeccable—on Russia and Spain, for example. Nor does the anti-Munich party—even those who, *pace* Lord Maugham, were anti-Munich when they knew it meant immediate war—came out of the enquiry wholly innocent. *The Economist*, for example, would not claim for itself more than that it woke up to what was happening before many other people did—and in any case, long before Munich. The Labour Party deserves almost no credit at all—it was still voting against conscription even after Hitler was in Prague.

But the biggest share of blame must undoubtedly rest on those who held the highest responsibility in the crucial years, on those who had the best opportunities for seeing what was happening, on those whose duty it was to give leadership to the nation. The crucial years were from Hitler's accession to power early in 1933 to the seizure of Austria in 1938. The men who had the responsibility in those years were two Prime Ministers, Ramsay MacDonald and Lord Baldwin, and two Foreign Secretaries, Lord Simon and Sir Samuel Hoare. Mr Eden was also Foreign Secretary for part of the period, but he redeemed himself in part—perhaps only in small part—by resignation. Neville Chamberlain was, of course, throughout the period a member of the Cabinet and for its last few months Prime Minister. He cannot therefore escape his heavy personal share of the responsibility. But in the final act of Munich, he was little more than the victim of circumstances that these others had created. It is not right that he, in the grave, should bear the blame for others who are still living.

## NOTES OF THE WEEK

### The Russian Offensive

The end of the winter sees the Russian offensive on the southern front still in full swing. German military commentators have been explaining Manstein's reverses by the need "to be strong in a vitally decisive sector," that is, in the west. German preparations to meet the threat of Allied invasion have undoubtedly weakened their strength in the east. The German High Command seems to have hoped that exhaustion would prevent the Russians from pressing forward, so that a relatively large no man's land would still lie between Germany and the Soviet armies. The calculation might not have been groundless had the Russians chosen only one route of advance westwards across Poland. The feature of their offensive in the last weeks was its decisive swing southwards which has brought the Russians almost to the gates of the Balkans. The major advantage which the Russians have derived from the swing southwards is the cutting of the Lwow-Odessa railway between Tarnopol and Proskurov. This in itself has sufficed to bring to a close that strange Dnieper-bend chapter. With his main line cut, von Manstein decided to fall back on the Bug. While he was carrying out this move, his right wing was outflanked by two Russian thrusts, one at Kherson and the other in the Uman-Gayvoron district. From Kherson on the Black Sea to Tarnopol in Eastern Galicia, the front runs roughly parallel to the Dniester, the river barrier that covers the old Roumanian frontier; but the distances between the front and the river vary considerably. The fighting for Tarnopol has not yet brought any conclusive results. For the time being, the Germans seem to be still in possession of the town. The Russians may well contemplate an outflanking move which would drive a wedge between Tarnopol and Lwow. On this westernmost flank of the Ukrainian front, Marshal Zhukov's armies have now approached the foothills of the Carpathians, one of the most difficult fighting grounds in Europe. Once the Carpathians are reached, the Russians may then concentrate on clearing the rest of the Ukraine and pursuing Manstein's armies over the Black Sea plains through Bessarabia into Roumania.

### Roumanian Peace Feelers

After Finland, it is the turn of Roumania to put out peace feelers to the Allies. The Roumanian Paasikivi is Prince Stirbey, who is now reported to have gone to Cairo in order to establish contact with Allied representatives and find out what terms of armistice the Allies would offer. That the Roumanians are acutely aware of approaching defeat is certain. Their desire to contract out of the war has now been greatly stimulated by the hope that the Allies will allow them to re-take Transylvania which they had to cede to Hungary under the Vienna Award of 1940. President Benes has now stated that this is, in fact, Marshal Stalin's intention. Roumania is thus in a unique position among Germany's satellites. Capitulation would entail for it, not only territorial losses but also gains. It does not seem likely that the Russian territorial claims here would go beyond Bessarabia and Bukovina, the loss of which would be offset by the re-acquisition of Transylvania. But in the endeavour to get out of the war Roumania will meet with much greater difficulties than Finland. The Germans may find it impossible to send reinforcements to General Dietl's armies in the north, but they are bound to put up the stiffest resistance in the Danube region. They cannot easily give up the Roumanian oil. Militarily, Roumania is an ideal buffer territory. The ring of mountains formed by

the eastern Carpathians and by the Transylvanian Alps is a formidable defence barrier inside the country. The short and convenient communication lines from Austria through Hungary would enable the Germans to reinforce Manstein's armies as they retreat from the Ukraine into the interior of Roumania. Prince Stirbey's peace mission to Cairo is no doubt symptomatic of the uneasiness which is growing in his country. But the position there is far too difficult to justify any hopes of a quick result.

### Secondary Schools

The Education Bill is still making slow progress through Committee. In spite of an attempt—resented in some quarters—to secure agreement to a time-table, only twelve clauses were disposed of in two days last week. The most interesting and important debate arose on the position of secondary schools. The Bill provides that every such school shall have an "instrument of government," which has to be approved by the Minister, and it was on this clause that the debate arose. Several members showed concern lest these instruments should make insufficient provision for the individuality and tradition of secondary schools, particularly of the old-established grammar schools, and they wished to be reassured that there would be provision for governing bodies independent of the local authorities and protection for the position of the headmaster. Mr Butler went a long way to meet these anxieties. He refused to amend the Bill, but he announced that he was in consultation with the interested parties on the principles that should be followed in drawing up these instruments of government, and promised to lay a White Paper on the subject, if possible before the Bill becomes law.

This disposes of the immediate point. But it was made clear in the debate, so far as the rules of order permitted, that it is only part of a wider question. There is a widespread fear that the old-established secondary schools will, in Mr Kenneth Lindsay's words, "be levelled down and degraded." This issue will come up in its most contentious form when the attempt is made to write into the Bill the principle that no secondary school in receipt of public funds shall be allowed to charge fees. What actuates those who advocate this principle is the passion of egalitarianism—a wholly worthy passion when backed by adequate logic. But in this particular application of it there seems to be some slipshod thinking. To abolish fees in secondary education, without compelling attendance at school over the whole of the years covered by the secondary schools, would be the reverse of egalitarian. It would amount to taxing those who cannot afford to keep their children at school until the age of 18 to subsidise those who can. Moreover, it is very doubtful whether the abolition of fees would in fact assist in bridging the gap between poor man's education and rich man's education which undoubtedly exists in this country—to its great harm and discredit. It is not the old grammar school foundations that create the gap, but the public schools. The public schools cannot be reached by the present Bill, since they do not receive public money. Whatever may or may not happen to the public schools, it is most unlikely that, within the next few years, they will either be abolished or absorbed from the necessity of charging fees. So long as the public schools exist, to make a radical change in the status of the grammar schools, which in so many respects—educational and social—stand midway between them and the county secondary schools, would not help to close the gap but to widen it. It is a legitimate aim for the educational reformer to wish to abolish distinctions of rank in the educational army; but it is silly to degrade the non-commissioned officers to the ranks, while leaving the colonels and the generals untouched. One typical grammar school in a large city, with a very high educational record, depends for about one-fifth of its income on a direct grant from the Board of Education, for about another one-fifth on endowment income and for the remaining three-fifths on fees. To

compel this school, because of its 20 per cent grant, to abandon its 60 per cent of fee income and seek compensation from the local authority, with the control thereby implied, is unquestionably to "level down," if not to degrade, its standards. A school like this would probably prefer to forgo all public money and depend entirely on fees. But in either case it would be compelled to move to one side or the other of the chasm that separates public from private education and it would cease to play its role as a bridge between them. Of all the varieties of schools in this country, it is probable that the grammar schools have more to be said for them, on a combination of social and educational grounds, and has less to be said against them, than any others. It is relatively to what can be said against them, than any others. It would be a tragedy if they were to be tampered with for purely ideological reasons.

### Married Women Teachers

Another interesting feature of the debates on the Education Bill was the Government's decision to accept the substance of an amendment providing that no teacher shall be dismissed solely on the grounds of marriage. There is little need for any comment on this other than to say that it is astonishing that statutory action should be needed to enforce a principle of such obvious rightness. There is rarely, if ever, the slightest sense in the old-fashioned prejudice against the employment of married women in any industry or profession, and it may be hoped that the war will finish the task of blowing away this particular cobweb. But in the schools, the general argument is reinforced by two particular considerations. The first is that any body of adults who are entrusted with the care of children are necessarily lacking in balance and width of experience if the only women they include are spinsters and widows. The second is that, for as far ahead as can be seen, there is going to be a crucial shortage of teachers, and it would be folly to exclude any class of women who can help to fill the gap.

### Stability and Efficiency

Perhaps the most irritating speeches are those which say all the right things on a subject and all the wrong things as well, without any attempt to relate them, or any admission that the parts do not fit. Politicians, whose job it is to please as many as possible of the people, for as much as possible of the time, are peculiarly prone to this kind of almsgivingness. Mr Hudson's speech to farmers, farm workers and land owners at Tonbridge on Wednesday was, admittedly, only a mild example of this habit. But it is so desperately important for the national wellbeing and political peace that agricultural policy should be worked out properly and frankly that it is impossible not to point out that, while the Minister stated several of the main issues rightly, he also begged most of the crucial questions arising from them. Agriculture, he said, is an industry. Its job is to produce food and raw materials for people, and "the customer is always right." The task of agriculture is to increase its output, the task of Governments to find ways of making human needs effective in terms of actual demand. Farming will stand or fall by its efficiency; Mr Hudson cited examples where British efficiency could be raised in marketing, breeding, milk production and the co-operative use of equipment by small farmers; the milk yield, he said, incidentally, is not higher but lower than before the war. All this is sound doctrine, so far as it goes. But interwoven with it was another speech, much less sound. Mr Hudson spoke of the common belief

that it is right for primary producers to receive a lower reward than those engaged in secondary or other industries. By this he was presumably referring to the fact that earnings are lower in agriculture than in industry, and, as he has often done, attributing it to "the doctrine of cheap food." The need for cheap food and cheap raw materials is no more immoral or anti-social or wrong-headed than the farmer's need for the cheapest possible farm equipment, furniture or clothing. To talk in this strain is to miss entirely the central fact that the rewards of all producers depend upon their productivity, which in turn is closely related to the amount of capital employed in the business. Again, after stressing the fact that farming must stand on its own feet and be "scientific" and efficient, Mr Hudson talked about the need to safeguard British agriculture against what he called

"the economic results of scientifically unsound systems in other countries." This is the old vague fallacy of "fair trade" in a new dress; it could be used to justify any degree of protection that is desired. Thus, the Minister tended to surrender in one sentence what he maintained in another, and left all the old loopholes for loose thinking and bad economics. The slogan he gave—"stability and efficiency"—is a good one. In return for real efficiency farmers are entitled to stability of prices and of prospects by public action. This is the point of the discussions which are going on between Mr Hudson and the farmers about guaranteed prices. But if Mr Hudson is no clearer in his mind than he was at Tonbridge about the basis for fixing guaranteed prices and for settling the amounts for which they would be paid, he is still capable of saddling the country with a burden which it will not be able to support without an appreciable reduction in the standard of living.

### Russia Recognises Badoglio

The news that the Soviet Government has decided to enter into diplomatic relations with Marshal Badoglio's Government has come as a surprise to public opinion in this country. Quite apart from the oddness of establishing normal diplomatic relations with a state still governed by an armistice, it was disturbing that no joint decision had apparently been taken by all three Great Powers on the timing and extent of recognition. But the real source of astonishment lies in opinion, not fact. Support or opposition to Marshal Badoglio has come to be regarded as a test of democratic good intentions. In the last few weeks, since Mr Churchill stated in the Commons that a democratic government might not have commanded the same loyalty among the Italian troops as the Badoglio Government, and might have been less ready to co-operate with the Allies, democratic indignation has been seething in Italy and, though in a milder form, in Britain and America. The six Italian parties first sought to express their resentment in a strike, and, when this was forbidden, they held a large protest meeting in Naples. In Britain, the names of Badoglio and Darlan have been freely coupled, and one of the most frequent reasons put forward for condemning Allied policy towards Badoglio was that it would outrage the democratic sensibilities of Russia. Now Russia has preceded its Allies in according recognition. The reason is not far to seek. It is the reason that dictated the Anglo-American arrangement with Darlan. On a calculation of military expediency, the Russians have decided that Marshal Badoglio is the only political figure worth reckoning with in Italy. Mr Vyshinsky has been back to Moscow to report, and it may well be that his account of conditions in Italy has discredited the political abilities of the Left.

The case of Marshal Badoglio is by no means an isolated instance in Russian policy. In their political handling of the problems raised by the war, the Russians have followed the line of expediency without any hesitation. Their equivocal attitude towards the Yugoslav problem reflects their belief that, while Tito does most of the fighting, Mihailovitch must not be driven into open co-operation.

As there is now a long waiting list for *The Economist*, subscribers who wish to renew their subscription are advised to do so before the date of expiry. If they fail to do so, their subscriptions will be automatically cancelled as soon as that date is passed, which will mean a gap of many months before the despatch of copies can be resumed.

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th the Germans. Their readiness to negotiate with Finland's "arch-Fascist," Marshal Mannerheim, is simply an expedient means of getting Finland quickly out of the war. Their refusal to negotiate with Mr Mikolajczyk, leader of the democratic Polish Peasant Party, springs mainly from their distrust of the military policy of his Government, the Commander-in-Chief and of the Polish Underground. It may well be that in the long run the Allies' readiness to negotiate on a military and expedient basis will have a deplorable aftermath. All the arguments brought forward by convinced democrats—the disillusionment of the masses, the betrayal of the underground, the growth of cynicism and opportunism—all these arguments may prove only too well justified by the event. But one argument at least should be dropped from the democrats' armoury—the argument that there must be no parleying with Fascists because the Russian Government will not approve and may take offence. Ever since 1939 the Russians have been more consistently committed to military expediency than any of the Allies, and the case for dealing only with democratic forces in Europe must be based on something much more solid than apprehension of Russian displeasure.

### The Italian Fleet

When the Russians asked that some units of the Italian fleet should be used to make good the losses and deficiencies in the Red Navy, they asked for nothing which was not in justice theirs. But in practice the request was very difficult to fulfil. Italian ships are built for the relatively sheltered waters of the Mediterranean. Weight has been sacrificed to speed in their construction, and even the Nazis were never able to command or tempt their larger vessels out into the Atlantic. It followed that only in the Black Sea could they have been placed at Russia's disposal. Against this possibility had to be set the loss of efficiency which would have resulted from removing Italian units from the ports, installations and areas to which they were technically accustomed. Trained for the Mediterranean, it is only there that they can be used with the least margin of waste. But even if there had been no technical difficulties, there remained the political obstacle that without the express permission of Turkey, no belligerent battleship may pass through the Straits into the Black Sea, and it is quite likely that the Turks in their present mood of precise neutrality refused the free passage. Britain and America are to make good Russia's deficiencies out of their own more suitable stocks, and there is not much evidence to suggest that ideology, and not technicalities underlay the whole issue. Some observers are inclined to report everything in ideological terms, and Badoglio was rumoured to be on the point of resignation over the Russian demand and the Soviet Government cut to the quick over the Allied "refusal." If so, the two parties have quickly made it up.

### Health Questions

This week in Parliament has been called Willink week. Housing has been debated in the Commons. Both Houses are discussing the Government's proposals for a National Health Service. The commonest attitude, since the Health White Paper was published, apart from general approval of its aims, has been one of questioning rather than outright criticism. On the one hand, the leaders of the medical profession, though not many of the rank and file, have shown themselves very sceptical, almost aggressively so; on the other, people want to know much more precisely than the White Paper reveals how the comprehensive service will work in practice; what facilities it will provide, in addition to those already available; how long it will take to provide them; whether the division of administrative responsibility between Whitehall, joint boards and local authorities may not cause confusion; and how it will be possible for the local financial burden, on top of other old and new charges, to be borne. The doctors are rightly concerned about condi-

tions of pay and work, which must be adequate to bring in the best men, and permit them to do their best work. Their concern for professional independence is not entirely disinterested. If it is true, as it is, that the actual processes of doctoring should not come under lay control, it is also true that public policy in health matters should not be dictated by doctors' associations. The criticism that the White Paper is based too much on the assumption that local health centres, with teams of doctors, will be available and practicable at an early stage is probably sound. The claim that the powers given to the Central Medical Board to recruit doctors for the public service amount to "civil conscription" is surely overstated. Similarly, the doubts which have been expressed about the scheme's administration and finance are partly sound and partly exaggerated. The scheme is a compromise, not only between public service and private practice, but also between existing and new methods of administration. It is reasonable that local authorities should be left to administer the school and welfare services which they already operate, but unreasonable that local powers should be split between health and education authorities. With some striking exceptions, existing local areas are suitable for the organisation of all services which are essentially local, and must be near at hand. But hospitals and specialist facilities require wider areas for efficient and economical working; and these should properly be the business of joint schemes over regional areas. Moreover, the White Paper necessarily takes for granted, like the Education Bill, that no radical reform of local administration or finance is yet intended. The Government has said so—though, as new tasks and new costs accumulate, this view may well require sudden revision. Meanwhile, if the Government can fill in satisfactorily the many gaps left in the White Paper statement, there is no reason, apart from some sectional discontent, why general approval of the scheme should not become general acceptance.

### Voluntary Contributions

In a speech this week, Lord Nathan pointed out that it is somewhat misleading to describe the proposed National Health Service as free. For England and Wales it will cost £132 million (the White Paper figure) at least and probably considerably more; and this will have to be met out of taxes, rates and contributions to the comprehensive social insurance scheme of which this is presumably a first instalment. By the statement that the health service will be free is meant that the intention will be to provide sufficiently complete medical facilities for every citizen and family that, having paid the social security contributions, none need pay doctor's fees as well, except by preference. This prospect has caused the voluntary hospitals to take thought. They will still be dependent upon voluntary contributions for their income—the £10 million which they will receive from the Exchequer will be in respect of beds made available for the national scheme. Will their contributors go on contributing? The White Paper makes it plain that the Government's wish is for the voluntary hospitals to remain on their present basis, giving, as well as beds, advice and aid to the public service, from their great traditions and expert knowledge. But, in the voluntary hospitals' view, it does not make plain how they are to carry on financially if all would-be patients can obtain the treatment they require elsewhere in part return for the social security payment which they must in any case make. In the national scheme, though patients can choose doctors and doctors patients, patients cannot choose hospitals. The spokesmen of the voluntary hospitals claim that voluntary contributors to hospital associations should be given special facilities in these hospitals and the right to choose them in preference to other hospitals. In this way, it is suggested, contributors would be given a concrete reason for continuing to contribute and the hospitals' income would be protected. The claim is valid.

### "The Prevention of General Unemployment"

A group of Fabians have published the evidence they have submitted to Sir William Beveridge for his investigation of employment. The pamphlet serves as an admirably lucid summary of the stage that has been reached

\* *The Prevention of General Unemployment*, 20 pages. 6d. Fabian Publications, Ltd., in conjunction with Victor Gollancz, Ltd.

in the discussion of full employment policy by what may be called the moderate school of economists. The pamphlet starts with five propositions which the authors believe to be generally accepted:

1. The major argument is concerned with general unemployment. Structural unemployment is an important matter, but largely different both in cause and in cure.
2. The maintenance of purchasing power is the key to the prevention of general unemployment.
3. Total monetary expenditure can be influenced by increasing or diminishing the amount of money spent on consumption goods (both durable and non-durable) or capital goods. There is no general *a priori* reason for choosing one avenue of control rather than the other.
4. The Government should exercise its influence upon expenditure in an "anti-cyclical" direction, and it should do so both by stimulating (or restricting) private investment, and by altering the total of budgetary expenditure.
5. There should be a National Investment Board, charged not only with the negative duty of "vetting" new capital issues, but also with the positive duty of maintaining the appropriate level of capital expenditure.

From these agreed propositions, the pamphlet proceeds to five further and more debatable points:

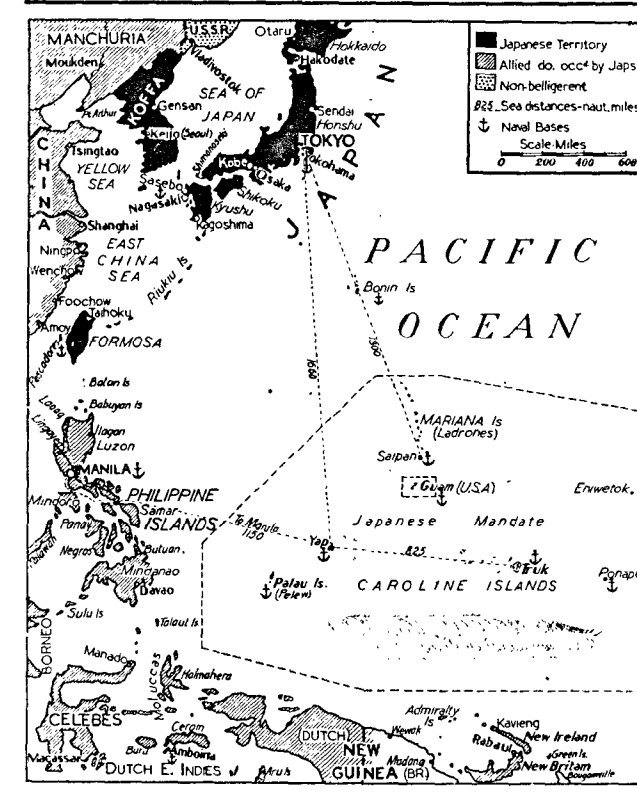
1. Employment policy should not be confined to the task of combating the trade cycle. It should be possible to implement a programme of regular and smooth expansion.
2. But if anti-cyclical action is necessary, the weapon that will have the most rapid effect would be reductions of taxation, the universal income-tax that now exists being a particularly useful instrument for this purpose. Behind this there should be a concerted attempt to plan a flexible programme of investment and to get the legal and technical preliminaries out of the way beforehand, so that the programme can be rapidly implemented.
3. To facilitate this programme, it should be established that "the Government . . . must be in a position to borrow as much as it pleases, and on what terms it chooses, from the banks"—as is virtually the case in wartime. Government control of the flow of investment would also be facilitated by public ownership of the capital-using industries, though this is not strictly necessary.
4. There should be an extension of the Government's statistical service. In particular, information should be collected on probable future movements in the rate of private investment. [The pamphlet might have added information on the volume of, and fluctuations in, expenditure on the maintenance and replacement of existing capital—the most serious lacuna in British statistics.]
5. Such international endeavours as the relative stabilisation of rates of exchange and of primary product prices and the reduction of trade barriers are worth while for their own sake. But they do not directly assist, and may impede, stability in employment. It is therefore important that any measures that are concerted in the international field shall provide, not only for the making of loans to equal any credit balances emerging, but also for the positive stimulation of international investment. It should be recognised that a country has every right to raise its money income sufficiently to maintain full employment, and to vary its exchanges and import policy in conformity with that fundamental purpose. "Under no circumstances should we enter into any obligation to reduce substantially our internal money incomes in order to maintain stable exchange rates."

This second group of propositions may be more contentious than the first; but they would probably receive a majority degree of support. Possibly the most weighty criticism that can be made against the framework of policy suggested is that it does not sufficiently emphasise the necessity for seeing that an adequate part of the total of investment, public and private, is of a nature to increase the national income of the future—that is, investment that brings in a yield of measurable income rather than of immeasurable "welfare." The pamphlet also contains a somewhat more contentious appendix on some of the changes in financial institutions that the group deem necessary for the execution of their policy. But it hardly diminishes the pleasure that can be felt at the evidence provided by the pamphlet that employment policy can now be approached as a matter for technicians rather than for politicians.

### Far Eastern Fighting

Since the turn of the year, the Allies have been pounding away at the periphery of the Japanese defences and have achieved some important successes. In New Britain and New Ireland, Japanese resistance is nearing its end. The American Navy and Air Force so dominate the sea

approaches that few supplies can reach the beleaguered garrisons from the nearest important Japanese base at Wewak. Rabaul itself, though it is still in enemy hands, seems to have been rendered useless either as a sea or air base by continual bombing. The American attacks have ranged out beyond the Australian fringe. In the course of February, several of the Marshall Islands were attacked and occupied and air bases secured—the most westerly on Eniwetok. This has brought American aircraft within easier range of the Caroline and Mariana Islands, and after a smashing



attack on Truk on February 16th the Japanese themselves admitted the loss of two cruisers, three destroyers, 13 transports and 120 aircraft. Saipan and Guam have also been bombed and shelled. Meanwhile, on the further fringe of the Japanese advance, three concurrent actions are being fought in Burma. The offensive forecast for this winter has not taken place, but British and Indian troops have advanced to Buthidaung in Arakan, after destroying a Japanese force of 8,000, which threatened at one time to encircle and wipe out the British advance guard. The capture of Buthidaung may be a prelude to a new attempt to capture Akyab, but barely two months remain until the monsoon rains. It is thus difficult to guess the direction of the Arakan campaign, but at least it contains a considerable number of Japanese troops and relieves the pressure on the other Burma front. To the east, the Japanese are still dangerously lodged in the Chin Hills, but in the Chindwin Valley British and Indian troops have crossed the river and are advancing in support of Allied forces operating in the Hukawng Valley. Here American and Chinese forces under the command of General Stilwell have destroyed a Japanese division, which was presumably attempting to put a stop to the building of the new Assam (or Ledo) Road. General Stilwell's forces are a species of fighting vanguard for the army of men working on this road, which is designed to link Assam with the old Burma Road, by a vast detour behind the Patkoi Hills and down to Bhamo through Myitkyina. Behind the Stilwell forces are a mass of labourers with bulldozers tearing out the hillside and laying the road as they go; but the speed of their advance is limited by the speed with which the Japanese can be cleared from North Burma. The news of the latest victory in the Hukawng Valley is encouraging. It also shows how far there is still to go.

### A Common Strategy?

The fighting in the Pacific zone and the fighting in Burma are under two separate Commands. In Burma, Lord Louis Mountbatten is Commander-in-Chief both in Arakan and North Burma, with General Stilwell, C

**PRINCIPLES OF TRADE: A PAMPHLET**  
The series of eight articles on The Principles of Trade which appeared in *The Economist* during the months of January and February this year has been reprinted in a pamphlet (Price 2s. 6d., post free), which is now ready and can be obtained from *The Economist*, Brettenham House, London, W.C.2.

mandar-in-Chief of the American forces in China and Chief of Staff to General Chiang Kai-shek, as his Deputy Supreme Commander. In the Pacific, Admiral Nimitz is Commander-in-Chief, but General MacArthur's sphere must to some extent overlap with his along the outer island ring of Australia's defences. The only obvious link between the strategies of the two supreme commanders is that they are fighting the same enemy. It is relevant to ask whether their separate approaches do, in fact, add up to a single strategy. Lord Louis has not given any public expression to his general plan of action. General MacArthur has confined himself recently to scepticism about "island hopping." Admiral Nimitz and General Stilwell have both given a clearer idea of their strategic plans, and whether or not the two commanders are working on them together, the two plans can be made to fit. Admiral Nimitz's intention seems to be to drive on from island bases in the Marshalls, the Carolines, and possibly in some of the Dutch East Indies to an amphibious attack on the Philippines. From there, he would develop a new offensive to the coasts of South China, recapture Canton, and establish a big land base for the great assault on Japan. General Stilwell does not quarrel with the scheme; but he points out that a naval landing would be out of the question unless there were already strong land and air support from China itself. If there is a quarrel in this conception of a combined operation against Kwangtung, it is in priorities and timing. General Stilwell says that the first effort must be made to reopen a road to China and flood it with aircraft and transport. Would this compete with naval priorities for amphibious operations in the Philippines and elsewhere? With the defeat of Germany, the tightness of supply will presumably be relaxed. Nevertheless, a question of priorities will remain, and it is perhaps unfortunate, despite the great distances that separate the theatres, that no commander in the Pacific has the overall authority of General Eisenhower and his staff to ensure that military necessity alone decides the allocation of resources and the direction of the attack. On the other hand, even in Europe, there is no connection in command or in day-to-day planning between the Eastern and Western fronts; this is done by

periodic conferences. If there are anomalies in the counter-offensives against Japan, the causes and the cure must be looked for in Washington, where the Chiefs of Staffs do at least plan the whole of the operations from Burma to Australia and the mid-Pacific.

### Into Battle

The question is often discussed whether Sir William Beveridge will go into politics. In fact, of course, he is already there. Any day now, his report on Full Employment, which promises to be a notable document, will appear; and the Government is still deeply disturbed lest people should take it for granted that the report is official, as no doubt many will. But Sir William himself spares no pains to make it plain that he and the Government are horses of a very different colour. He always makes the relations or lack of relations between the Government and himself extremely clear. The remark of the Minister of Health that the Government's social security proposals would greatly improve on the Beveridge proposals for payments to pensioners has stung Sir William to retort. He points out that, in fact, it was not he who was niggardly, if there was niggardliness, but the Government; that the postponement of the introduction of an adequate contributory pension scheme for a transitional period of twenty years, recommended in his report, was due to the financial limitations implicitly, though not explicitly, put upon him by Government advice. As he put it in his report "every shilling added to pension rates is extremely costly in total." The Chancellor of the Exchequer was, so to speak, at Sir William's elbow, advising him, again to quote the report, to "avoid spending money which is urgently needed elsewhere or money on a scale throwing an intolerable financial burden on the community." So he proposed the transition period to permit "the national income of the community to be built up again after the disturbance of the war." There were, of course, other important reasons for the postponement, such as the need to adjust "the great variety of superannuation schemes now in existence" to the establishment of universal pensions for all, and the difficulty of solving the problem presented by the wide variations of house rents. The pension proposals of the Beveridge Report are certainly open to criticism, and have been criticised, on several counts. But Sir William's point, if polemically put, is well taken. It would really be wise, with Sir William already in the lists, for Ministers to avoid challenging his proposals by innuendo until their own alternative suggestions have, at long last, been made known.

### American Bombing

"Target: Germany," the story of the US Army Air Force's first year of bombing in Europe, has been published by the Ministry of Information, at a very appropriate moment. It is an exciting tale of apprenticeship and courage. It has taken longer than many people had expected for the weight of American bombing to be felt as a major factor in the strategy of the European war. Both official forecasts and unofficial hopes have had several disappointments. But this year expectations have suddenly and dramatically been realised. A mighty instrument of war, now skilled and experienced, and extraordinarily well equipped, has been created. All at once, after recent excursions into the heart of Germany, new and far-reaching possibilities have been opened up. In combination with the RAF, the USAAF has given at least a glimpse of the continuous concerted bombing which was promised so many months ago. Air correspondents who have the ear of British and American commanders have allowed themselves the most striking optimism. They talk, at least semi-officially, about the destruction of the German air force, in the air, on the ground, and in the factories, within the next one or two months. If this is not true or likely, it should not be said even on the highest authority. If it is true and likely, the whole picture of the war in 1944 may be changed. But the decisive effects of bombing, whether directed against a country's defences or its industrial life, are still an unknown quantity; and still less is known about the time it takes for a decision to be reached. It is not certain that a nation cannot learn, like an army, to fight much longer than might seem possible against complete air superiority. It would be rash indeed to regard the need

for the invasion of Europe, or its difficulties and dangers, as having yet been in any way lessened by the spectacular successes of the British and American bombers and fighters. It has still to be shown how a nation, fighting stubbornly and fatalistically in the last ditch, can surrender to an air force—and, indeed, how long the Luftwaffe may, despite all signs, linger on in being.

### Infant Mortality

Last week's debate on nutrition and infant mortality, which arose from Sir John Boyd Orr's report on infant mortality in Scotland, covered very little new ground. The main causes of a high infant mortality rate—poverty and bad housing—have already been established, and there was little that Government spokesmen could say other than that these evils were being tackled as part of the general reconstruction programme. But there is another prime cause to which not enough attention was given, except by Miss Horsbrugh, Parliamentary Secretary to the Ministry of Health, and that is apathy and ignorance. As she pointed out, fruit juice, cod-liver oil and vitamin tablets are available—free or at a very small charge—for expectant and nursing mothers and babies; but only 50 per cent take the fruit juices, 25 per cent the cod-liver oil, and 39 per cent the vitamin tablets. In the same way, the mothers do not trouble to attend the ante-natal and infant welfare clinics. A great deal of propaganda and education is necessary, in addition to the removal of poverty and slum life. Miss Horsbrugh also answered Dr Summerskill's blast on the subject of health insurance and expectant mothers. It is quite true that national health insurance is at present very inadequate where maternity is concerned. But Dr Summerskill spoiled her case by badly overstating it. It is absurd to say that the Ministry of Health's circular to the effect that pregnancy is not in itself a cause of incapacity for work, and therefore for sickness benefit, is "the death warrant for thousands of infants in this country." It depends, as Miss Horsbrugh pointed out, on the job, the woman, and the home conditions. Probably, many pregnant women do, for reasons of poverty, work in industry longer than health considerations should allow—the Ministry of Health has instituted an enquiry into the matter; but a doctor can, and does, give a medical certificate to a woman who, in his opinion, should give up work because she is tired or debilitated—an example of non-intervention and freedom from regulation with clinical treatment which Dr Summerskill should appreciate. To make pregnancy *per se* a reason for allowing sickness benefit would probably have a very small effect on the infant mortality rate. It is the thirteen weeks' maternity benefit proposed in the Beveridge Report, to prevent women from returning to work too soon, and thereby to encourage breast-feeding, which should be regarded as the absolute minimum.

### King's Pidgin

Basic English has been given a flying start. First priority on the time of very high and very influential Ministers of the Crown has been given to its claims. The claims have been accepted. The British Council, the BBC, colonial governments and diplomatic representatives have been charged with scattering the 850 words of this austerity language to the ends of the earth. Obviously, there are several things that Basic cannot do. The Committee of Ministers have suggested that it is merely one of several ways of learning English. It may reasonably be doubted whether it is at all a good way of doing this; nor should it assume literary aspirations. Its range is too limited, its verbs too few, and their structures too clumsy; it is far too isolated from the idiom of the real language. It is a pidgin English, except in the hands of those who already know English well and simply fall back into Basic for the sake of terseness, knowing already what is English idiom and what is not. But Basic must be judged, not by the wilder ambitions wrongly ascribed to it, but by its actual intentions, which are really quite modest. It is intended to provide just another auxiliary world language for facilitating intercourse and trade. It will not, of course, provide a world language of the "scientific" calibre of Esperanto or the more fabulous Interglossa; it does not search for common roots or look for a mean behind existing languages. But it has a definite function, that of being a Standard Pidgin for convenience of talking and writing between nations. It is a

code, not a language or an idiom. It must be judged by its usefulness, not by its elegance or its flexibility or even by the somewhat precarious introduction it gives to the rich English tongue. This being so, it is a valid criticism of it that it simplifies where English is already by far the simplest of the world's great languages—that is, in the structure of the language—and entirely fails to simplify where English is confused and complicated—in spelling. If we are to have a King's Pidgin let us do it properly. Basic will no doubt be given a fair trial. Mr Churchill himself has launched it. But its fate will be decided by how well it works in practice as a simplified means of communication. In matters of language at least—to quote Basic Latin (without any verbs at all)—*vox populi, vox Dei*.

### Shorter Note

The following table gives the number of civilian casualties in air-raids since September, 1939:—

|                         | Killed | Injured and Detained in Hospital | Total Serious Casualties |
|-------------------------|--------|----------------------------------|--------------------------|
| Sept., 1939-Aug., 1940. | 1,494  | 1,980                            | 3,474                    |
| Sept.-Dec., 1940.....   | 22,282 | 28,522                           | 50,804                   |
| Total, 1941.....        | 20,863 | 21,839                           | 42,702                   |
| Total, 1942.....        | 3,221  | 4,149                            | 7,370                    |
| Total, 1943.....        | 2,357  | 3,462                            | 5,819                    |
| October.....            | 118    | 283                              | 401                      |
| November.....           | 119    | 238                              | 357                      |
| December.....           | 10     | 41                               | 51                       |
| 1944—                   |        |                                  |                          |
| January.....            | 107    | 270                              | 377                      |
| February.....           | 961    | 1,712                            | 2,673                    |
| Totals to date.....     | 51,285 | 61,934                           | 113,219                  |

The total for last month, when there was nearly a week of night attacks on London, is the highest since May, 1941. Those killed included 350 men, 475 women and 136 children under 16.

### Pageant of the Past



When Rotten Row was frequented by 'all the talent, beauty, and celebrity of London', one went there to see and be seen. But on no account should one be seen smoking in the Row. Rules against smoking began to go out when Pall Mall de Luxe cigarettes came in. Cause and effect? Well, we leave it to you. A trial of this celebrated cigarette is a very pleasurable experience. Pall Mall de Luxe cost 12/10d. a hundred, and we shall be happy to supply you at any Rothman shop or (post free) direct from headquarters, Rothmans Ltd. (Folio ET 1), 5 Pall Mall, London, S.W.1. Duty-free parcels to Prisoners of War and H.M. Forces Overseas (including India). Ask for special order form which includes full particulars.

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## AMERICAN SURVEY

## Contract Renegotiation

(From a Correspondent in Massachusetts)

Boston, February 14, 1944

A GREAT deal of heat has been engendered in Washington by demands from some sectors of business for repeal or radical change in the method evolved by the war procurement agencies to control profits on war contracts. First instituted by the War Production Board and later required by law to be included in all war contracts, a "renegotiation" clause allows for revision of prices to keep profits in line with the standards set by the price adjustment boards.

In the face of severe attack on the Act containing this provision, President Roosevelt was able in his annual message to show that more than \$5,300 million has been recovered through renegotiations of contracts. The complaint of some business men has been that government harasses them with "a swarm of auditors," that the renegotiation feature fills business with uncertainty, that the recovery of excess profits will strip industry of reserves needed for post-war reconversion of plants, and that the excess profits feature of the income tax makes the tedious renegotiations superfluous.

But it is gradually becoming accepted that some means of revising prices after the writing of war contracts is essential to the control of war profiteering. The prospect now is that Congress will seek to improve rather than to jettison the contract renegotiation statute.\* The debate has made the public conscious of the reasons the war procurement boards consider "renegotiation" essential to keep war costs within reason.

The war agencies had to have vast quantities of war material with all speed. Many of the products were new, or at least new to the contractor. Many were only blueprints when contracts were made. All were to be made in such great quantity as to make previous unit costs of little value in fixing prices. And changes in design based on war experience have changed costs, often unpredictably. Some costs have been cut, by the vastness of the volume, to one-tenth of peacetime figures.

## Danger of Scandal

Profits of some war firms doubled, tripled and quadrupled in their first year on war contracts. Much of this was unpremeditated and unexpected. Both the war agencies and their contractors early saw the danger of public scandals in such excessive profits.

Boards were set up at an early stage to organise the process of renegotiation. There were many thousands of contracts. To make the process simple, the boards handled their negotiations with contractors on the basis of their annual profit statements in an overall settlement, disregarding the number of individual contracts. This made it unnecessary to have many auditors.

When Congress set out to enact a law to fix a limit to

\* [This was one of the points at issue in the President's veto of the Tax Bill which was overridden by Congress after the dispatch of this letter. The procedure has been somewhat liberalised, but the principle of renegotiation remains.—EDITOR.]

war profits at 6 per cent, Mr Robert Patterson, Assistant Secretary of War, protested against it as unfair and impractical. Some concerns were largely financed in their war expansion by the government, others not. Some had made great contributions to the war by long and expensive development of vital war products. Some were less efficient than others, but all were needed. A sliding scale of permitted profits is now used, depending on many factors.

## Business Criticisms

Most settlements have been amicably reached. At least 70 per cent of the businesses "renegotiated" have been satisfied with the settlement. About 20 per cent more are businesses that have real worries about their financial condition after the war. (The whole airplane industry is in this situation.) Their problem is bound up with the larger question of taxes and the conditions under which the government will terminate their contracts at the end of the war. The remaining 10 per cent are the type of business men who resent any government regulation. Some of the criticisms of renegotiation which Congress has considered are:

1. That the government ought not to bother with a multitude of small contracts. Most government officials agree. The amendment in Congress to raise the minimum size of contracts subject to renegotiation from an annual business of \$100,000 to one of \$500,000 is generally accepted by the war agencies as practical.

2. Another is that the excess profits tax will get the money back anyway. But it will not do so in all cases. The excess profits tax may take up to 80 per cent of profits. But companies that have a "favourable" base for this tax may pay only 50 or 60 per cent. Some concerns with a more favourable pre-war base would be able to keep much more profit than others on war contracts. Mr Patterson has reported that at least \$1,500 million of the \$5,300 million so far refunded would not have been recovered by the excess profits tax. Beyond that, even a tax of 80 per cent may leave vast profits to firms that are doing a large business on a small capital.

3. That renegotiation interferes with the war effort. One widely published criticism claimed that 250,000 renegotiation auditors were infesting war plants. At that time there were fewer than 500 auditors employed or on call in all renegotiation. Critics have confused income-tax audits and cost-plus-fixed-fee audits with contract renegotiation. The cost-plus-fixed-fee contract is avoided by government and most businesses whenever possible as a cumbersome process. Renegotiation has made it feasible to award fixed price contracts on the great part of the war business by the saving clause that prevents excessive profits resulting from prices that could not be set scientifically. With this safeguard, it is always possible to fix a price high enough to protect the contractor.

4. That the contract renegotiators are unsympathetic to business. Actually they are business men and cost accountants whose whole career and expected future lie with business. The goal has always been the protection of costs in future contracts. Recovery of past excess profits has been incidental. Secretary Patterson, himself a business lawyer, told Congress that "any scheme to limit profits will be open to many objections. We think that this is open to the least."

5. A real anxiety exists in many business quarters about the danger of stripping industry so completely of its profits that it will be without reserves to reconvert and build a healthy postwar economy. A strong case for permitting wartime reserves to be built from profits is being made. But this concerns excess profits taxes more than renegotiation. And it concerns especially the final settlement the

Government makes with its contractors. Should the war last long enough, most companies will be left in a strong financial position. But sudden termination would leave many weak, especially in the aircraft industry.

Many have had to invest immense capital in inventory. Much of it is Government capital. But they have also invested their own. As they turn this inventory into finished goods, they turn it into profits. The speed with which the Government winds up its final contracts, makes its audits and removes its equipment to permit reconversion will greatly affect many concerns; if they have inventories left on their hands, however, they will depend upon the Government taking them over. Government policy in taking over surplus products and in making loans for conversion will be a great factor in keeping many war firms solvent. Very few unprejudiced students of this question would want to see postwar production financed by war profiteering of such dimensions as to be a public scandal. It would be costly to business in public confidence after the war.

The Government is already working on plans for the equitable termination of contracts and the transition to peacetime production. The special case of the aircraft industry arises from its own immense expansion on war orders. The value of the aircraft industry's output in 1939 was \$200 million, with many foreign orders. Last year it reached more than \$20,000 million. Four-fifths of the plant was Government-owned and three-fourths of the capital was Government provided. All the output was bought by the Government. If the contraction after the war is at the same rate, the vast airplane industry will have to be largely wiped off the slate as a resource for postwar jobs and a consumer of materials of other industries. The industry's own working capital is so slight a part of its present structure that unaided it could hardly finance the immense task of conversion to peacetime plane models. Its heavy inventory could largely wipe out its capital if the Government failed to accord liberal treatment in terminating its war business.

Industrial specialists at the Harvard Business School have just published a study of the financial position of the airplane industry. They find that the effect of taxation on the industry was far greater than that of renegotiation. Taxes took 75 per cent of operating profits, renegotiation 9 per cent. They urge, therefore, that either by tax-exempt reserves or conversion loans or other sufficient means which only the Government can provide, the war-made problem of this giant industry be met so that its vast potential may carry its full weight in the economy after the war.

In less vivid degree war industry generally will be dependent for its future on the contract-termination policy followed. This is a quite different question from that of not letting the largely accidental excess profits of war contracts stay in the laps of those concerns which have profited by the war.

## American Notes

## Kingpin of Victory

Lend-Lease once more occupies the centre of the stage. March 11th, the third anniversary of the Act's passing, was celebrated not only with oratory, but with the fourteenth of the President's detailed reports. Some of the figures in the report are of outstanding interest. Thus a total of \$19,986 million had been furnished by the United States under the Act up to the end of last year. Of this figure, \$1,244 million was supplied in 1941, \$7,009 million in 1942 and \$11,733 million in 1943. The percentage of munitions and weapons of war represented in this overall figure has risen from 22 per cent in 1941 to 67 per cent in 1943—the remainder being largely foodstuffs and raw materials. Lend-Lease has also appeared on Capitol Hill, for the Act expires on June 30th, and hearings are being held on a renewal Bill. The State Department, the War and Navy Departments and the Foreign Economic Administration have all given testimony on the familiar lines, that Lend-Lease is a "kingpin of victory" and that it has served America well. The growing anxiety of Congress to know what tangible benefits are being given in return was partly satisfied by Mr Leo Crowley, the Foreign Economic Administrator, who said that the value of Reverse Lend-Lease received from the British Commonwealth was now \$2,095 million, of which \$1,526 million came from the United Kingdom. These figures, as Mr

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Crowley pointed out, may mislead more than they inform, as there cannot be, and should not be, any rigid balancing of accounts. But the notion of a dollar for dollar settlement is very deeply ingrained in the American consciousness, and it is doubtful whether all these disclaimers will get it out. This presumably was what was in Lord Halifax's mind in making a very frank speech at Boston this week, in which he roundly told the Americans that the British would never accept the doctrine that they owed a net balance of gratitude. This needs to be said, and Lord Halifax doubtless chose his moment carefully, but many Americans will be very displeased.

#### Senate Peace Survey

An organisation which has taken for itself the name of the US Federation of Justice has announced a survey of leading opinion on the problems of peace now engaging much American attention. This entirely unofficial project has gathered the support of Senators of high standing and both parties. Jurists, politicians and laymen will be consulted to find a "lowest common denominator" of agreement on the relation of an international organisation to the maintenance of peace. Besides current expressions of opinion, past statements by leaders of both parties, and agreed resolutions such as those known by the names of Senator Connally and Representative Fulbright will be taken into consideration. The project underlines yet again the contrast between the effervescent and confident organisations of nearly thirty years ago, of which the League to Enforce Peace was the most effective, and the more hesitant movements of to-day. That the shadow of the one now deters to some extent the activities of the other is inevitable, but the methods of attack are from different directions rather than of different force. The ultimate result, Senators Thomas and Austin believe, will be to reveal an unprecedented degree of unity in foreign policy among American political leaders. Such a prognosis may be correct, but the danger of "lowest common denominators" is that they easily become maximum common programmes. They emphasise the obstructing—or at least the diluting—influence of the minority even more than the constitutional rule of a two-thirds majority for treaties does. Nevertheless, a poor crop of concrete agreement is better than no bread; as long as the "hard core of ultimate choice" is both hard and finally chosen, something, however insufficient, will have been achieved. Moreover, by the same methods, the project cannot help but uncover points of difference between one section and another, points which otherwise might remain obscured by an alternative distribution of emphasis. For it

is what each will accept rather than the price of that acceptance which is ordinarily made clear. Possibly the Survey may clear the air.

#### Army Casualties

Battle casualties of the US Army since December, 1941, were announced at the last weekly press conference held by Mr Stimson, Secretary of War. Total figures were broken down into the various theatres of war, but it should be remembered that these figures are not truly representative of the distribution of the total American loss. For instance, it can be presumed that naval losses in the Pacific would be greater in proportion to those of the Army and Army Air Forces than in the North African campaigns. Nor does the inclusive total of all losses give an accurate impression of the total wastage from the Army. Over half of those wounded have now been returned to active duty or discharged from hospital. As of February 23rd, well over 25,000 have left hospital. Of the 26,000 odd prisoners it is clear that the figure of 1,673 which the Japanese report to have died of disease must be a ridiculous under-estimation, unless the recent stories of Japanese atrocities have been equally grossly exaggerated. Down to the end of January the casualties have been as follows:

| Operation Theatres          | Killed and Missing | Prisoners | Total (including Wounded) |
|-----------------------------|--------------------|-----------|---------------------------|
| Pacific and Asiatic.....    | 22,147             | 14,199    | 29,015                    |
| North African.....          | 11,412             | 7,361     | 49,051                    |
| Middle Eastern.....         | 1,050              | 294       | 1,576                     |
| European.....               | 7,041              | 4,542     | 13,797                    |
| North and Latin American... | 1,334              | 47        | 2,356                     |
| Total all Areas.....        | 42,984             | 26,443    | 95,795                    |

#### Shorter Note

The first state primary, held in New Hampshire, has resulted in the election of six Republican delegates pledged to Mr Willkie, as against two pledged to Mr Dewey and three uncommitted. (The Democratic primary was solidly in favour of Mr Roosevelt.) New Hampshire should not be taken as a typical state. In the latest Gallup Poll of Republican voters, Mr Willkie's vote has fallen to 27 per cent from 35 per cent in November, while Governor Dewey's has risen from 55 to 64 per cent.

## THE WORLD OVERSEAS

### After the Pucheu Trial

ON March 11th, the Military Tribunal at Algiers sentenced Pierre Pucheu, Vichy's ex-Minister of the Interior, to death. Pucheu has now appealed against this verdict to the Court of Cassation. His appeal is juridically based on technical failures in the proceedings before the Tribunal. M. Pucheu had asked for a number of witnesses, among whom Marshal Pétain was included, to testify before

the court; and his demand was disregarded. Those of the witnesses he asked for who were in Algiers did, of course, testify; those who were in France could not. If the Court of Cassation considers those technical objections valid, then a retrial will take place. If not, only General de Gaulle can exercise his right of mercy and commute the death sentence. Whatever happens, *Paffaire Pucheu* has clearly become an issue much larger than the defendant's personal fate.

The verdict of the Military Tribunal bears upon all the problems of the future in France of both collaborators and *attentistes*—those who have waited to see, since July, 1940, before choosing the Axis or the Allies. In spite of the vehement and wholesale political denunciations made by the prosecutor and his witnesses in the course of the trial, the Tribunal was careful to draw a distinction between collaboration and *attentisme*. The clauses of the verdict were formulated to avoid any impression that membership of the Vichy Government or *attentisme* in itself was regarded as a sufficient reason for the death sentence. M. Pucheu's counsel pleaded that the Vichy Government had been "a legal but not a legitimate government"; implicitly, this view has been embodied in the verdict of the Military Tribunal. The Tribunal replied in the negative to the question whether, at Vichy, the defendant had taken part

in measures contrary to the laws of the French state. M. Pucheu has also been cleared of the charge of having taken part in an attempt to overthrow or change the French Government by force.

The negative reply of the Tribunal to these questions is of a crucial political significance. The Military Tribunal has refrained, at least in the terms of its sentence, from indicting the Vichy regime as a whole, and from turning the Pucheu case into a wholesale trial of the system. The Tribunal also replied in the negative to the question whether, by provoking the arrests of Frenchmen, the defendant had made attempts against the individual liberty of his co-citizens. This was perhaps one of the most surprising replies given by the Tribunal to a question which had previously raised much anger and passion. The death sentence was based on two charges: first, on M. Pucheu's participation in the recruitment of the Anti-Bolshevik Legion which fought in Russia; and, secondly, on his policy of collaboration with the Germans. Both were judged to be co-operation with the enemy in time of war.

From a strictly legal viewpoint, solid arguments can be put forward in defence of the verdict. The recruitment of Frenchmen for a force fighting on the side of an enemy power can well be regarded as high treason. M. Pucheu himself said that his part in the campaign for the anti-Bolshevik Legion was very limited, but he did not deny it.

#### The Political Dilemma

But the underlying assumption of the argument is that France was really at war with Germany at the time when M. Pucheu was in office. The political dilemma which the Military Tribunal at Algiers had to face was not easy. From the point of view of the French movement of resistance, the assumption that France has never quitted the war is axiomatic. The moral and political strength of Fighting France is to a large extent based on this. M. Pucheu's defence was, on the contrary, based on the legal recognition of the armistice. Apart from the legal principle, there is the fact that the whole administration of Vichy has always been in steady contact and co-operation with the enemy. The verdict has therefore not, after all, cut, and could not have cut, the Gordian knot of law and politics. If the principle that France has never quitted the war were applied consistently, then the legal status of Vichy itself would come under question, and membership of the Vichy Government would in itself be regarded as a crime. The Military Tribunal has refrained from drawing this conclusion. If, however, the Vichy regime is regarded as "legal but not legitimate," then the question of what was and what was not legal in the activities of the Pétain administration—or of his Ministers—become almost insoluble.

M. Pucheu has been sentenced as a collaborator and not as *attentiste*. The fact that this distinction has been drawn by the Tribunal does not, however, help in the drawing of a precise line of demarcation between the two, between collaboration and *attentisme* on the one hand, and between *attentisme* and resistance, on the other. In the course of the proceedings it became painfully clear that, even in the court itself and even between defendant and prosecutor, the line was pretty twisted, if not blurred. M. Pucheu's defender stated an obvious fact when he claimed that, in the first months after the collapse, an overwhelming majority of Frenchmen stood behind Marshal Pétain. The confrontation with the past became even more dramatic when the prosecutor himself, General Weiss, was reminded by M. Pucheu and his defender that he, too, had shared their views in 1941. At that time General Weiss said:

We live in the first months of the National Revolution initiated by Pétain. French airmen have to take their part in this renewal which opens the gates to the future.

Pucheu went on to point out:

In February, 1941, when I was making an immense sacrifice, my Prosecutor spoke in favour of the National Revolution. . . . On October 28, 1942, eight days before the disembarkation, you went to parade and to pay honours to Darlan. On the same day I was hunted by the German police in Paris.

The list of M. Pucheu's witnesses further revealed how difficult it may sometimes be to trace the transition from collaboration to *attentisme* and from *attentisme* to resistance. M. Rollin, who is now at large in London, was one of the chiefs of M. Pucheu's police. He was in charge of the special brigade which was set up in order to fight against the resistance. General Bethouard is in command of French Forces and Admiral Fenard is heading a French military Mission in Washington, though both were as loyal or as

disloyal to Vichy as M. Pucheu himself. The statement that there are two distinct camps opposed to each other, one consisting of collaborators and totalitarians, and the other consisting of patriots and democrats, is a gross simplification. In the Gaullist movement itself, there is no lack of ex-collaborators who have become "patriots," and the men of Vichy hold no monopoly on totalitarian aspirations.

#### Another Dreyfus?

The repercussions of the Pucheu trial on future French politics can hardly be overestimated. Already in North Africa there has taken place a fusion between original Gaullists and many elements of the former Vichy administration. It would not be surprising if the fusion should continue and even grow on French soil. In this case, the suspicion may easily arise that, in the case of M. Pucheu, a scapegoat has been found, on whom the sins of the Vichy system have been laid in order to make easier the reinfiltration of the guilty men into French political life. This would inevitably breed frustration and cynicism. The consequences might be even graver if the number of the scapegoats picked out grows larger and if the choice of scapegoats is so much a matter of chance that there is little difference between the moral and political standing of defendants and prosecutors.

In his final words at the trial, M. Pucheu pointed to the prospect of a civil war in France that his trial may have opened up. This is probably an overstatement of the consequences. The Vichy men will certainly command too little respect and authority in liberated France to become the rallying points for any movement able to wage civil war against the combined forces of the resistance. But, if the threat of civil war is not very real, the Pucheu trial may well have begun a protracted moral and political crisis similar to that in which France lived through after the Dreyfus trial.

There is no need to expatiate on the differences between the two trials. In the case of Dreyfus, the innocence of the victim was beyond dispute. In M. Pucheu's record there is guilt and repentance inextricably mixed. In the Dreyfus trial, it was the Right and the Army leaders who staked their prestige. In the Pucheu trial it is the coalition of the Left and the leaders of the new French army. But, in some respects, the analogy between the two cases seems fairly close. Like the Dreyfus trial, *Paffaire Pucheu*, too, may become a festering sore in French political life. The Dreyfus trial and its aftermath brought about a radical realignment of the political forces in France. The prestige of the Army and the Church was undermined by the part they had played in it. The vindication of justice went together with the ascendancy of the Left, which had found in Jaurès, Zola and Clemenceau its spokesmen and fighters for justice. This is a lesson which the present leaders of the French Left ought perhaps to think over again. The Pucheu trial is in the long run more likely to strengthen the Right than the Left in France. Do the French Communists really consider revolutionary terror as an indispensable element in contemporary French politics? Only a short time ago their spokesman, M. Marty, stated that the Communists wanted for France the British Parliamentary rule and the British freedom of press, but not a Communist revolution. But revolutionary terror without a revolution is a sad contradiction.

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## Canada's Imperial Relations

[FROM OUR OTTAWA CORRESPONDENT]

WHEN the speech made by Lord Halifax in Toronto on January 24th had been reported in the Canadian newspapers, a facetious comment made in Ottawa political circles betrayed the effect of it on Canadian politics as well as any lengthy and learned analysis could have done. "Fortune has smiled upon Mackenzie King again," said the pundits. The appearance of an issue, potentially explosive and likely to eclipse domestic issues in public debate, so the argument ran, would strengthen the position of the King Government. Never had that Government been so unpopular as in the later months of 1943. Never had public resentment against wartime controls of prices and wages been so evident as in the months since Parliament had met. The Government's supporters welcomed an issue in which foreign relations would engage public attention.

It is hardly likely that Lord Halifax would have chosen one of his not too frequent appearances in Canada for an expression of his views on British Commonwealth relations had he understood the background of Canadian politics. Whether or not Mr Mackenzie King, or any leader of a political party in Canada, would seize upon his proposal—that the British nations should have common policies in defence and foreign relations—as an issue of debate remained unanswered until the line-up of opinion became clear. Inside Canada, the basic factor involved in a discussion of Lord Halifax's views might easily become the surging nationalism that has grown strong during these years of war.

Speaking in Parliament on January 31st, Mr Mackenzie King dealt with Canada's national status in a review of imperial conferences since 1921. He quoted the Balfour Declaration emanating from the imperial conference of 1926, which described the relationships of Great Britain and the Dominions in the familiar words:

They are autonomous communities within the British Empire, equal in status, in no way subordinate one to another in any aspect of their domestic or external affairs, though united by a common allegiance to the Crown and freely associated as members of the British Commonwealth of Nations.

Mr Mackenzie King said:

The position thus defined is the position which this Government accepts as the present one and which it desires to see maintained.

### The Four Power Theory

But it was not primarily upon the issue of Canada's national status that Mr King took exception to the common policy proposal. This is clear from a prepared statement which he read to Parliament, in which he dealt with the concept voiced by Lord Halifax, and, in measure also, by Field Marshal Smuts, that the preservation of peace in the future will depend upon the creation of a balance of strength between four great powers: the United States, Russia, the British Commonwealth and Empire, and China.

Not Great Britain only (Lord Halifax had said), but the British Commonwealth and Empire must be the fourth power in that group upon which, under Providence, the peace of the world will henceforth depend.

The Canadian Prime Minister took the position that the future peace of the world cannot, and must not, depend on a four power grouping of the world. The alternative, to which the present Canadian Government is committed, is the creation of an effective international system in which the collaboration of all states, large and small, shall be given freely. His view was given in these words:

What we must strive for is close co-operation among those great states themselves and all other like-minded countries. Behind the conception expressed by Lord Halifax and Field Marshal Smuts there lurks the idea of inevitable rivalry between the great powers. Could Canada, situated as she is geographically between the United States and the Soviet Union, and at the same time a member of the British Commonwealth, for one moment give support to such an idea? The Moscow declaration on general security forecast a system which would involve, for its effectiveness, firm commitments by all peace-loving states to do their share in preserving peace. . . . I maintain that apart from all questions as to whether or not such a system is enforceable.

effective world security, and therefore is opposed to the true interests of the Commonwealth itself.

### Collaboration or Common Policy

This declaration marked the final conversion of Mr Mackenzie King to the ideal of a world system of collective security. Meanwhile, the problem of a common British policy on defence, foreign affairs and related policies had become the subject of press discussion in Canada, as a result of the Smuts speech and the proposal of Mr Curtin, Prime Minister of Australia, for an Empire Council. Mr King, in his parliamentary statement, pledged the continuance of the closest collaboration on the part of Canada with other British countries. It will, he said, "continue to have a special degree of intimacy." This, without doubt, corresponds with the majority Canadian viewpoint, though with some dissenters in Quebec.

But the distinction between close collaboration and intimate consultation, and an agreed common policy, has been recognised. The loose unity which exists at present and which has been effective in this war has permitted, according to Ottawa opinion, scope for a dissenting opinion on the part of a British nation, as in the case of Eire, without causing a final rupture of the entire structure of the Commonwealth.

A country like Canada, it is recognised, possesses interests within its particular sphere which must be its own concern alone. This is the meaning of Canada's recent wide extension of its diplomatic relations with many countries, and the elevation to the rank of ambassador of its ministers to the United States, to Russia, and to Brazil. The proposal for a common policy in foreign relations would run counter to this development, making it impossible for Canada to avoid a misunderstanding of its position as far as friendly non-British countries are concerned. To the sort of Canadian thinking typical of Ottawa at present, this creates an insuperable obstacle to the common policy idea.

## Social Reforms for Portugal

[FROM OUR LISBON CORRESPONDENT]

THE Portuguese Government, at the moment, is mainly concerned with plans for social betterment. Important sums are to be allocated for road repairs and water and drainage in many up-country centres, and for an exhaustive scheme for the rehabilitation of ex-prisoners. In addition, there are two measures now before the National Assembly of particular importance. One deals with social assistance in general, a measure of co-ordination and extension, while the other lays the foundation of a nation-wide plan promoting the building of homes suitable for letting to people of small means. There is no question of direct subsidies; what is rather envisaged is relief from taxation, assistance with building loans made through approved channels at a maximum rate of 4 per cent, and provisions against shoddy building, profiteering, and general exploitation of the tenant or tenant-owner—all precautions very necessary at the present time.

### Hygiene and Homes

Large employers of labour, as well as co-operative bodies, are to be offered plans and technical advice. Local municipalities will be urged to assist with suitable sites, and great care is to be taken of the demands of hygiene. This aspect of the proposal is of great importance. The picturesqueness that goes with conditions considered adequate two centuries ago must be sacrificed to the needs of a growing population. The Portuguese Government is firmly striving to bring down the appallingly heavy figures of infant mortality and tuberculosis, both directly attributable to bad housing conditions which still exist, not only in parts of Lisbon but also throughout the length and breadth of Portugal. Incidentally, the bill stresses the desire of the Government to see "homes" built rather than great "hives" of so-called workmen's dwellings. That the measure will be accepted is a foregone conclusion; how soon real results will be seen depends, like so many other things, on private enterprise as influenced by the factor of a profitable return on properties equivalent to £25-£50 per annum.



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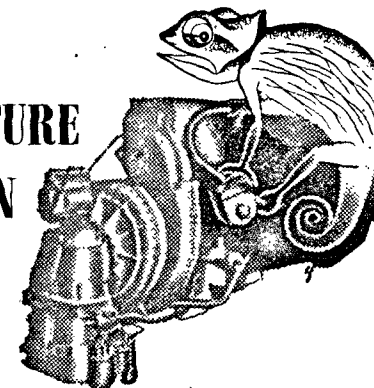
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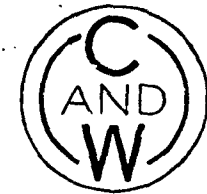
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# THE BUSINESS WORLD

## The Future of the Railways

IN view of the severe strain to which the railway system has been exposed in the war years, it is not unnatural that the railway chairmen should have taken as one of their main themes in their annual speeches the excellent work which the companies have done in tackling the problems of wartime traffic. No one can deny the truth of this contention. Without the railways the wartime business of the country could scarcely have been carried on; the railways could not have done the job had they not kept their physical assets in full repair during the period of depression, and had the permanent staff not behaved in a way which has been conspicuously more co-operative than that prevailing in some other sections of the war effort.

Lord Royden disclosed that the LMS last year moved some 53 per cent more ton miles of freight traffic than in the twelve months before the war, while the increase in loaded wagon miles was 31.2 per cent, and the passenger train miles rose by 70 per cent. In the case of the Southern, loaded wagon miles were up by almost 50 per cent, and the freight train miles run by engines of that line had increased by half as much. Passenger miles on this line were up by 60 per cent. Mere figures do not necessarily give an adequate picture of the task performed, and Colonel Gore-Browne, of the Southern, stressed the point that much of the increase in freight traffic ran to destinations which were well off the sections of the line designed to carry heavy traffic in peacetime.

The increase in freight has been met only in part by better loads, but in the case of passenger traffic the Southern ran 30 per cent fewer train miles and the LMS 31 per cent fewer. This means increases of 129 and 146 per cent, respectively, in the average passenger train loads on these two lines. This result was secured in part by cutting feeding facilities to the utmost. Where refreshment was provided on 140 Southern trains daily before the war, the figure at the end of last year was three.

Even after the economy in passenger locomotives is taken into account, these results could not have been secured with the reduced supply of engines and rolling stock available in 1940. The Southern has been building engines for other lines as well as for itself, engines which are distinctly austere. Most of the lines have lend-lease locomotives of American design. The rate of repair has been substantially improved, and the pooling of all wagons has helped materially. Undoubtedly, the railways have been overstrained, but they have shown what they can do when the traffic offers. The moral seems to be two-fold. From the standpoint of the country as a whole, there may well be a case for the maintenance by a specific subsidy of certain lines and services which are not self-supporting in peacetime. From the standpoint of the railways, they must make their facilities available on terms which tend to minimise the traffic.

The results described have not been wholly paid for from year to year. One point on which each of the railway chairmen has laid great emphasis is the accumulation of arrears of wear and tear. The Railway Control Agreement provides for the establishment of trust funds, to which may be credited the difference between actual outlays on maintenance and the average charged in the accounts for the three years 1935-37. At the end of last year the trust funds of the main line companies amounted to some £72½ millions. But this figure includes nothing for the exceptional wear and tear arising from the present over-working of fixed assets. No estimate is available for the money cost of arrears of maintenance, normal and special, but Sir Edward Cadogan said that, in the case of the Great Western, arrears in complete renewals represented 15 months' normal work on the permanent way, two years in locomotive building, and three years in passenger train vehicles.

There is no reason to suppose that the position is radically different for the other lines, and it is not surprising that there should be some anxiety about the situation in which the companies will ultimately find themselves. This is clearly a point on which the agreement might well be

revised when it is possible to assess the total bill. Experience after the last war suggests that some allowance might possibly be made for work as it is done, and the Minister of Transport can, it appears, make such an allowance if he thinks fit. In this connection Sir Ronald Matthews made a point of some substance when he suggested that the work done for the American Forces in this country should form the basis for a special claim, in that such operations did not appear to be within the contemplation of either of the parties at the time the agreement was reached. This is at least ingenious, and insofar as circumstances permit, it would be reasonable for the authorities to make concessions, if the result will be the improvement of necessary capital equipment.

The matter of abnormal wear and tear is the only direction in which all the railways appear to favour amendment of the agreement. The impression created at the meetings of LMS and LNER was that the companies definitely lent support to the demand by stockholders for revision forthwith, and Colonel Gore-Browne also lent some support; but Sir Edward Cadogan argued that things had gone better than might have been expected in 1941, and that they might still be worse; that the agreement secures a fixed payment, however good or bad conditions are, and that it provides that

before control comes to an end time will be given for the adjustment of the level of railway charges to meet post-war conditions, bearing in mind the standard revenue provisions of the Act of 1921.

This statement is even more definite than those noted on page 345 of *The Economist* of last week, and it raises the critical question of what is really the post-war policy of the companies. It is difficult to read the above quotation as anything but an indication that the agreement gives the lines power to raise rates, and that such an advantage should not lightly be placed in jeopardy by calling for a revision at this juncture.

It has long been apparent that the railways wish to see established some road-rail agreement much more ambitious than the pre-war "square deal" arrangement, whose operation was deferred by the outbreak of war. The annual speeches show that a special drive is to be made to secure equality of treatment between various forms of transport for the repayment of track costs. In this connection Sir Edward Cadogan mentioned the proposal for a new Severn bridge. This, he said, would nullify the benefit which Parliament extended to the Great Western as an inducement to build the Severn tunnel. But the relevant Act is now 72 years old, and the cost should have been amortised long ago. Apparently this has not been done, and it was in this connection that Sir Edward advanced the ingenious suggestion that railway tracks and canal waterways should be treated, financially, as part of the system of national highways, while remaining in their present ownership. It is not clear from this statement—of which there was an even less precise echo in Lord Royden's speech—whether the cost of maintaining the roads, the railway tracks, and the canals is to be borne by the taxpayer or merely equalised over all forms of traffic. But in either case it would be a great competitive advantage to rail transport, in which trackage costs are naturally a higher proportion of total costs than in other forms of transport. Moreover, in strict logic, a necessary corollary of the scheme would be that the rail tracks should be open, like the roads, to the use of anybody who cared to put a vehicle on them. For this and other reasons, it is doubtful whether the argument is to be regarded as anything more than a clever debating point.

Read in conjunction with a certain insistence upon the "standard revenue," and the call for all road transport—other than that which is purely local—to be organised as a public service, and also with the lack of emphasis on costs, the speeches of the railway chairmen suggest an insistence upon improving the financial position of the lines by regulation rather than by increases in the overall efficiency of

national transport. Lord Royden concluded his address by saying that any attempt to water down the remuneration of LMS capital to the amount fixed by the wartime agreement would be sheer confiscation. It is doubtful whether it is useful to discuss the net revenue of the railways except against a background of the general level of prices, and the technical improvement which it is legitimate to expect. The fact is, however, that the wartime remuneration of the lines is well above the average for the pre-war decade. It is surely ridiculous in 1944 to insist upon the sanctity of

## Mining Wages

THE Government has lost little time in producing a scheme for the revision of coal-mining wages. Last week, owners and miners were presented with proposals, to be accepted as a whole, which would determine wages for 4½ years to come. The Government's intervention was timely; left to themselves, the two sides might have engaged in protracted and inconclusive negotiations. Equal promptness in facing the technical and financial problems of the coal industry at least two years ago would have saved the country much output and the industry much bitterness. And, inexcusable though the strikes have been, it was the Ministry of Fuel's ambiguous attitude in dealing with the so-called "anomalies" of the Porter Award that precipitated the present crisis, which has cost the nation at least half a million tons of coal.

Often confusing to the individual miner, coal-mining wages are baffling to the outsider. The industry's wage structure, largely for historical reasons, is the most complicated of any in industry, with the possible exception of cotton. The miner's wage is made up of two parts, a district basis rate and a percentage addition to the basis rate. The day wage worker's basis rate is a time rate for his class of work; the piece worker's is a price list for his colliery or seam. The percentage addition to the basis rate is determined for each district and varies according to the "ascertained" proceeds of the industry.

Since the war, a series of uniform flat rate advances have entered into the miner's wage in all districts. He receives a cost of living "war wage" now amounting to 2s. 8d. a shift; an "attendance" bonus, now an unconditional flat rate addition, of 1s. per shift; a 2s. 6d. a shift "Greene" wage; these advances together with a flat rate advance of 1s. a shift which was added in 1936 amount to 7s. 2d. a shift. There are also a number of special allowances, which vary in the different districts. Thus the South Wales miner receives extra money for working in water and in dust—the threatened non-payment of these allowances was the direct occasion of the present strike—house coal and, in some districts, a house, may be included. No two districts have exactly the same basis of remuneration.

The Porter Award established an over-riding national minimum wage of £5 a week for underground workers and £4 10s. for surface workers. This means that if a miner's basis rate plus percentage plus supplements falls below this figure, the difference is met from the Coal Charges Account. This is a central pool fed by an output levy—now of 8s. per ton—from which expenses in connection with wartime costs, such as the Greene award, assistance to necessitous undertakings and district output bonus, are met. Over and above the national minimum and everything else hitherto mentioned, there is the district output bonus.

The most complicated feature of the patchwork structure of mining wages is the so-called profit-sharing system which determines the percentage addition to the basis rate. The principle of the ascertainment in its present form was laid down in 1921, after a three months' stoppage. In 1926, after the prolonged coal strike, the ascertainment was placed on a district basis. The object of the 1921 Agreement, as defined by the Samuel Commission, was "to arrive at an objective basis of prosperity and adversity, so as to avoid blind bargaining or trials of strength." In practice the ascertainment has been a constant cause of contention, and, in recent years, its fluctuating "economic" element has been superseded by the introduction of flat rate standards.

Briefly, the system works as follows. The proceeds from the sale of coal for a given period, after deducting "costs than wages" (these include timber, stores, rates, insurance, compensation, directors' fees) are divided between the owners and miners in an agreed proportion. The ratio is usually 87 per cent to wages and 13 per cent to profits. An agreed

minimum percentage addition to basis wages, which varies in the different districts—in Scotland it is 100 per cent, in Northumberland 45 per cent, in Durham 70 per cent—is a first charge. If 87 per cent of the proceeds is not sufficient to meet the minimum percentage, it has to be paid out of the owners' share; in this way the "deficiencies" arise. The deficiency, the difference between the profits the owner actually receives and his full 13 per cent, is cumulated, and recovered before the miner can secure any increase over the minimum percentage. In some districts the deficiency is cancelled at the end of each year. The

### EXAMPLE OF GOVERNMENT PROPOSALS

| DAY-WAGE COLLIER                 |         |    |    | Proposed |    |
|----------------------------------|---------|----|----|----------|----|
|                                  | Present | s. | d. | s.       | d. |
| Cost of Living flat-rate advance | 2       | 8  |    | 2        | 8  |
| Greene Award                     | 2       | 6  |    | 2        | 6  |
| "Attendance Bonus"               | 1       | 0  |    | 1        | 0  |
| Flat-rate advance (1936)         | 1       | 0  |    | 1        | 0  |
| Ascertainment percentage (32%)   | 2       | 6  |    | 2        | 6  |
| on basis                         | 2       | 6  |    | 2        | 6  |
| Basis rate                       | 7       | 10 |    | 7        | 10 |
| Per shift                        | 17      | 7  |    | 17       | 7  |

NOTE.—For calculation of pieceworkers' wages since 4s. 6d. is 43 per cent. of 10s. 5d., 43 per cent. is the amount to be added to all piece rates.

### PIECE-WORK COAL GETTER

(on the basis of an output of four tons per shift)

| PIECE-WORK COAL GETTER                    |         |    |    | Proposed                                        |    |
|-------------------------------------------|---------|----|----|-------------------------------------------------|----|
|                                           | Present | s. | d. | s.                                              | d. |
| Cost of Living flat-rate advance          | 2       | 8  |    | 2                                               | 8  |
| Greene Award                              | 2       | 6  |    | 2                                               | 6  |
| "Attendance Bonus"                        | 1       | 0  |    | 1                                               | 0  |
| Flat-rate advance (1936)                  | 1       | 0  |    | 1                                               | 0  |
| Ascertainment percentage (32%)            | 3       | 4  |    | 3                                               | 4  |
| Basis (ton) rate 2/6, therefore on 4 tons | 10      | 0  |    | 10                                              | 0  |
|                                           |         |    |    | Basis plus percentage                           | 13 |
|                                           |         |    |    | 43 per cent. of basis and percentage (as above) | 5  |
| Per shift                                 | 20      | 6  |    |                                                 | 21 |
| Per 5-shift week                          | £5      | 2  | 6  | £5                                              | 8  |
| Per ton, the calculation is as follows—   |         |    |    |                                                 |    |
|                                           |         | s. | d. |                                                 | s. |
| On one ton—Basis                          | 2       | 6  |    | Present basis plus percentage                   | 3  |
| Percentage (32%)                          | 10      |    |    | Add 43%                                         | 1  |
|                                           | 3       | 4  |    |                                                 | 4  |

layman finds the paradox of co-existing profits and deficiencies somewhat difficult to understand.

In theory the principle of profit-sharing is fair, but in practice it has many disadvantages, and has tended to bring the whole idea of industrial profit-sharing into discredit. It has exaggerated the differences between the more prosperous inland and the poorer exporting districts, where it has operated to prevent wages from rising above the minimum percentage. The most serious criticism, however, is that the ascertainments do not take into account pro-



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ceeds from coke and other by-product activities, which were specifically excluded—against the miners' wishes—under the Plender interpretation of 1921. The miners have always argued that if proceeds from the highly profitable by-product undertakings were included, wages would be able to rise well above the minimum percentages.

Under the Government's new proposals, the ascertained amounts would be "frozen" and the district minimum percentage additions incorporated in new basis rates, together with all the other flat rate advances except for the automatic cost-of-living addition, which would remain outside. The district output bonus scheme would be discontinued. One object of the scheme is to simplify the wage structure, by these consolidations. Another is to provide increased incentive for higher output. The proposals can be put most clearly by setting out in an accompanying table the examples shown by the Government. The effect of the change is to make earnings rise more rapidly as output increases. The worker who fills 4 tons a shift on the basis shown in the example would receive at present £5 2s. 6d. for a 5-shift week, and under the new scheme £5 8s. 9d. with 5 tons a shift, earnings would be increased from £5 19s. 2d. on the present scale to £6 12s. 7d.

It is difficult without precise figures to estimate the effects of the proposed new rates in the different coalfields. Pieceworkers, constitute between 36 and 40 per cent of the industry's manpower of 703,000, and it is estimated that about 200,000 miners would receive increases. It is clear that workers on or near the minimum would get little if any, increases, unless they were able substantially to increase their output, though they would have greater incentive to do so. But in practice nearly all workers will get some increase, since a piece worker is normally able to earn 20-30 per cent above the minimum. In the higher output districts, such as Nottinghamshire, piece-rate earnings would be substantially increased. Output per man shift at the coal face in Nottinghamshire is over 4 tons; in South Wales, largely owing to geological conditions outside the miners' control, it is only 2 tons.

The new scheme would seem to maintain, and possibly to accentuate, the existing differences between the districts. There has been a growing tendency to introduce national principles in mining with the fixing of a national minimum wage and the setting up of national conciliation machinery. These factors would, of course, be preserved, but competitive price-cutting between the different coalfields might still continue. The Government proposals would bring about a necessary simplification of wages and a better relationship between earnings and output, but they can hardly be described as a "fundamental overhaul." In engineering, a scheme for grading workers according to their skill is being worked out, and some similar method of grading might be introduced in mining. The definition and

position of a "skilled craftsman" in the industry has not yet been determined.

The most controversial feature of the scheme, and perhaps its most important, may be the provision that the new rates should remain in force until June, 1948. Neither side could give notice to terminate the agreement until December, 1947. In many respects the stabilisation of wages would be a great advance, and will be welcomed by the miners, who have long been pressing for greater economic security. At the same time, as the cost-of-living addition is to continue, it seems essential that the present cost-of-living figure should be made more representative. The owners will argue, with some force, that the pegging of wages for 4½ years may be inflationary and will place them at a disadvantage in the export trade. In peacetime, the mining industry can only pay the wages it can economically afford, or else mulct consumers, including the whole of industry, by onerous charges. The way to high wages is not via dear coal but by greater efficiency and higher productivity.

The Government is prepared to continue a system on the lines of the Coal Charges Account, and to "maintain the price of coal at a level which will ensure a reasonable credit balance for the industry." The levy for the Coal Charges Fund was recently increased from 5s. to 8s. a ton, and an additional 3s. added to the price of coal. The cost of meeting the Porter Award has been estimated at £5 million and the new proposals might involve a further £7 or £8 million. This means that the consumer will eventually pay for the increases, in the form of higher retail prices or increased prices for manufactured goods. Coal enters into the cost of production, to a greater or lesser degree, of every industry. In such industries as iron and steel it is one of the most important factors. Sir William Larke, Director of the British Iron and Steel Federation, recently pointed out that every shilling increase in coal prices added two or three shillings per ton at least to the cost of steel. Mr John Brown, the iron and steel trade union leader, gave the same warning in his journal *Man and Metal*.

But these arguments would only have force if the present structure and organisation of the coal industry is maintained. The extent to which prices will rise must depend upon the extent to which technical inefficiency is not eliminated. Higher wages must be matched by higher output, and there must be no subsidised inefficiency. The Government is apparently prepared to guarantee higher coal prices and higher wages. Logic, and the most pressing national interest, demand that it should carry its responsibilities further and secure a thorough technical reorganisation of the industry. This may involve changes in ownership, but, as *The Economist* has argued previously, if efficiency can only be secured through nationalisation, the price is not too high.

## Business Notes

### Civil Aviation

Like the debate on civil aviation in the House of Lords a fortnight ago, that in the Commons on Tuesday added nothing new to the discussions except a description by Sir Archibald Sinclair of seven types of civilian aircraft whose construction has been recommended by two committees under Lord Brabazon. The first is a big transatlantic aircraft designed by the Bristol Company; the second is a land plane of over 100,000 lb all-up weight capable of crossing the Atlantic with an interim stop at Newfoundland; the third is an aircraft of an all-up weight of 70,000 lb designed for use on travel routes in intermediate stages; the fourth is a two-engined aircraft of 40,000 lb all-up weight for use on the European service and for other short and medium range work; the fifth type, of which details are not yet available, is to embody the principle of jet propulsion; the sixth and seventh are smaller planes for use on feeder lines and for internal British services. This is an interesting array of types which, like a merchant shipping fleet, are designed to cater for a multitude of general and specialised services. But the description of these types does not mean that they will all take to the air in the near future or even at the end of the war in any large numbers. Sir Archibald was not even able to forecast the dates when they will be ready for service. His statement merely means that the Government has made a selection of types that will eventually constitute a merchant fleet of the air. It is still certain that Britain will be relatively very short of civil aircraft when commercial flying is resumed.

### Each to His Capacity

The war potential of a country is not measured by its total resources, but by the difference between them and the minimum necessary to keep its population in good health and its essential physical equipment intact. This margin is small in countries dependent on primitive methods of production, such as India, and large in countries where the number of human "hands" has been multiplied by the use of machines, as in the United States and in the United Kingdom. Moreover, the resources required to maintain a member of the civilian population in good health is not the same in all countries; it varies widely according to climate, customs and conventions. The accompanying statistics, given in an address by Mr R. A. Musgrave and H. L. Seligman before the National Tax Conference in Chicago last November and published in the January issue of the *Federal Reserve Bulletin*, reveal part of the picture of the comparative war efforts of the United Kingdom, the United States and Canada. They show taxation, Government expenditure and the national income before the war and in the latest year for which figures are available—the national income expresses in financial terms the sum total of individual and corporate effort in a given year—but they lack the final element in the comparison, that is an estimate of each country's war potential. The facts that these figures are not adjusted for differential changes in prices, and that the British and Canadian ones are converted into US dollars at the official—and somewhat artificial—rates of exchange renders the comparison of national incomes, Govern-

ment expenditure and taxation approximate rather than precise. But this qualification does not apply to the proportions. The increase, since the outbreak of war, in the

| NET NATIONAL INCOME, GOVERNMENT EXPENDITURE AND TAXATION            |        |         |         |
|---------------------------------------------------------------------|--------|---------|---------|
| (Millions of U.S. dollars, converted at official rates of exchange) |        |         |         |
|                                                                     | (a)    | 1942-43 | 1943-44 |
| <b>National Income:—</b>                                            |        |         |         |
| United States .....                                                 | 84,500 | 135,100 | 157,000 |
| United Kingdom .....                                                | 22,100 | 29,500  | ...     |
| Canada .....                                                        | 4,300  | 6,600   | ...     |
| <b>Central Expenditure:—</b>                                        |        |         |         |
| United States .....                                                 | 13,900 | 79,800  | 98,000  |
| United Kingdom .....                                                | 5,600  | 23,600  | ...     |
| Canada .....                                                        | 550    | 4,100   | ...     |
| <b>Cent. Exp. as % of Nat. Income:—</b>                             |        |         |         |
| United States .....                                                 | 16     | 59      | 62      |
| United Kingdom .....                                                | 25     | 80      | ...     |
| Canada .....                                                        | 13     | 62      | ...     |
| <b>Central Taxation:—</b>                                           |        |         |         |
| United States .....                                                 | 7,700  | 22,700  | 40,800  |
| United Kingdom .....                                                | 4,800  | 11,500  | ...     |
| Canada .....                                                        | 450    | 2,000   | ...     |
| <b>Cent. Tax as % of Cen. Exp.:—</b>                                |        |         |         |
| United States .....                                                 | 55     | 28      | 42      |
| United Kingdom .....                                                | 86     | 49      | ...     |
| Canada .....                                                        | 82     | 49      | ...     |
| <b>Central and Local Taxation:—</b>                                 |        |         |         |
| United States .....                                                 | 16,900 | 32,400  | 50,600  |
| United Kingdom .....                                                | 5,800  | 12,400  | ...     |
| Canada .....                                                        | 900    | 2,400   | ...     |
| <b>Total Tax as % of Nat. Income:—</b>                              |        |         |         |
| United States .....                                                 | 20     | 24      | 32      |
| United Kingdom .....                                                | 26     | 42      | ...     |
| Canada .....                                                        | 21     | 36      | ...     |

(a) United States, fiscal year 1940-41; United Kingdom and Canada, 1938-39.

proportion of the national income spent by the central Government—this broadly represents war expenditure—has been biggest in the United Kingdom; moreover, taxation absorbs a bigger proportion of the national income in the United Kingdom than in Canada and the United States,

and both the United Kingdom and Canada meet nearly half the expenditure of their central governments from taxation. In absolute amounts, the war expenditure of the United States in 1942-43 was more than treble those of the United Kingdom and Canada put together, but if war expenditure is expressed as a proportion of their national incomes Britain heads the list in 1942-43, followed by Canada and the United States.

### Credit Contraction

The seasonal contraction of credit which normally marks the last quarter of the financial year made further progress in February. The clearing banks' deposits fell from £3,962,175,000 to £3,896,801,000. This movement was accompanied by a general contraction of assets, the sole exception being an increase of about £11,000,000 in advances. This last movement may, in large measure, be accounted for by the customary increase of bank loans to finance tax payments at this time of the year. It may also represent a more interesting phenomenon, namely, the first fruits of the banks' well publicised concern for the needs of the small business. Treasury Deposit Receipts took the brunt of the deflation of credit last month, and fell by £41,000,000. Bills discounted and short loans also ran off during the month, and, in fact, the whole of the seasonal contraction in deposits was absorbed in the traditional manner by the cushion of quick assets. A further reduction of £7,558,000 in investments brings this item almost £26,000,000 below the level reached last November. The reduction is probably explained in large part by the banks' sales of Conversion 5 per cents, which have been keenly bid for by the Government broker ever since the announcement of the redemption of this loan was made. The banks may also be trimming their sails for further investment operations. In any case, the reduction in this item should be *reculer pour mieux sauter*, the next jump being called for by London's Salute the Soldier Week which opens on March 25th. Now that most of the banks are reputed to have lifted their earnings to about their EPT levels, the urge to go into gilt-edged

112th Annual Statement

# The Bank of Nova Scotia

Established 1832



GENERAL OFFICE:  
TORONTO, CANADA

Capital  
\$12,000,000

Reserve  
\$24,000,000

CONDENSED GENERAL STATEMENT AS AT DECEMBER 31st, 1943

| ASSETS.                                                                              |                  | LIABILITIES.                                      |                  |
|--------------------------------------------------------------------------------------|------------------|---------------------------------------------------|------------------|
| Cash, clearings and due from banks ...                                               | \$116,067,431.94 | Notes in circulation ...                          | \$ 3,885,921.32  |
| Government and other public securities, not exceeding market value ...               | 203,040,293.09   | Deposits ...                                      | 426,753,927.13   |
| Other bonds and stocks, not exceeding market value ...                               | 7,346,076.47     | Acceptances and letters of credit outstanding ... | 23,738,260.53    |
| Call loans (secured) ...                                                             | 8,740,568.84     | Other liabilities ...                             | 1,478,006.99     |
| Other loans and discounts (after full provision for bad and doubtful debts) ...      | 126,389,377.78   | Capital ...                                       | \$12,000,000.00  |
| Liabilities of customers under acceptances and letters of credit (as per contra) ... | 23,738,260.53    | Reserve fund ...                                  | 24,000,000.00    |
| Bank premises ...                                                                    | 5,260,591.46     | Undivided profits ...                             | 1,339,716.80     |
| Shares of and loans to controlled companies ...                                      | 1,900,000.00     |                                                   |                  |
| Other assets ...                                                                     | 713,232.66       |                                                   |                  |
|                                                                                      | \$493,195,832.74 |                                                   | \$493,195,832.77 |

J. A. McLEOD, President. H. D. BURNS, General Manager.

The Bank of Nova Scotia conducts a general banking business. Fully equipped for Exchange, Collection and Letter of Credit Transactions. Particular attention is devoted to business with Canada, Newfoundland and the West Indies, where branches of the Bank have long been established.

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E. C. MACLEOD, Manager. R. A. ELDER, Assistant Manager.

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will have lost some of its earlier force; it is quite probable that further expansion in credit may be effected without further substantial incursions into medium-term securities. If the banks are, as recent evidence suggests, beginning to concern themselves more seriously with post-war problems, and, in particular, with the problem of liquifying their resources preparatory to increasing their loans and advances, a further building-up of quick assets would, in present circumstances, be the obvious course to follow.

### Canadian Pacific Results

Preliminary results of the Canadian Pacific Railway for last year show that, in addition to the increase of a million dollars odd in net railway earnings, there was a rise of \$410,000 in other income and a fall of \$1,194,000 in fixed charges and interest payable on "Soo" line stocks. This leaves some \$2,630,000 more available, which is, perhaps, rather better than was expected. The Canadian Pacific can, however, always be relied upon to have something up its sleeve and this year it has decided that the time is ripe to make provision for extraordinary retirement of rolling stock. This requires \$20 million and although the bulk is provided by the transfer of excess steamship depreciation reserve, \$3,350,000 odd is debited against the profits of 1943. Evidently, this sum should be spread over the war years. After making this and other miscellaneous deductions and providing for preference dividends, and the resumed payment of 2 per cent costing \$6,700,000, on the ordinary, it is still possible to increase the surplus by \$23½ millions odd on the year to some \$224½ millions. In attempting to assess actual earnings per share it should be borne in mind that the addition to the surplus is net of tax. The principal changes in other income are a rise of \$1,643,793 in earnings from hotels and miscellaneous properties and a fall of \$1,868,254 in those from shipping. These figures are before providing for depreciation, which is increased from \$1,738,804 to \$2,651,357 for hotels and reduced from \$3,105,034 to \$1,991,528 for shipping. It seems probable that this tendency will continue throughout the war and the question arises what policy the company will adopt as regards ocean steamships after the war. At the end of 1942 the steamship depreciation reserve amounted to almost \$46½ million, against a balance sheet valuation of ships of \$52½ million odd. Thus, these assets, valued at \$104½ million at the end of 1938, have been largely written off, even after making allowance for the draft on the reserve made to retire rolling stock.

### Powell Duffryn Issue

The offer of ordinary shares in Powell Duffryn Associated Collieries to holders of preference and preferred ordinary capital in the two companies placed in liquidation, namely, Powell Duffryn Steam Coal and Welsh Associated Collieries, has been accepted by holders of 74 per cent of the total of all classes of capital concerned. From the standpoint of the underwriters, this is considered very satisfactory. Having regard to the fact that there is always a proportion of holders who fail to accept even the most favourable offer, it will be difficult to maintain that the terms were not widely held to be superior to those demanded by the strict letter of the law. So far as this group is concerned, the matter is now settled, but those who feel that the preference shareholders have been given, at best, a very raw deal, by the companies being put into liquidation while they could still earn dividends, are still pressing their point of view. By referring the question to the Cohen Committee, Mr Dalton has ensured that this aspect of the rights of preference shareholders will not be overlooked. Pending a decision on the matter, it is relevant to point out that, whatever may be the proper procedure in the case where a reduction in preference charges merely adds to the ordinary dividend, any regulation which postponed their reduction until such time as the funds did not exist to meet them would be shortsighted from the standpoint of

the preference shareholders themselves and against the national interest. Each case should be decided on its merits, but it is clear that a board which defers necessary capital replacement merely with a view to meeting interest charges or dividends, whether preferential or not, is acting against the interests of creditors, shareholders, and the general public.

### Resistance to Progress

The future of Great Britain as one of the world's industrial power-houses depends on the ability and willingness of industry to keep abreast in the application of scientific and technical progress. Unfortunately the implications of this, the only sure road to higher productivity and a higher standard of living, are even now not fully realised. Above all there is need for a new attitude in industry, for a greater willingness to discard traditional methods and practices that may have served well in the past but are out-of-date in the twentieth century. That the need for a change in outlook is as necessary among workers as it is among industrialists was illustrated by reference to the shipbuilding industry by Mr J. R. Gebbie, President of the North-East Coast Institution of Engineers and Shipbuilders, in an article contributed by him to the *Shipping World*.

Due to the age of our British shipbuilding industry, we are hampered by a host of old customs and ancient agreements which are totally inappropriate to present-day—and still less to future—plant and methods of construction, but which the workers mostly refuse to have modified; this state of affairs will be still worse when further extensive new plant and completely different methods of construction are introduced in the near future.

As a typical example, Mr. Gebbie mentioned that a machine recently installed in a shipyard could, with a little practice, be operated by an unskilled worker. But when it was actually handed over to an unskilled worker all other operatives struck work on the ground that the particular operation had for decades been carried out on a machine which required a skilled worker. To insist on the principle that a particular operation that required a craftsman in the past should be carried out for all time by a craftsman, irrespective of the simplification of the operation, would be to put the British shipbuilding industry out of business and thus to deprive both skilled and unskilled workers in the industry of jobs. As Mr Herbert Morrison justly remarked in a speech in May last year,

Certainly the philosophy of monopoly may offer to a limited number of workpeople some relative stability of employment at a relatively satisfactory wage. But at what cost? At the cost of unemployment for the rest, of insecurity for the rest, of keeping down the national income as a whole by producing less than we could produce at higher prices than we need.

### Diamond Boom

There seems to be no limit to the wartime demand for diamonds, reflected in the boom in diamond shares. At a small "sight" held by the Diamond Trading Company in London in the course of the last few days some £1,200,000 worth of gem stones were offered, but applications for these stones by the trade reached a total of no less than £6,000,000. Further "sights" will be held at the end of this month and in April and it has already been announced that prices for uncut gem diamonds will then be raised by another 7½ to 10 per cent. While a shortage of expert sorters prevents the diamond syndicate from taking full advantage of the strong demand—industrial diamonds, which are still sold at pre-war prices, have a priority on sorting—this year's total sales may, on the present evidence, reach, or even exceed, the 1943 figure. Last year's turnover was recently stated by Mr Hofmeyr, the South African Finance Minister, to have been in excess of £20,000,000, compared with £10,500,000 in 1942 and no more than £4,250,000 in 1938. Although production in at least two of the South African gem diamond mines was resumed last year, current sales appear to be appreciably in excess of current production, so that further inroads into stocks will be made this year. As stocks have declined heavily since 1940, there are good prospects that the diamond syndicate will enter the post-war era in a very strong position. The heavy accumulation of stocks during the 1930 to 1933 slump period had proved a serious obstacle to the activity of the gem diamond mines, especially in South Africa, where most of the mines had to be kept idle over periods

of years, which resulted in serious repercussions on social conditions in the mining areas. The absence of heavy stocks after the war may enable the industry to secure more stable employment in mining. It may at the same time facilitate the solution of the problems connected with the necessary reorientation of the market for industrial diamonds. Although immediate post-war consumption of industrial diamonds is likely to be smaller than wartime requirements, it will certainly remain permanently far in excess of pre-war needs. As the wartime boom will probably use up the reserves of industrial stones, future production will have to be speeded up to meet all legitimate industrial demand. Since no diamond mine produces only industrial stones, supplies of gem stones will automatically become available in the production drive for industrial varieties. The heavy reduction in stocks of gem stones during the war may enable the industry to absorb these new supplies without undue pressure on the gem market.

### Sweden's Monetary Policy

In May, 1943, the directors of the Swedish Riksbank appointed a committee of experts to investigate the problem of the post-war value of the krona. The committee, which included the eminent economist, Professor Erik Lindahl, has issued a preliminary report. Without making specific recommendations on points of detail for which the necessary data are not yet available, the report lays down the tentative lines of policy which should be followed by Swedish exchange policy after the war. The approach of the Swedish experts is based on the following fundamental concept:

The aim of economic policy during the first post-war period may be stated in general terms to be to restore as rapidly as possible a satisfactory standard of supply and to maintain full employment along lines of production affording the most favourable conditions for the future of Sweden's industrial and economic life.

Even with the advantage of this reasonably firm start, however, the experts quickly become conscious of the fact that they are prescribing for a situation the main features of which they are at the moment quite unable to diagnose. They, therefore, adopt the principle of setting out a number of probable alternatives which Swedish policy will have to follow. The result is to give the report an unusually hazy and indeterminate appearance. The gist of the recommendations is that Sweden should, as far as possible, maintain after the war the price stabilisation policy which has for long been the basis of the conduct of her monetary affairs. The crucial question to be answered is whether the wartime rise in prices should be allowed to stand or whether the stabilisation policy should attempt to link up with the 1939 level of krona prices. The experts admit that a deflationary process brought about by monetary means, and based on a lowering of wages, would conflict with the full employment policy, but they appear ready to compromise with such a possibility "should the supply of goods again reach the pre-war level." The question of fitting Swedish exchange policy within an international framework is treated with understandable discretion. The desirability of monetary co-operation with the other Nordic countries is stressed. The integration of that Nordic bloc into a wider international scheme is regarded as desirable, though the importance of maintaining some freedom of action in regard to exchange policy is laid down, as unconditional pegging of exchange rates might be difficult or impossible to reconcile with the basic objectives of domestic monetary policy. The experts are convinced that, in any case, it would be necessary to maintain sufficient control over payments between Sweden and other countries to prevent extreme capital movements.

### Interest and Premium Rates

In a paper recently read by Mr E. F. Martin before the Insurance Institute of London, the interrelation between interest, premium rates, bonuses and valuations was discussed. Interest rates, it was argued, are the main unpredictable variable in the determination of premium rates charged and bonuses distributed by life assurance companies. Mortality can be accurately estimated, and expenses can be controlled. Interest rates had in the past remained outside the bounds of reasonably accurate prediction. Mr Martin traced the variations in life office fund yield since 1899, the year which saw the lowest level of average

net yield up to that time. The figure touched 3½ per cent in that year, but as taxation was then not much more than 1s. in the pound, the gross yield was only slightly higher. The opening years of the new century saw a gradual improvement in the net rate, and by 1914 many offices were obtaining 4 per cent, though the average may have been slightly under that figure. During the last war gross rates rose, but there was a steep rise in income-tax. It was during the twenties—the years which saw first the attainment, then the defence, of the nominal gold parity of sterling—that net yields reached their peak. Figures of 4½ per cent and over were recorded by most offices. With the arrival of cheap money gross yields began to decline and they reached their lowest by the end of 1935. Since the beginning of this war—despite the virtual stability of gross yields—there had been a rapid decline in net yields; the impact of the increase in the income tax was arrested at the figure of 7s. 6d. in the pound—the rate paid by life offices on investment income in respect of life policy holders. The yields on new money had been reduced by investment in Government loans bearing gross interest at 3 and 2½ per cent. Mr Martin thought that the first half of the century would have witnessed a full circle in the variation of life office yields. Many offices now are not earning much more than 3 per cent net on their total investments, and the margin between net yields and pre-war valuation rates (normally 2½ per cent) has narrowed seriously enough to render precarious any hopes of substantial bonuses in respect of the war period. Looking to the future, Mr Martin foresaw a further decline in average yields. This is likely to occur not through a further reduction in the rate available on new investment, but through the maturity of investments made in the past and the inability to reinvest these funds without loss of yield. On balance, Mr Martin looked for some improvement after the war, when a new cycle in interest rates should begin. He admitted, however, that it would be unwise to expect more than a very gradual and moderate rise in yields—if only because the present gap between the standard rate of income-tax and that levied on life offices' investments may mean that relief to these offices may not immediately follow a reduction in taxation.

### LPTB Stocks

The full accounts of the London Passenger Transport Board for last year add little to the story of the preliminary statement. So far as the "C" stock is concerned, it is now clear that, of the total dividend of 3½ per cent, almost ½ point was paid out of profits of earlier periods. This is made up of £57,487, adjustment of the 1940 figures, and £20,818, draft on the "C" stock interest fund. Receipts under the agreement are no more indicative of the earning power of LPTB after the war than those of the main lines, but the picture is not the less grim for the moment. Last year, the holders of senior stocks commenced to share in the disabilities which had previously fallen only on the "C" stock, for the period of suspension of redemption funds expired on June 30th. Contributions to these funds can, however, only be made after the standard rate of 5½ per cent on the "C" stock has been met, so that no money has been, or will within the visible future be, set aside for the repayment of the senior securities. It is impossible to base conclusions on wartime results, but it was already evident before the war that the granting of a monopoly would not ensure profitable operation on the existing capitalisation. Unless there is a drastic change after the war, it may be expected that all classes of stockholder will be dissatisfied with a position in which there is no effective means of exercising control, for the provision that "C" stockholders may apply to the Court for the appointment of a receiver had so far proved to be worthless.

### Caution Over Copper

Mr. A. Chester Beatty, the chairman of Roan Antelope, in his statement accompanying the publication of the full accounts for 1943, strikes a note of caution about the mine's post-war prospects, by way of explaining the company's non-payment of a dividend. The full accounts show, indeed, that, while both have risen, operating expenses have outpaced sales of copper, so that gross profits are slightly lower at £1,309,677; but due to a substantial saving on the amount needed for taxation, net profits are some £20,000 up at £584,022. Last year a similar figure was deemed good

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enough to warrant a 10 per cent dividend, but, unfortunately for financial tranquillity, the war has progressed since that date and the rigours of peace lie closer ahead. Therefore, in order to strengthen the company's liquid position, the whole of the available sum of £584,022 has been consigned to the general reserve. Mr Beatty points out that the excess of free cash is only £399,019; on this basis of computation, that is exclusive of stocks of copper and of stores—excess of free cash in 1942 was only £96,189, while a comparable figure for 1941 would seem to have been negative; or, to apply this yardstick to another operating mine, Rhokana would seem to have afforded a 25 per cent dividend for 1943, also without possessing any balance of free cash. There can be no doubt, in fact, that Roan Antelope's net liquid assets have risen steadily in the last three years. The bogey in front of Mr Beatty is, of course, the large stocks of copper accumulating in the hands of various Governments. This factor will force down demand and prices after the war, in so far as its impact is not staggered, by arrangement, which to some extent it may very well be. Mr Beatty also revealed progress in the mine's technical reorganisation. During the last two years the scheme for filling in the hanging wall has been accomplished for one-half of the mine. This has caused some set-back to production and has increased current costs. The completion of this work after the war is likely to reduce production, conveniently enough, during just that period when stocks are being unloaded. This capital scheme represents the making good of a deficiency rather than the creation of new wealth. Nevertheless, Roan Antelope will leave the war much better equipped for production than it was immediately before it. Mr Beatty's remarks resolve themselves into a general lament upon the future of copper; and it is, of course, only one stage further for companies to base their actions upon general doubts about the future of trade.

#### Post-War Furniture

A useful and valuable interim report has recently been made public by the Furniture Industry Post-War Reconstruction Committee, on which employers and trade unions are represented. The report is a summary of one submitted to the President of the Board of Trade three months ago. Its main purpose is to sketch an approach to the problems of reconstruction on the manufacturing side of the furniture industry. The main recommendation is the substitution of "standard" for utility furniture. Standard furniture would embody all, or nearly all, the elements of control inherent in utility, with the important distinction that it would be designed for peace time. Utility furniture, while graceful in appearance, has no claim to lasting qualities. It is a makeshift which should be superseded as soon as possible. There are lessons for peace time to be learned from the utility furniture scheme. Despite its admitted imperfections, it is as good as if not better than the non-utility furniture of a similar price which was being manufactured just before its production began. The laying down of standards of quality of construction and materials, with prices controlled and free of purchase tax, is likely to eliminate "junk" furniture—an admirable post-war aim of the trade. It is proposed that a share of the available materials should be allocated to factories as they become ready for production. Those producing utility furniture would be treated in the same way. Firms would be licensed and would have to produce a certain quota of standard furniture. Adjustments in the quota as supplies increase is suggested to provide a smooth and gradual method of eliminating control. The report does not deal with the distribution of furniture and it is this aspect of the problem which is of paramount importance in the relaxation of control. There should be enough standard furniture to meet demand before its production is reduced. This principle is being applied in the utility scheme, and only this week, it was announced that couples married after September 1, 1939 (it was previously January 1, 1941), could now apply for permits. On the whole, the report is a heartening one. No undue difficulties are envisaged in getting the furniture trade on to a peace-time basis.

#### Shorter Notes

After a lapse of thirteen years, the board of Bradford Dyers' Association have been able to recommend a dividend on the ordinary capital in respect of 1943. The payment is to be 4 per cent and this is rather less than market expectations, based on the fact that 1942 earnings covered two

and a half years' arrears of preference dividend with a modest margin. The £1 ordinary shares fell on the announcement, but at 21s. 6d. still yield only £3 15s. 9d. per cent. The preference improved on the news, but still yield appreciably over 5 per cent. The market value of the ordinary can only be justified on the assumption that there will be a further marked improvement in earnings over a protracted period. As it is doubtful whether this will materialise, many holders probably expect to be able to sell out during the period of post-war restocking.

Owing to a printer's error in the first of the two tables accompanying the article entitled "Is There Enough Oil?" on page 343 in *The Economist* of March 11th, the production of crude oil in the United States in 1938 was stated to be equivalent to 2.325 per cent of its "proved" oil resources. The correct figure is 6.325 per cent. Although the other figures in the table were given correctly and the error rectified in the later copies, the correct table is appended in full for the convenience of those whose copy contains the error.

TABLE I.—ESTIMATED WORLD RESERVES, 1942, AND WORLD PRODUCTION, 1938

|                                                            | World Reserves, 1942 (thous. barrels) | Percent. World Reserves, 1942 | World Production, 1938 (thous. barrels) | 1938 Production Expressed as Percent. of 1942 Reserves |
|------------------------------------------------------------|---------------------------------------|-------------------------------|-----------------------------------------|--------------------------------------------------------|
| United States of America .....                             | 20,000,000                            | 36.369                        | 1,264,970                               | 6.325                                                  |
| Union of Soviet Socialist Republics .....                  | 8,500,000                             | 15.457                        | 210,000                                 | 2.471                                                  |
| Venezuela .....                                            | 5,600,000                             | 10.183                        | 190,000                                 | 3.393                                                  |
| Colombia .....                                             | 500,000                               | 0.909                         | 22,000                                  | 4.420                                                  |
| Mexico .....                                               | 675,000                               | 1.259                         | 38,000                                  | 5.630                                                  |
| Peru .....                                                 | 160,000                               | 0.291                         | 17,200                                  | 10.750                                                 |
| Argentina .....                                            | 250,000                               | 0.455                         | 16,700                                  | 6.680                                                  |
| Ecuador .....                                              | 27,000                                | 0.049                         | 2,250                                   | 8.370                                                  |
| Bolivia .....                                              | 40,000                                | 0.073                         | 150                                     | 0.375                                                  |
| Brazil .....                                               | 1,000                                 | 0.002                         | ...                                     | ...                                                    |
| Trinidad .....                                             | 400,000                               | 0.727                         | 18,000                                  | 4.500                                                  |
| Canada .....                                               | 135,000                               | 0.245                         | 8,000                                   | 5.926                                                  |
| Albania .....                                              | 21,000                                | 0.038                         | 750                                     | 3.571                                                  |
| Czechoslovakia .....                                       | 8,000                                 | 0.015                         | 150                                     | 1.875                                                  |
| France .....                                               | 5,600                                 | 0.010                         | 570                                     | 10.179                                                 |
| Germany .....                                              | 83,000                                | 0.151                         | 4,300                                   | 5.181                                                  |
| Austria .....                                              | 50,000                                | 0.091                         | 400                                     | 0.800                                                  |
| Hungary .....                                              | 75,000                                | 0.136                         | 1,000                                   | 1.333                                                  |
| Italy .....                                                | 1,000                                 | 0.002                         | 100                                     | 10.000                                                 |
| Poland .....                                               | 44,000                                | 0.080                         | 3,970                                   | 9.023                                                  |
| Roumania .....                                             | 467,000                               | 0.849                         | 49,200                                  | 10.535                                                 |
| Netherlands East Indies (includes Borneo-New Guinea) ..... | 1,250,000                             | 2.273                         | 57,600                                  | 4.608                                                  |
| Burma .....                                                | 100,000                               | 0.182                         | 7,500                                   | 7.500                                                  |
| India .....                                                | 50,000                                | 0.091                         | 2,500                                   | 5.000                                                  |
| Japan .....                                                | 25,000                                | 0.045                         | 2,680                                   | 10.720                                                 |
| Egypt .....                                                | 75,000                                | 0.136                         | 1,600                                   | 2.133                                                  |
| Persian Gulf area .....                                    | 16,450,000                            | 29.913                        | 115,380                                 | 0.701                                                  |
| Others .....                                               | ...                                   | ...                           | 9,800                                   | ...                                                    |
| Total .....                                                | 54,992,600                            | 100.000                       | 2,440,800                               | 3.718                                                  |

## Company Result

#### Dorman Long.

|                                    | Years to September 30, |           |           |
|------------------------------------|------------------------|-----------|-----------|
|                                    | 1941                   | 1942      | 1943      |
| Profit after taxation† .....       | 759,957½               | 1,058,397 | 1,106,938 |
| Depreciation .....                 | 275,000                | 275,000   | 275,000   |
| Fees .....                         | 12,000                 | 12,167    | 13,000    |
| Pension fund .....                 | ...                    | 15,000    | 15,000    |
| Debt and Prior Lien interest ..... | 195,516                | 194,748   | 192,375   |
| Do. sinking funds .....            | 43,233                 | 45,652    | 46,733    |
| Preference dividends .....         | 238,803                | 238,803   | 238,803   |
| Preferred ordinary dividends ..... | ...                    | 82,110    | 82,110    |
| Ordinary shares:—                  |                        |           |           |
| <i>Earnings</i> .....              | Dr. 4,595              | 194,917   | 283,917   |
| <i>Paid (gross)</i> .....          | Nil                    | 126,492   | 126,492   |
| <i>Earnings %</i> .....            | Nil                    | 14.7      | 23.0      |
| <i>Paid %</i> .....                | Nil                    | 8         | 8         |
| General reserve .....              | 100,000                | 65,000    | 150,000   |
| Carry forward .....                | 52,320                 | 55,746    | 63,171    |

|                               |           |           |           |
|-------------------------------|-----------|-----------|-----------|
| Net fixed assets .....        | 5,988,055 | 5,471,310 | 4,872,763 |
| Net inter-company items ..... | 1,728,641 | 1,521,685 | 1,744,919 |
| Net liquid assets .....       | 3,623,576 | 4,342,222 | 4,780,713 |

|                           |           |           |           |
|---------------------------|-----------|-----------|-----------|
| Gross liquid assets ..... | 6,590,446 | 7,639,552 | 8,577,707 |
| Stocks .....              | 2,843,938 | 2,779,722 | 2,830,333 |
| Cash .....                | 309,324   | 927,748   | 1,816,207 |

† Including income from subsidiary and associated companies.  
‡ Gross profit for 1941 was £1,189,378, out of which £429,421 was allocated for taxation. For subsequent years, separate figures for taxation have not been given.  
\* No provision for sinking fund for the 5% Debenture Stock was necessary in 1943. (See below.)

Since the end of the latest year (September 30, 1943), an issue of 1,900,000 new ordinary shares has been made, at 27s. per share, and used to pay off all of the outstanding 5 per cent debenture stock (£3,031,560), at a premium of 5 per cent. The balance required for this operation has been met from the company's cash resources.

The ordinary shares of £1 standing at 26s. ex dividend yield £6 3s. 1d. per cent.

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This famous British Table Water—in Sparkling form—has disappeared for the moment but it will return with victory. An understanding public will appreciate our difficulties.

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**SPA**  
**WATER**



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Before the War, when quality was what we cared to make it — we at Rowntrees made it high. You will remember Black Magic — Chocolate Crisp — Aero Milk Chocolate. These were typical of the standard at which all our production was fixed.

During the War, quality can be only what we are able to make it. Nevertheless, we find, somewhat to our surprise, that in spite of Hobson's choice in the matter of ingredients, we are able to make Chocolate and Clear Gums which the people who eat them are kind enough to call excellent. Even so, owing to Zoning we can sell them only in certain parts of the country, mainly in the North and East.

After the War, when at length the quality of our products again comes completely under our own control, we shall make our post-war products to our pre-war standards. Unhurriedly, as the right materials come into the country, we shall again produce Black Magic, Chocolate Crisp and the others — and sell them from Penzance to the Pentland Firth. And that's a promise.

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Colds and influenza cannot be resisted when your diet is deficient in vitamin A: the daily dose of Crookes' ensures you the necessary amount. Adults cannot keep healthy and children cannot grow up with straight bones and strong teeth without sufficient vitamin D: the daily dose of Crookes' keeps your supply well above the safety level.

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## COMPANY MEETINGS

SCOTTISH LIFE ASSURANCE  
COMPANY, LIMITED

## GRATIFYING INCREASE IN FUNDS

## SIR JOHN MACLEOD'S SPEECH

Sir John Lorne Macleod, chairman of the board of directors, presided at the annual meeting of the Scottish Life Assurance Company, Limited, held, on the 15th instant, in Edinburgh.

In moving adoption of the report and accounts for year 1943, the chairman said:

In 1943 we issued 867 new life policies for sums assured of £787,983 gross, or after allowing for sums reassured £729,791 net. This is a slight advance on the figures for 1942. So long as present conditions continue we cannot expect much further expansion in the new business field. We have neither the men nor the opportunity to make personal approaches to possible proposers among the assuring public. Reliance has to be placed on existing connections for most of the business secured. Too seldom does the initiative come from the prospective assured himself, so that full credit must be accorded to our few remaining representatives for having placed about three-quarters of a million pounds of new sums assured on the books during the year.

## PREMIUM INCOME WELL MAINTAINED

The premium income is being extremely well maintained. The revenue figure of £645,495 includes renewal premiums of £608,489, which is an advance of nearly £8,000 on that of the previous year. This is one of the most satisfactory features of the accounts. Purchase money for the sale of annuities is not at present, as it used to be, an important item of receipts owing largely to the disadvantages attaching to annuities from the taxation standpoint. The existing rules place unduly onerous burdens on the recipients of life annuities especially during a time when the standard rate of tax is high. There is a case here for rectification of the law.

Claims by death totalled £267,000 in round figures, and claims by survivorship were £418,000. I would like to draw attention to the comparatively low figure of death claims. Before the war we were experiencing a mortality strain on the funds which approximated closely to the strain expected by the standard tables. During the four years of war the actual strain under all death claims, including war casualties, has amounted to very little more than the amount anticipated by the mortality table on which calculations were based before the war. When it is considered that over the four years 1940/1943 the total strain has been only 102 per cent. of the expected and that the figures are known to include many deaths of young lives on active service which would not have occurred but for the war, it is clear that the mortality of the general body of policyholders must have been exceptionally light for the period.

Commission and expenses of management have contracted by a considerable amount, the actual ratio relative to premium income being 12.5 per cent. as against 13.3 per cent. the year before.

## INTEREST REVENUE

The interest revenue shows a yield on the invested funds for the past year of 4 11s. per cent. before deduction of income tax, and 3 7s. 6d. per cent. after deduction. These rates are increases of 11d. and 1d. respectively on the gross and net figures of the previous year. The net yield on the funds for the three years of the current quinquennium has approximated closely to 3½ per cent. throughout. It will be difficult even to maintain this rate so long as Government long-term credit is stabilised, as it seems to be, at about 3 per cent. gross. By way of comparison I may recall that we earned about 4 per cent. net for the period which ended

with our last quinquennial investigation. A main feature leading to this decreased earning power is of course the steep rise in the standard rate of income tax in recent years.

The increase of £130,000 in the life funds during the year is gratifyingly substantial. The whole of this sum has been invested in 3 per cent. savings bonds, and an additional £130,000 as well. Twenty-seven per cent. of the office portfolio of investments is now represented by British Government securities. With regard to this portfolio I may say that the values of investments entered in our balance sheet are in the aggregate well below their current market values, and if "current market value" can be taken as synonymous with actual worth we have a substantial undisclosed reserve to set against possible future depreciation.

The motion having been seconded by Sir Iain Colquhoun, Bart. of Luss, K.T., D.S.O., was adopted.

NATIONAL PROVIDENT  
INSTITUTION

## FAVOURABLE MORTALITY

The following is a summary of the address to be submitted by the chairman, Mr Vincent W. Yorke, at the annual meeting of the National Provident Institution for Mutual Life Assurance to be held, on the 21st instant, in London.

The distribution of profits made a year ago gave great satisfaction to our members, and nothing has happened since to cause us to alter the decision then announced to allow interim bonuses on all full profit policies becoming claims either by death or maturity before the next distribution of profits is made. At the present time these interim bonuses are calculated at the rate of 30s. per cent. per annum in the case of whole life assurances, while in the case of endowment assurances the rates vary with the maturity age, but average about 24s. per cent. per annum.

In spite of a sadly depleted "field" staff, our new business shows a useful, if moderate, increase as compared with that of the previous year. Our death claims, which include some £40,000 in respect of war casualties, are very moderate, with the result that in spite of war conditions we have earned a good mortality profit. If deaths due to war are excluded the ordinary claims for 1943 amounted to only £253,700, a figure which is lower than any comparable figure (with one exception) during the past 50 years.

And what of the future? I believe that we are affording a public service of the most valuable kind in the efficient and economical management of our business of mutual life assurance; for life assurance will still be wanted to supplement whatever other provision for dependents or old age a man may make or have provided for him by a kindly and bounteous state, and what better form of life assurance can there be than mutual life assurance?

## BOVRIL LIMITED

The forty-seventh annual general meeting of Bovril, Limited, was held, on the 15th instant, in London.

The following is an extract of the statement by the Lord Luke (chairman) circulated with the report and accounts:—The demand and supply of Bovril have been maintained at a very high level. If the supply has not everywhere satisfied the demand, the reason is that priority has gone to the Services; in all other respects an equitable distribution has been our constant aim, as in all the war years.

Your board has given much thought and consideration to plans for the company in the post-war period. Prominence in our post-war plans is given to (1) research in the spheres of food, health and public tastes; (2) modern production; (3) sales both in the United Kingdom and particularly overseas.

CO-OPERATIVE PERMANENT  
BUILDING SOCIETY

## DIAMOND JUBILEE MEETING

The annual general meeting of the Co-operative Permanent Building Society was held, on the 9th instant, in London.

Dr Albert Mansbridge, C.H., in his presidential address, said: At the commencement of its sixty-first year the society is confronted with a housing situation aggravated by a destructive war. Given wisely conceived plans for the housing of the people, this society can and will contribute powerfully to their consummation. This is clearly demonstrated by the balance-sheet and report.

Sixty years ago the society was like an acorn, became a sapling in 1894, and has flourished as a great oak tree. It is a good thing that this balance-sheet is one of the very best the society has ever shown and is a remarkable achievement after 4½ years of war. It is a matter for congratulation that the society can face the future with that feeling in their heart and mind.

## GROWTH IN WAR YEARS

With this balance-sheet the society has now completed four full years during which the country has been at war, and in this period of 48 months of emergency it is found that the membership has increased by 15,000 to 153,600. Assets have grown by £3,600,000 to £34,800,000 and share capital by £3,750,000 to £25,000,000. Mortgage advances, necessarily restricted by the special conditions, amounted to £3,800,000. Equally satisfactory is the return of £200,000 to borrowers by way of mortgage interest rebate and the crediting of £2,250,000 interest on shareholders' accounts. The public revenue has received from the society £1,600,000 in taxation, while liquid funds have risen by £5,400,000 to £6,900,000. These real evidences of the virility of the society operating in time of war are a direct result of the invaluable and continuing support of members, aided by an efficient body of agents and staff.

The directors are taking every possible counsel from skilled people and seek to take full advantage of guidance towards the promotion of the building of the best types of houses, and to enable the ordinary man and woman to purchase them and to own them under fair and equitable conditions.

## GOOD HOUSING ESSENTIAL

It is not possible yet to say what the governing conditions will be; good housing is essential in the interests of human life, whether expressed in physical, intellectual or spiritual terms. Bad housing has been a disease poisoning the whole body politic. In order to take its part the society has published 30 influential booklets in a "Design for Britain" series. These have been welcomed by all concerned with better housing, whether Cabinet Ministers, ecclesiastics, architects, builders, or the people in general. For the rest, it has secured as consultants leading architects and economists.

We were born of the co-operative movement, we have been true to the co-operative movement in every possible way ever since the foundation of the society, and we are determined to develop in our operations the full spirit of that magnificent co-operative ideal which 100 years ago—this is its centenary—was put into practice by the Rochdale co-operative pioneers. That was a great day in the history of England. England has not yet realised what a great day it was.

## AMENDMENT OF RULES

We have taken definite steps in bringing before you proposals for amendment of certain rules. We want to have the full stream of the co-operative power in this building society in the future, and when

the rules are passed we shall be able to appoint representatives of the societies or the governing bodies of the societies in affiliation with the Co-operative Union. The first step will be to invite the English and Scottish Co-operative Wholesale Societies to come into the picture so that we will be strengthened for the great task of the future.

The society has also taken joint action with the National Federation of Housing Societies, which has expressed and tried to express in all that it has done the kind of thing which we stand for here. None of us can predict the future; we may have terrific problems to face which we will meet with full strength and courage.

Mr Jas. C. Cessford (director), in a supporting speech, stated that co-operators could provide £100,000,000 a year for a 10-year programme on rehousing the nations, with facilities for furniture purchases included in the mortgage.

The report and accounts were unanimously adopted and the recommended alterations in the rules of the society, enabling directors of the English and Scottish Wholesale Societies to sit on its board, were approved by the members.

JEREMIAH ROTHERHAM  
AND COMPANY, LIMITED

The forty-sixth annual general meeting of this company was held, on the 13th instant, in London. Mr Joseph Hockley (chairman and managing director) presiding.

The following is an extract from the statement by the chairman circulated with the report and accounts: The balance-sheet now submitted shows a trading profit of £65,261 for the year ended January 15, 1944, before provision is made for excess profits tax.

The net profit amounts to £91,854. To this sum must be added the balance of undistributed profits brought forward from 1943—namely, £24,913, making a disposable total of £116,767. We propose allocating this sum as follows: To provide for income-tax a sum sufficient to cover the estimated liability on profits earned to January 15, 1944, £21,000; to general contingency account, £5,000; to employees' benevolent fund, £5,000; to year's Preference dividend to January 15, 1944, £10,000; to dividend on the ordinary shares of 5 per cent. for the year to January 15, 1944, £30,000; to bonus of 2½ per cent. on the ordinary shares, £15,000; and to carry forward £30,767.

The report and accounts were adopted.

CONSOLIDATED MINES  
SELECTION COMPANY,  
LIMITED

The forty-eighth ordinary general meeting of this company will be held, on the 21st instant, in London.

The following is an extract from the statement by the chairman, Mr S. S. Taylor, C.M.G., D.S.O., circulated with the accounts: The customary valuation made as at December 31, 1943, showed that the total value of the company's holding was £1,768,419, against the book value of £760,096. Revenue from interest and dividends was £7,696 higher. The net profit for the year was £81,604. The dividend recommended is 12½ per cent. actual, equivalent to 1s. 3d. per 10s. unit of stock, less income-tax.

The company's holding of shares in the Anglo American Corporation of South Africa, Limited, which for many years has constituted one of its major assets, was increased to a moderate extent during the year. The corporation's main interests are in gold, copper, and diamond mining industries. It is quite evident that it is in a very favourable position to take advantage of future developments in that part of the Orange Free State where prospecting for gold has already provided data of an encouraging nature.

DORMAN, LONG AND  
COMPANY, LIMITED

## IMPROVED FINANCIAL POSITION

## LORD GREENWOOD'S STATEMENT

Statement by the chairman, the Rt. Hon. The Viscount Greenwood, P.C., circulated with the report and accounts for the year to September 30, 1943, in place of the customary speech at the annual general meeting.

For reasons previously explained, it was not possible for our report and accounts to be completed in time to hold our annual general meeting during 1943.

As usual, taxation has been provided on all profits to date.

Additions to capital expenditure amount to £20,215 and realisations aggregate £18,296. So far as circumstances would permit, we have continued to make improvements to our plant and equipment and to maintain it in a proper state of repair.

Provisions for renewals, relinings, repairs and for other purposes show a substantial increase arising from provisions for necessary expenditures at the iron and steel works and collieries, accruing liabilities for surface damages at the collieries and ironstone mines and other contingencies.

In November, 1943, the company's issued share capital was increased by the issue of 1,900,000 new ordinary shares at 27s. per share. The proceeds of the issue were applied towards the redemption (at a premium of 5 per cent.) of the outstanding 5 per cent. debenture stock of the company on January 17, 1944, the balance required for the redemption of the 5 per cent. debenture stock being provided out of the company's cash resources.

A marked improvement in the company's financial position and credit has been effected by repaying and discharging over £3,000,000 of 5 per cent. debenture stock and bringing the ordinary share capital into reasonable proportion to the total of the company's share and loan capital. As a result of these arrangements the financing of further improvements and developments at the iron and steel works and other departments, as well as long-term contracts for structural engineering and bridge-work at home and abroad, will be greatly facilitated.

Although it is not permissible for me to give particulars of production figures, our company continues to make an outstanding contribution to the war effort.

Over 5,000 of our employees are serving in His Majesty's Forces.

There has been a further increase in the number of our employees participating in the National Savings Movement during the past year. The company provides facilities for the collection and recording of savings at all departments.

An allocation of £15,000 under the heading of pension fund is recommended. It is intended to devote part of this to augmenting the staff pension scheme.

Our thanks are due to the management, staff and all employees for the excellent services they have rendered under harsh war conditions.

(The adjourned fifty-fourth ordinary general meeting of the company will be held at Winchester House, Old Broad Street, London, E.C. 2, on March 23, 1944, at 12 o'clock noon.)

## A BRAINS TRUST

ON  
POLAND

At CAXTON HALL, S.W.1

On MONDAY, 20th MARCH 1944

At 7.15 p.m.

Question Master: CAPTAIN ALAN GRAHAM, M.P.

LANCASHIRE STEEL  
CORPORATION, LIMITED

## RESERVES STRENGTHENED

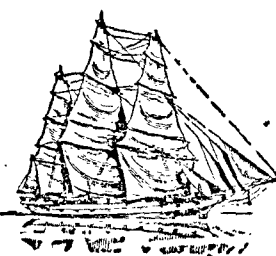
The fourteenth ordinary general meeting of the Lancashire Steel Corporation, Limited, was held, on the 14th instant, in Manchester.

Mr John E. James (chairman and managing director) said that the directors had given consideration to the dividends which might be declared and had decided to recommend payment of a dividend at the rate of 5½ per cent. per annum, less tax, on the Five-and-a-Half per Cent. Non-Cumulative Redeemable Second Preference stock, and at the rate of 7 per cent. per annum, less tax, on the "A" and "B" Ordinary stocks, both dividends being for the period of 10 months. £170,000 had been laid aside for central reserves for depreciation of the fixed assets of the group, while £50,000 had been added to the general reserve and £65,000 to the reserve for deferred repairs.

It would not be appropriate for him to discuss matters relating to the corporation's affairs or subjects of general interest in the steel industry. Since they had last met great changes had taken place in various theatres of war. The crisis of the struggle with Germany was approaching, but if they in the industrial field continued to give their utmost support to their armed forces and those of their allies, they might, with confidence, look forward to complete victory over Germany and Japan. Great efforts would require to be made by all classes in industry in this country during the reconstruction period, but the successful conclusion of the war would, he trusted, serve as an inspiration to the people, in association with their allies, to give all the assistance in their power towards the creation of better and happier conditions, not in this country alone, but throughout the world.

He paid tribute to the valuable services rendered by the staffs and works employees of the corporation and its subsidiary companies.

The report and accounts were adopted.



## BECALMED

"As idle as a painted ship upon a painted ocean"—without the motive power of wind the sailing ship is useless. Without adequate funds the Christie Hospital, the largest Cancer treating hospital of the Empire, is unable to extend its increasing fight against Cancer. Don't let our work falter or fail from lack of your help; send a donation to-day.

CHRISTIE CANCER  
HOSPITAL

&  
Holt Radium Institute  
MANCHESTER, 20



# RECORDS and STATISTICS

## INDUSTRY AND TRADE

**Retail Trade.**—The accompanying table shows the percentage changes in the average value of retail sales from the preceding years for the last four years. During 1943-4 retail turnover as a whole suffered its first contraction since 1941-2. In that year the lower sales were due in no small measure to bombing. During 1943 the shortage of supplies was increasingly felt, and it was only in the departments which are mainly free of price control that turnover was higher. This does not, of course, apply to the major part of the food and perishables section, but flowers and some vegetables which are not controlled in price were more expensive than in the earlier war years.

### PERCENTAGE CHANGES IN AVERAGE DAILY VALUE OF RETAIL SALES FROM PRECEDING YEAR

|                       | Food and Perishables | Non-food Merchandise | Total |
|-----------------------|----------------------|----------------------|-------|
| Feb., 1940-Jan., 1941 | +2.7                 | +4.2                 | +3.3  |
| " 1941- " 1942        | -1.5                 | -5.4                 | -3.2  |
| " 1942- " 1943        | +3.5                 | -0.1                 | +1.9  |
| " 1943- " 1944        | +2.0                 | -6.0                 | -1.5  |

The table below sets out the average value of retail sales for the months of November, December and January, compared with the corresponding months of the year before.

**Demobilisation Outfits.**—It has been announced that on demobilisation after the war male members of the armed forces will be provided with an outfit of civilian clothes consisting of the following items: one suit, one shirt, two collars, one tie, one pair of shoes, two pairs of socks, one hat, one raincoat, one set of back and front studs, and one pair of cuff links.

**Radio Sets.**—During 1943, about 55,000 radio sets were put on the civilian market. The distribution will shortly begin of 25,000 sets from the United States. As they become available, they will be released to the trade through British radio manufacturers and the pre-war importers, and will reach the public through normal trade channels. It is hoped that they will be evenly distributed throughout the country. Each set is tested on arrival, but none will be guaranteed. Prices have been fixed for each of the four grades. The range is as follows: on sale to a wholesaler (excluding purchase tax), £5 17s. to £8 11s.; on sale to a retailer (excluding purchase tax), £6 16s. to £9 19s.; on sale to the public (including purchase tax), £11 14s. 2d. to £17 18s. 8d.

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

|                       | Mar. 31, 1937* | Aug. 30, 1939 | Mar. 9, 1943 | Feb. 22, 1944 | Mar. 7, 1944 |
|-----------------------|----------------|---------------|--------------|---------------|--------------|
| Cereals and Meat      | 93.0           | 66.9          | 109.7        | 109.0         | 108.6        |
| Other Foods           | 70.4           | 61.1          | 107.3        | 107.3         | 107.3        |
| Textiles              | 74.2           | 54.3          | 92.2         | 92.6          | 92.5         |
| Minerals              | 113.2          | 95.4          | 135.9        | 140.1         | 139.7        |
| Miscellaneous         | 87.0           | 77.6          | 124.1        | 129.0         | 129.0        |
| <b>Complete Index</b> | <b>87.2</b>    | <b>70.3</b>   | <b>113.5</b> | <b>115.2</b>  | <b>115.0</b> |
| 1913=100              | 119.9          | 90.8          | 156.1        | 158.4         | 158.2        |

\* Highest level reached during 1932-37 recovery.

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

|                        | Daily Average Sales |             |             | Stocks at Cost End Jan. |
|------------------------|---------------------|-------------|-------------|-------------------------|
|                        | 1943                |             | 1944        |                         |
|                        | Nov.                | Dec.        | Jan.        |                         |
| Non-food Merchandise:  |                     |             |             |                         |
| Piece-goods            | -12.4               | -6.8        | +6.4        | -2.8                    |
| Women's Wear           | -15.2               | -7.7        | +2.9        | -16.6                   |
| Men's and Boys' Wear   | -19.8               | -12.9       | +7.1        | +3.0                    |
| Boots and Shoes        | -12.2               | -9.6        | -14.5       | -3.2                    |
| Furnishing Departments | -13.3               | -8.7        | -12.4       | -11.9                   |
| Hardware               | -1.7                | +9.9        | +0.6        | -19.9                   |
| Fancy Departments      | +6.0                | +4.0        | -2.2        | -25.7                   |
| Sports and Travel      | +5.8                | +15.2       | +16.6       | -21.9                   |
| Miscellaneous          | +3.5                | +3.5        | -1.0        | +4.0                    |
| <b>Total</b>           | <b>-7.3</b>         | <b>+2.4</b> | <b>-3.2</b> | <b>-15.1</b>            |
| Food and Perishables   | +5.2                | +6.1        | +4.2        | -3.6                    |
| <b>Total</b>           | <b>-0.7</b>         | <b>+2.1</b> | <b>+1.2</b> | <b>-14.3</b>            |

| (a) By Commodities          |             |             |             |              |
|-----------------------------|-------------|-------------|-------------|--------------|
| Non-food Merchandise:       | -12.4       | -6.8        | +6.4        | -2.8         |
| Piece-goods                 | -15.2       | -7.7        | +2.9        | -16.6        |
| Women's Wear                | -19.8       | -12.9       | +7.1        | +3.0         |
| Boots and Shoes             | -12.2       | -9.6        | -14.5       | -3.2         |
| Furnishing Departments      | -13.3       | -8.7        | -12.4       | -11.9        |
| Hardware                    | -1.7        | +9.9        | +0.6        | -19.9        |
| Fancy Departments           | +6.0        | +4.0        | -2.2        | -25.7        |
| Sports and Travel           | +5.8        | +15.2       | +16.6       | -21.9        |
| Miscellaneous               | +3.5        | +3.5        | -1.0        | +4.0         |
| <b>Total</b>                | <b>-7.3</b> | <b>+2.4</b> | <b>-3.2</b> | <b>-15.1</b> |
| Food and Perishables        | +5.2        | +6.1        | +4.2        | -3.6         |
| <b>Total</b>                | <b>-0.7</b> | <b>+2.1</b> | <b>+1.2</b> | <b>-14.3</b> |
| (b) Districts               |             |             |             |              |
| Scotland                    | +1.3        | +1.3        | +3.1        | -9.5         |
| North-East                  | +1.0        | +1.9        | +3.8        | -15.8        |
| North-West                  | -2.4        | +0.5        | +0.3        | -10.4        |
| Midland and S. Wales        | -1.5        | +1.9        | -0.3        | -17.6        |
| South England               | +1.4        | +0.8        | +0.2        | -25.4        |
| Central and West-End London | +2.6        | +5.5        | +3.6        | -7.3         |
| Suburban London             | +6.3        | +4.6        | -8.0        | -9.7         |
| Unallocated                 |             |             |             |              |

Source: Board of Trade Journal

**"The Economist" Sensitive Index.**—There was no change in the index during the week ended March 15th. The complete index (1935 = 100) was 151.2; crops, 123.2; and raw materials, 185.5.

## FINANCE AND BANKING

**THE MONEY MARKET.**—Conditions in the money market were difficult at the beginning of the week, but eased progressively. On Monday some assistance had to be given to the market by way of official purchases of Bills, and on Tuesday supplies of credit were only just sufficient to go round without further official help. The drain on bank cash was probably due to a temporary disturbance of the balance between Government outgoings and income. How rapidly it was remedied is shown by the latest Bank return, which reveals bankers' deposits at the relatively high level of £178,929,000, or £16,731,000 up on the week. The main counterpart to this movement are increases of £13,535,000 in Government and £4,416,000 in Other securities. The banks were this week called upon to pay £100,000,000 against Treasury Deposit receipts, but maturities were heavy and only £30,000,000 of fresh money was disbursed in this way. The discount market obtained a 31 per cent. allotment for the bills to be taken up this week. The help it received from special quarters in paying for them is evidenced by the rise in the Bank's holding of Government securities.

**MONEY RATES, LONDON.**—The following rates remained unchanged between Mar. 10th and Mar. 16th:—

Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days, 1½%; 3 months, 1½%; 4 months, 1½%; 6 months, 1½%; Treasury Bills: 2 months, 1½%; 3 months, 1½%; Day-to-day money, 1½%. Short Loans, 1½%. Bank deposit rates, ½%. Discount deposit at call, ½%; at notice, ½%.

**Exchange Rates.**—The following rates fixed by the Bank of England remained unchanged between Mar. 10th and Mar. 16th. (Figures in brackets are par of exchange).

United States, \$ (4-862) 4-02½-03½; mail transfers 4-02½-03½. Canada, \$ (4-862) 4-43-47; mail transfers 4-43-47. Switzerland, Francs (25-23½) 17-30-40. French Empire, Francs 197½-200½. Syria, p. 8-81-85. Sweden, Krona (18-168) T.T. 16-85-95. Dutch West Indies, Florin (12-11) 7-58-62. Portugal, Escudos (110) 99-80-100-20; mail transfers 99-80-100-30. Panama, P.A. 02-04; mail transfers 4-02-04½. Brazil, 83-64½ cr. (buying); mail transfers 83-66½. Uruguay, 7-6597 p. (buying).

Fixed Rates for Payment at Bank of England for Clearing Offices. Spain Pesetas 44-00. Turkey, Piastres 520. Italy, 71-25 lire.

**Marked Rates.**—The following rates remained unchanged between Mar. 10th and Mar. 16th.

Egypt, Piastres (97½) 97½-98½. India, Rupee (18d. per rupee) 17½-18½. Belgian Congo, Francs 176½-178½. China, National 33-3½. Iran, RL 128-130.

**Special Accounts** are in force for Chile, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London. Rate for payment into Argentine special account: 16-08 pesos.

**Forward Rates.**—Forward rates for one month have remained unchanged as follows: United States, ½ cent pm-par. Canada, ½ cent pm-par. Switzerland, 1 cent pm-par. Sweden, 3 ore pm-par.

### NEW YORK EXCHANGE RATES

| New York on | Mar. 8 | Mar. 9 | Mar. 10 | Mar. 11 | Mar. 13 | Mar. 14 | Mar. 15 |
|-------------|--------|--------|---------|---------|---------|---------|---------|
| Cables:—    |        |        |         |         |         |         |         |
| London      | 402½   | 402½   | 402½    | 402½    | 402½    | 402½    | 402½    |
| Montreal    | 89-430 | 89-430 | 89-430  | 89-430  | 89-430  | 89-430  | 89-430  |
| Zurich      | 31-00  | 30-10  | 29-55   | 29-20   | 28-85   | 28-80   | 28-80   |
| B. Aires    | 24-95  | 24-95  | 24-85   | 24-85   | 24-85   | 24-90   | 24-90   |
| Rio         | 5-16   | 5-16   | 5-16    | 5-16    | 5-16    | 5-16    | 5-16    |
| Lisbon      | 4-10   | 4-10   | 4-10    | 4-10    | 4-10    | 4-10    | 4-10    |
| Barcelona   | 9-20   | 9-20   | 9-20    | 9-20    | 9-20    | 9-20    | 9-20    |
| Stockholm   | 23-86  | 23-86  | 23-86   | 23-86   | 23-86   | 23-86   | 23-86   |

\* Official buying rate 29-78.

† Free rate.

‡ Bid.

### CLEARING BANK COMPARATIVE FIGURES (£ million)

|                                         | Feb. 1943      | Oct. 1943      | Nov. 1943      | Dec. 1943      | Jan. 1944      | Feb. 1944      |
|-----------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Capital and reserves                    | 140.9          | 140.9          | 140.9          | 142.5          | 142.4          | 142.5          |
| Acceptances, etc.                       | 94.9           | 102.3          | 102.4          | 100.6          | 100.8          | 99.4           |
| Notes in circulation                    | 1.6            | 1.6            | 1.6            | 1.5            | 1.5            | 1.5            |
| Current, deposit and other accounts     | 3,524.9        | 3,812.7        | 3,864.5        | 4,031.7        | 3,962.2        | 3,896.8        |
| <b>Total liabilities</b>                | <b>3,762.3</b> | <b>4,057.4</b> | <b>4,109.4</b> | <b>4,276.3</b> | <b>4,206.9</b> | <b>4,140.2</b> |
| Cash                                    | 372.8          | 394.0          | 402.9          | 422.2          | 415.8          | 414.2          |
| Cheques, balances, and items in transit | 124.1          | 129.6          | 122.2          | 200.6          | 133.7          | 130.0          |
| Money at call                           | 153.7          | 151.4          | 154.6          | 151.0          | 157.4          | 149.6          |
| Discounts                               | 148.0          | 181.0          | 183.9          | 132.8          | 138.1          | 123.5          |
| Treasury deposit receipts               | 932.5          | 1,135.0        | 1,186.5        | 1,307.0        | 1,305.0        | 1,264.0        |
| Investments                             | 1,108.5        | 1,158.1        | 1,166.9        | 1,153.6        | 1,148.6        | 1,141.0        |
| Loans and Advances                      | 761.5          | 739.9          | 724.0          | 743.0          | 741.8          | 752.7          |
| Investments in affiliated banks         | 23.9           | 23.9           | 23.9           | 24.1           | 24.1           | 24.1           |
| Cover for acceptances, premises, etc.   | 137.3          | 144.4          | 144.6          | 142.2          | 142.4          | 141.1          |
| <b>Total assets</b>                     | <b>3,762.3</b> | <b>4,057.4</b> | <b>4,109.4</b> | <b>4,276.3</b> | <b>4,206.9</b> | <b>4,140.2</b> |

## GOVERNMENT RETURNS

For the week ended Mar. 11, 1944, total ordinary revenue was £66,919,000, against ordinary expenditure of £120,805,000, and issues to sinking funds of £320,000. Thus, including sinking fund allocations of £14,791,045, the deficit accrued since April 1st is £2,611,918,000 against £2,649,169,000 for the corresponding period a year ago.

### ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

| Revenue                           | Estimate 1943-44 | Receipts into the Exchequer (£ thousands) |                        |                          |                          |
|-----------------------------------|------------------|-------------------------------------------|------------------------|--------------------------|--------------------------|
|                                   |                  | April to Mar. 13, 1943                    | April to Mar. 11, 1944 | Week ended Mar. 13, 1943 | Week ended Mar. 11, 1944 |
| ORDINARY REVENUE                  |                  |                                           |                        |                          |                          |
| Income Tax                        | 117,500          | 935,996                                   | 1,112,480              | 38,036                   | 38,591                   |
| Sur-tax                           | 80,000           | 68,458                                    | 69,092                 | 3,779                    | 2,770                    |
| Estate, etc.                      | 100,000          | 88,151                                    | 91,818                 | 1,659                    | 2,090                    |
| Duties                            | 17,000           | 13,180                                    | 16,440                 | ...                      | 940                      |
| N.D.C.                            | 27,825           | 30,295                                    | 626                    | 500                      | 500                      |
| E.P.T.                            | 500,000          | 330,857                                   | 443,901                | 11,190                   | 6,745                    |
| Other Inld. Rev.                  | 1,000            | 850                                       | 868                    | ...                      | 10                       |
| <b>Total Inld. Rev.</b>           | <b>187,300</b>   | <b>1,465,317</b>                          | <b>1,764,894</b>       | <b>55,290</b>            | <b>51,646</b>            |
| Customs                           | 525,320          | 435,797                                   | 525,996                | 11,840                   | 11,095                   |
| Excise                            | 450,180          | 404,800                                   | 454,800                | 3,000                    | 3,010                    |
| <b>Total Customs &amp; Excise</b> | <b>975,500</b>   | <b>840,597</b>                            | <b>980,796</b>         | <b>14,840</b>            | <b>14,105</b>            |
| Motor Duties                      | 25,000           | 28,224                                    | 27,294                 | ...                      | 123*                     |
| Canadian Govt. Contribution       | ...              | 224,719                                   | ...                    | ...                      | ...                      |
| P.O. (Net Receipts)               | 400              | 10,000                                    | ...                    | 500                      | ...                      |
| Wireless Licences                 | 4,700            | 4,200                                     | 4,340                  | ...                      | ...                      |
| Crown Lands                       | 800              | 960                                       | 980                    | ...                      | ...                      |
| Receipts from Sundry Loans        | 400              | 3,380                                     | 6,449                  | 47                       | 59                       |
| Miscell. Receipts                 | 24,000           | 87,103                                    | 71,315                 | 2,166                    | 986                      |
| <b>Total Ord. Rev.</b>            | <b>2,907,500</b> | <b>2,664,500</b>                          | <b>2,856,068</b>       | <b>72,843</b>            | <b>66,919</b>            |
| SELF-BALANCING P.O. & Broadcast   | 110,632          | 101,000                                   | 105,650                | 2,000                    | 1,800                    |
| <b>Total</b>                      | <b>3,018,132</b> | <b>2,765,500</b>                          | <b>2,961,718</b>       | <b>74,843</b>            | <b>68,719</b>            |

| Expenditure                     | Estimate 1943-44 | Issues out of the Exchequer to meet payments (£ thousands) |                        |                          |                          |
|---------------------------------|------------------|------------------------------------------------------------|------------------------|--------------------------|--------------------------|
|                                 |                  | April to Mar. 13, 1943                                     | April to Mar. 11, 1944 | Week ended Mar. 13, 1943 | Week ended Mar. 11, 1944 |
| ORDINARY EXPENDITURE            |                  |                                                            |                        |                          |                          |
| Int. & Man. of Nat. Debt        | 375,000          | 305,153                                                    | 359,546                | 1,049                    | 5,091                    |
| Payments to N. Ireland          | 9,500            | 8,080                                                      | 7,882                  | ...                      | ...                      |
| Other Cons. Fund Services       | 7,500            | 7,188                                                      | 6,938                  | ...                      | 7                        |
| <b>Total</b>                    | <b>392,000</b>   | <b>320,421</b>                                             | <b>374,365</b>         | <b>1,049</b>             | <b>5,098</b>             |
| Supply Services                 | 546,671          | 497,937                                                    | 507,829                | 119,147                  | 115,707                  |
| <b>Total Ord. Exp.</b>          | <b>588,671</b>   | <b>529,979</b>                                             | <b>545,319</b>         | <b>120,196</b>           | <b>120,805</b>           |
| SELF-BALANCING P.O. & Broadcast | 110,632          | 101,000                                                    | 105,650                | 2,000                    | 1,800                    |
| <b>Total</b>                    | <b>599,303</b>   | <b>540,979</b>                                             | <b>555,845</b>         | <b>122,196</b>           | <b>122,605</b>           |

A change has been made in the method of showing an excess of Post Office Expenditure over Post Office Revenue. Such excess is now included as ordinary expenditure (under "Total Supply Services") instead of being shown, as up to July 24 inclusive, as a deduction from ordinary revenue.

After decreasing Exchequer balances by £244,013 to £2,760,498, the other operations for the week (no longer shown separately) raised the gross National Debt by £54,517,116 to £19,453 million.

| NET ISSUES (£ thousands)  |            |
|---------------------------|------------|
| War Damage Act            | 429        |
| P.O. and Telegraph        | 150        |
| Overseas Trade Guarantees | 2          |
| <b>Total</b>              | <b>581</b> |

| NET RECEIPTS (£ thousands)        |    |
|-----------------------------------|----|
| Land Settlement (Facilities) Acts | 25 |

## BANK OF ENGLAND RETURNS

MARCH 15, 1944

### ISSUE DEPARTMENT

|                     |               |                                             |                     |
|---------------------|---------------|---------------------------------------------|---------------------|
| Notes Issued:       | £             | Govt. Debt                                  | 11,015,100          |
| In Circulation      | 1,091,462,427 | Other Govt.                                 | 113,282,409         |
| In Bank, Department | 58,779,291    | Securities                                  | 691,491             |
|                     |               | Other Secs.                                 | 11,000              |
|                     |               | Silver Coin                                 | ...                 |
|                     |               | Amt. of Fid. Issue                          | 1150,000,000        |
|                     |               | Gold Coin & Bullion (at 168s. per oz. fine) | 241,718             |
|                     |               | <b>Total</b>                                | <b>1150,241,718</b> |

### BANKING DEPARTMENT

|                |             |                      |                    |
|----------------|-------------|----------------------|--------------------|
| Props. Capital | 14,553,000  | Govt. Secs.          | 175,132,151        |
| Res.           | 3,499,542   | Other Secs.          | 16,088,232         |
| Public Depts.  | 8,422,380   | Discounts & Advances | 14,049,899         |
|                |             | Securities           | 30,138,131         |
| Other Depts.   | 178,928,591 | Notes                | 58,779,291         |
| Bankers        | 59,246,660  | Gold & Silver Coin   | 600,600            |
| Other Accts.   | 238,175,251 |                      |                    |
|                |             | <b>Total</b>         | <b>264,650,173</b> |

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

### COMPARATIVE ANALYSIS

|                                | (£ millions) |        |        |         |
|--------------------------------|--------------|--------|--------|---------|
|                                | 1943         | 1944   |        |         |
|                                | Mar. 17      | Mar. 1 | Mar. 8 | Mar. 15 |
| Issue Dept.:                   |              |        |        |         |
| Notes in circulation           | 927.4        | 1086.3 | 1090.6 | 1091.5  |
| Notes in banking department    | 22.9         | 13.9   | 59.6   | 58.8    |
| Government debt and securities | 949.2        | 1099.3 | 1149.4 | 1149.3  |
| Other securities               | 0.8          | 0.7    | 0.6    | 0.7     |
| Silver Coin                    | 0.0          | 0.0    | 0.0    | 0.0</   |

## OVERSEAS BANK RETURNS

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

|                          | Dec. 31, 1942 | Oct. 31, 1943 | Nov. 30, 1943 | Dec. 31, 1943 |
|--------------------------|---------------|---------------|---------------|---------------|
| <b>Assets</b>            |               |               |               |               |
| Gold in bars             | 65.4          | 81.5          | 81.5          | 137.1         |
| Cash                     | 32.8          | 20.2          | 22.7          | 20.1          |
| Sight funds              | 16.3          | 15.4          | 38.9          | 7.0           |
| Commercial bills         | 114.4         | 122.8         | 102.1         | 76.0          |
| Treasury bills           | 30.6          | 28.3          | 24.1          | 30.2          |
| Time funds at interest   | 145.0         | 21.1          | 21.1          | 21.1          |
| Sundry bills and invest. | 198.6         | 195.9         | 195.7         | 194.5         |
| <b>LIABILITIES</b>       |               |               |               |               |
| Deposits:                |               |               |               |               |
| Annuity                  | 152.7         | 152.7         | 152.7         | 152.7         |
| German                   | 76.3          | 76.3          | 76.3          | 76.3          |
| Central Banks            | 16.6          | 5.9           | 6.3           | 7.0           |
| Other                    | 1.9           | 1.2           | 1.8           | 1.7           |
| Gold                     | 35.4          | 50.6          | 49.9          | 50.6          |

## CENTRAL BANK OF TURKEY

|                          | Dec. 31, 1942 | Nov. 30, 1943 | Dec. 31, 1943 | Jan. 8, 1944 |
|--------------------------|---------------|---------------|---------------|--------------|
| <b>Assets</b>            |               |               |               |              |
| Gold                     | 143.1         | 191.7         | 201.7         | 202.7        |
| Clearing and other exch. | 62.9          | 87.1          | 88.8          | 96.8         |
| Treasury bonds           | 134.0         | 131.6         | 131.6         | 131.6        |
| Commercial bills         | 487.1         | 452.3         | 459.3         | 466.6        |
| Securities               | 56.3          | 61.1          | 61.1          | 61.3         |
| Advances                 | 265.1         | 250.5         | 251.3         | 251.2        |
| <b>LIABILITIES</b>       |               |               |               |              |
| Notes in circulation     | 744.9         | 776.5         | 794.2         | 806.5        |
| Deposits                 | 222.6         | 222.5         | 213.2         | 215.1        |
| Clearing and other exch. | 24.2          | 37.4          | 37.2          | 31.3         |

## U.S. FEDERAL RESERVE

|                                             | Mar. 31, 1943 | Feb. 28, 1944 | Mar. 31, 1944 | Mar. 31, 1944 |
|---------------------------------------------|---------------|---------------|---------------|---------------|
| <b>12 U.S.F.R. BANKS</b>                    |               |               |               |               |
| Gold certifs. on hand and due from Treasury | 20,443        | 19,311        | 19,903        | 19,258        |
| Total reserves                              | 20,854        | 19,911        | 19,894        | 19,833        |
| Total cash reserves                         | 370           | 336           | 349           | 329           |
| Total U.S. Govt. sec.                       | 6,090         | 11,816        | 11,624        | 12,029        |
| Total loans and sec.                        | 6,112         | 11,873        | 11,671        | 12,091        |
| Total resources                             | 28,502        | 33,651        | 33,472        | 33,663        |
| <b>LIABILITIES</b>                          |               |               |               |               |
| F.R. notes in circ.                         | 12,705        | 17,186        | 17,339        | 17,443        |
| Excess mr. bank res.                        | 1,880         | 1,100         | 1,200         | 1,000         |
| Mr. bank res. dep.                          | 13,522        | 12,109        | 12,380        | 12,383        |
| Govt. deposits                              | 5             | 64            | 140           | 269           |
| Total deposits                              | 14,306        | 14,699        | 14,334        | 14,557        |
| Total liabilities                           | 28,502        | 33,651        | 33,472        | 33,663        |
| Reserve ratio                               | 77.2%         | 62.4%         | 62.8%         | 62.0%         |
| <b>BANK AND TREASURY RESOURCES</b>          |               |               |               |               |
| Monetary gold stock                         | 22,644        | 21,742        | 21,712        | 21,670        |
| Treasury & bank currency                    | 3,971         | 4,090         | 4,091         | 4,090         |
| <b>LIABILITIES</b>                          |               |               |               |               |
| Money in circulation                        | 16,205        | 20,696        | 20,823        | 20,963        |
| Treasury cash and dep.                      | 2,223         | 2,982         | 2,490         | 2,609         |

## RESERVE BANK OF INDIA

|                       | Feb. 28, 1943 | Feb. 4, 1944 | Feb. 11, 1944 | Feb. 18, 1944 | Feb. 25, 1944 |
|-----------------------|---------------|--------------|---------------|---------------|---------------|
| <b>ASSETS</b>         |               |              |               |               |               |
| Gold coin & bullion   | 444           | 444          | 444           | 444           | 44            |
| Rupce coin            | 138           | 147          | 137           | 135           | 13            |
| Balances abroad       | 913           | 1,208        | 1,176         | 1,264         | 1,34          |
| Sterling securities   | 3,857         | 7,528        | 7,638         | 7,638         | 7,63          |
| Ind. Govt. rup. sec.  | 1,825         | 583          | 583           | 583           | 58            |
| Investments           | 65            | 82           | 82            | 82            | 8             |
| <b>LIABILITIES</b>    |               |              |               |               |               |
| Notes in circ.: India | 6,144         | 8,631        | 8,706         | 8,691         | 8,67          |
| Burmah                | 407           | 503          | 518           | 540           | 70            |
| Deposits: Govt.       | 505           | 635          | 568           | 597           | 58            |
| Banks                 | 505           | 635          | 568           | 597           | 58            |
| Reserve ratio         | 68.7%         | 91.6%        | 91.8%         | 91.9%         | 91.8%         |

## BANK OF PORTUGAL

|                      | Oct. 21, 1942 | Aug. 25, 1943 | Sept. 1943 | Oct. 20, 1943 |
|----------------------|---------------|---------------|------------|---------------|
| <b>ASSETS</b>        |               |               |            |               |
| Gold                 | 1380.4        | 1398.1        | 1398.2     | 1398.4        |
| Balances abroad      | 3046.8        | 4009.1        | 4037.5     | 4129.2        |
| Discounts            | 247.5         | 250.0         | 233.1      | 232.2         |
| Securities           | 354.8         | 398.8         | 398.8      | 398.8         |
| <b>LIABILITIES</b>   |               |               |            |               |
| Notes in circulation | 4966.6        | 5800.3        | 6127.9     | 6506.8        |
| Deposits: Government | 1714.2        | 2596.7        | 2537.3     | 3224.7        |
| Bankers              | 4040.0        | 4970.0        | 4976.8     | 4758.5        |
| Others               | 419.7         | 345.7         | 489.7      | 445.4         |
| Foreign commitments  | 235.5         | 243.9         | 251.4      | 257.4         |

## NATIONAL BANK OF EGYPT

|                         | Nov. 30, 1942 | Sept. 30, 1943 | Oct. 31, 1943 | Nov. 30, 1943 |
|-------------------------|---------------|----------------|---------------|---------------|
| <b>ASSETS</b>           |               |                |               |               |
| Gold                    | 6.24          | 6.24           | 6.24          | 6.24          |
| Brit. Govt. sec.        | 69.86         | 84.88          | 80.11         | 90.26         |
| Egyptian Govt. sec.     | 1.50          | 1.50           | 1.50          | 1.50          |
| Cash                    | 4.07          | 5.18           | 4.95          | 4.82          |
| Investments             | 66.04         | 108.42         | 107.89        | 110.69        |
| Bills and advances      | 4.88          | 2.48           | 3.50          | 5.49          |
| <b>LIABILITIES</b>      |               |                |               |               |
| Notes issued            | 77.60         | 92.60          | 95.60         | 98.70         |
| Deposits: Govt.         | 24.49         | 39.45          | 37.23         | 57.04         |
| Other depts. and accts. | 55.37         | 86.32          | 90.42         | 78.54         |

\* Egyptian Sudan and Mixed Tribunals.

## MONTHLY STATEMENT OF BALANCES OF LONDON CLEARING BANKS

000's omitted

|                                                                                               | Barclays Bank Ltd. | Coutts & Co. | District Bank Ltd. | Glyn, Mills & Co. | Lloyds Bank Ltd. | Martins Bank Ltd. | Midland Bank Ltd. | National Bank Ltd. | Provincial Bank Ltd. | Westminster Bank Ltd. | Williams Deacon's Bank Ltd. | Aggregate |
|-----------------------------------------------------------------------------------------------|--------------------|--------------|--------------------|-------------------|------------------|-------------------|-------------------|--------------------|----------------------|-----------------------|-----------------------------|-----------|
| <b>FEBRUARY, 1944</b>                                                                         |                    |              |                    |                   |                  |                   |                   |                    |                      |                       |                             |           |
| <b>ASSETS</b>                                                                                 |                    |              |                    |                   |                  |                   |                   |                    |                      |                       |                             |           |
| Coin, Bank Notes and Balances with the Bank of England                                        | 82,914             | 3,999        | 15,485             | 5,001             | 79,577           | 18,801            | 89,377            | 5,263              | 51,480               | 54,716                | 7,620                       | 414,233   |
| Balances with and Cheques in course of collection on other Banks in Great Britain and Ireland | 25,347             | 1,163        | 4,263              | 1,575             | 17,634           | 6,795             | 27,427            | 216                | 16,299               | 17,751                | 3,495                       | 121,966   |
| Items in Transit                                                                              | 18,516             | 4,893        | 5,857              | 4,877             | 25,251           | 4,913             | 31,296            | 9,155              | 21,188               | 19,130                | 4,526                       | 149,602   |
| Money at Call and Short Notice                                                                | 27,006             | 1,506        | 4,278              | 1,134             | 20,211           | 5,223             | 34,987            | 8,445              | 19,746               | 7,972                 | 570                         | 123,478   |
| Treasury Deposit Receipts                                                                     | 277,500            | 5,000        | 43,500             | 7,500             | 224,000          | 54,000            | 287,500           | 1,000              | 167,500              | 177,500               | 19,000                      | 1,264,000 |
| Investments                                                                                   | 209,430            | 14,920       | 66,319             | 20,642            | 215,471          | 55,870            | 229,943           | 23,001             | 131,419              | 158,916               | 25,055                      | 1,140,987 |
| Advances to Customers and other A/cs.                                                         | 161,822            | 8,251        | 20,981             | 10,138            | 127,489          | 31,382            | 161,023           | 13,755             | 109,361              | 96,524                | 11,993                      | 752,777   |
| Liabilities to Customers for Acceptances, Endorsements, etc.                                  | 15,224             | 1,270        | 3,170              | 5,509             | 21,815           | 8,804             | 13,102            | 311                | 11,025               | 16,676                | 2,557                       | 99,463    |
| Bank Premises Account                                                                         | 7,906              | 405          | 1,362              | 695               | 6,682            | 2,876             | 8,592             | 488                | 6,854                | 4,902                 | 878                         | 41,640    |
| Investments in Affiliated Banks and Subsidiary Companies                                      | 6,222              | ...          | ...                | ...               | 3,777            | ...               | 8,557             | ...                | 2,514                | 2,993                 | ...                         | 24,063    |
| <b>LIABILITIES</b>                                                                            |                    |              |                    |                   |                  |                   |                   |                    |                      |                       |                             |           |
| Capital Paid up                                                                               | 15,858             | 1,000        | 2,977              | 1,060             | 15,810           | 4,160             | 15,159            | 1,500              | 9,480                | 9,320                 | 1,875                       | 78,196    |
| Reserve Fund                                                                                  | 11,250             | 1,000        | 2,976              | 850               | 10,000           | 3,800             | 13,410            | 1,190              | 9,479                | 9,310                 | 1,000                       | 64,276    |
| Current, Deposit and other Accounts                                                           | 789,555            | 38,137       | 146,092            | 49,652            | 702,321          | 171,880           | 850,133           | 49,719             | 507,402              | 521,748               | 70,162                      | 3,896,801 |
| Acceptances, Endorsements, etc.                                                               | 15,224             | 1,270        | 3,170              | 5,509             | 21,815           | 8,804             | 13,102            | 311                | 11,025               | 16,676                | 2,557                       | 99,463    |
| Notes in Circulation                                                                          | ...                | ...          | ...                | ...               | ...              | ...               | ...               | ...                | ...                  | ...                   | ...                         | ...       |
| <b>Ratio of Cash to Current, Deposit and other Accounts</b>                                   | 10.50              | 10.49        | 10.60              | 10.07             | 11.33            | 10.94             | 10.51             | 10.59              | 10.15                | 10.49                 | 10.86                       | 10.63     |
| <b>LIABILITIES</b>                                                                            |                    |              |                    |                   |                  |                   |                   |                    |                      |                       |                             |           |
| Capital Paid up                                                                               | 15,858             | 1,000        | 2,977              | 1,060             | 15,810           | 4,160             | 15,159            | 1,500              | 9,480                | 9,320                 | 1,875                       | 78,196    |
| Reserve Fund                                                                                  | 11,250             | 1,000        | 2,976              | 850               | 10,000           | 3,800             | 13,410            | 1,190              | 9,479                | 9,310                 | 1,000                       | 64,276    |
| Current, Deposit and other Accounts                                                           | 789,555            | 38,137       | 146,092            | 49,652            | 702,321          | 171,880           | 850,133           | 49,719             | 507,402              | 521,748               | 70,162                      | 3,896,801 |
| Acceptances, Endorsements, etc.                                                               | 15,224             | 1,270        | 3,170              | 5,509             | 21,815           | 8,804             | 13,102            | 311                | 11,025               | 16,676                | 2,557                       | 99,463    |
| Notes in Circulation                                                                          | ...                | ...          | ...                | ...               | ...              | ...               | ...               | ...                | ...                  | ...                   | ...                         | ...       |
| <b>Ratio of Cash to Current, Deposit and other Accounts</b>                                   | 10.50              | 10.49        | 10.60              | 10.07             | 11.33            | 10.94             | 10.51             | 10.59              | 10.15                | 10.49                 | 10.86                       | 10.63     |

## EXCHANGE RATES (Monthly Tables)

## AUSTRALIA AND NEW ZEALAND

|             | London on Australia and N.Z.* |      |           |      | Australia and N.Z. on London |      |           |      |
|-------------|-------------------------------|------|-----------|------|------------------------------|------|-----------|------|
|             | Buying                        |      | Selling   |      | Buying                       |      | Selling   |      |
|             | Australia                     | N.Z. | Australia | N.Z. | Australia                    | N.Z. | Australia | N.Z. |
| <b>T.T.</b> |                               |      |           |      |                              |      |           |      |
| Ord. Mail   | 125                           | 124  | 125       | 124  | 125                          | 124  | 125       | 124  |
| Air Mail    | 126                           | 125  | 126       | 125  | 126                          | 125  | 126       | 125  |
| 30 days     | 127                           | 126  | 127       | 126  | 127                          | 126  | 127       | 126  |
| 60 days     | 128                           | 127  | 128       | 127  | 128                          | 127  | 128       | 127  |
| 90 days     | 129                           | 128  | 129       | 128  | 129                          | 128  | 129       | 128  |

Since April 7, all bills on Australia will be purchased at sea mail rates only. Bills will be sent by air mail on payment of appropriate postage.  
\* All rates (Australia and N.Z.) now based on £100—London. † Plus postage.  
‡ Via Durban. By America/N.Z. Air Mail (Australia) Demand, 126‡; 30 days, 126‡; 60 days, 127‡; 90 days, 128‡. (N.Z.) Demand, 125‡; 30 days, 126‡; 60 days, 126‡; 90 days, 127‡ (plus postage).  
† Any Mail.

## SOUTH AFRICA

Buying rates in London for T.T.s and bills on South Africa are (per £100 sterling) £101 for T.T.; £101½ (sight); £102½ (30 days); £102½ (60 days); £102½ (90 days). For Rhodesia the corresponding rates are £100½, £101½, £101½ and £102½.  
Selling rates in London (per £100 sterling) for T.T.s and sight bills are £100½ for South Africa and £99½ for Rhodesia.

## CENTRAL AND SOUTH AMERICA

The following rates, issued by Bank of London and South America, are related to U.S. \$; approximate sterling rates can be calculated from \$-£ rate.

|              |                                                                                                                                   |
|--------------|-----------------------------------------------------------------------------------------------------------------------------------|
| Colombia*    | Open market sight selling rate 175 pesos per 100 U.S. \$ on Jan. 4th.                                                             |
| Ecuador*     | Official sight selling rate 14.10 sucres per U.S. \$ on Dec. 21st.                                                                |
| Guatemala*   | Sight selling rate maintained at one quetzal per U.S. \$, plus commission of 1 per cent to Central Bank.                          |
| Nicaragua*   | Official sight selling rate for payment of imports fixed Jan. 1, 1941, at 5.03½ cordobas per U.S. \$ (excluding 10 per cent tax). |
| El Salvador* | Sight selling rate New York \$ 2.50 cordobas per U.S. \$ on Jan. 4th.                                                             |
| Venezuela*   | Sight selling rate New York \$ 3.35 bolivares per U.S. \$ on Dec. 27th.                                                           |
| Peru.        | Sight selling rate 6.50 soles per U.S. \$ on Dec. 1st.                                                                            |

\* Official exchange controls are operative in these countries.

## OVERSEAS BANK RATES

|                | Changed  | From | To |                | Changed  | From | To  |
|----------------|----------|------|----|----------------|----------|------|-----|
|                |          | %    | %  |                |          | %    | %   |
| Amsterdam      | June 28  | 41   | 3  | Madrid         | July 15  | 35   | 5   |
| Athens         | Mar. 10  | 42   | 5  | Montreal       | Feb. 8   | 44   | 2   |
| Belgrade       | Feb. 1   | 35   | 6  | Oslo           | May 12   | 40   | 2   |
| Berlin         | April 9  | 40   | 4  | Paris          | Mar. 17  | 41   | 2   |
| Brussels       | Jan. 25  | 40   | 2  | Pretoria       | June 2   | 41   | 3   |
| Bucharest      | Sept. 17 | 40   | 3  | Rio de Janeiro | May 31   | 35   | 5   |
| Budapest       | Oct. 22  | 40   | 4  | Rome           | May 18   | 36   | 5   |
| Calcutta       | Nov. 28  | 35   | 3  | Sofia          | Sept. 16 | 40   | 6   |
| Chile          | June 13  | 35   | 4  | Stockholm      | May 29   | 41   | 3   |
| Copenhagen     | Oct. 15  | 40   | 4  | Zurich         | Nov. 25  | 36   | 2   |
| Helsingfors    | Dec. 3   | 34   | 4  | Tokio          | ...      | ...  | ... |
| Lisbon         | Jan. 12  | 44   | 3  | Wellington     | July 20  | 41   | 2   |
| N.Y. Fed. Res. | Oct. 30  | 42   | 1  | Dublin         | Oct. 26  | 39   | 4   |

(a) For banks and credit institutions.

(b) For private persons and firms.

## LONDON ACTIVE SECURITY PRICES AND YIELDS

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

| Announcement is made for net interest accrued. |       |                                     |      |                              |        |                     |                      |                      |                                     |       |                    |                  |     |                     |                      |                      |
|------------------------------------------------|-------|-------------------------------------|------|------------------------------|--------|---------------------|----------------------|----------------------|-------------------------------------|-------|--------------------|------------------|-----|---------------------|----------------------|----------------------|
| Prices, Year 1943                              |       | Prices, Year 1944 Jan. 1 to Mar. 14 |      | Name of Security             |        | Price, Mar. 7, 1944 | Price, Mar. 14, 1944 | Yield, Mar. 14, 1944 | Prices, Year 1944 Jan. 1 to Mar. 14 |       | Last two Dividends | Name of Security |     | Price, Mar. 7, 1944 | Price, Mar. 14, 1944 | Yield, Mar. 14, 1944 |
| High                                           | Low   | High                                | Low  |                              |        |                     |                      |                      | High                                | Low   | (a) (b) (c)        |                  |     |                     |                      |                      |
| <b>British Funds</b>                           |       |                                     |      |                              |        |                     |                      |                      |                                     |       |                    |                  |     |                     |                      |                      |
| 83½                                            | 78½   | 79½                                 | 78½  | Consols 2½% (after 1957)     | 78½    | 79                  | 3 3/4                | 26/6                 | 24/6                                | 16½   | b                  | 13½              | a   | 25/6                | 25/6                 | 4 0 0                |
| 112½                                           | 109½  | 110                                 | 109½ | Consols 4% (after 1957)      | 109½   | 109½                | 3 1/2                | 26/6                 | 24/6                                | 15    | b                  | 15               | b   | 93/9                | 93/9                 | 4 5 0                |
| 100½                                           | 100½  | 100½                                | 100½ | Conv. 2½% 1944-49            | 101½   | 101½                | 2 9/8                | 26/6                 | 24/6                                | 5     | a                  | 5                | a   | 26/6                | 26/6                 | 5 10 0               |
| 102½                                           | 102½  | 102½                                | 101½ | Conv. 2½% 1944-49            | 101½   | 101½                | 2 9/8                | 26/6                 | 24/6                                | 4     | a                  | 4                | a   | 35/6                | 35/6                 | 6 10 0               |
| 104½                                           | 102½  | 102½                                | 102½ | Conv. 3% 1948-53             | 102½   | 102½                | 2 1/2                | 31/3                 | 30/3                                | 7½    | a                  | 15               | b   | 40/9                | 30/6                 | 7 10 0               |
| 107½                                           | 103½  | 105½                                | 103½ | Conv. 3½% (after 1961)       | 104    | 104                 | 3 1/2                | 31/3                 | 30/3                                | 4     | a                  | 12½              | a   | 39/3                | 49/4½                | 2 12 6               |
| 104½                                           | 101½  | 102½                                | 102½ | Conv. 5% 1944-64             | 102½   | 102½                | 3 1/2                | 31/3                 | 30/3                                | 6     | b                  | 12½              | a   | 54/3                | 54/3                 | 4 12 6               |
| 97½                                            | 95½   | 97½                                 | 97½  | Funding 2½% 1952-57          | 100    | 100                 | 2 1/2                | 31/3                 | 30/3                                | 5     | a                  | 10               | c   | 35/9                | 35/9                 | 5 11 0               |
| 102½                                           | 99½   | 100½                                | 100½ | Funding 3% 1952-57           | 100    | 100                 | 2 1/2                | 31/3                 | 30/3                                | 5     | a                  | 10               | c   | 35/9                | 35/9                 | 5 11 0               |
| 102½                                           | 99½   | 100½                                | 100½ | Funding 3½% 1952-57          | 100    | 100                 | 2 1/2                | 31/3                 | 30/3                                | 5     | a                  | 10               | c   | 35/9                | 35/9                 | 5 11 0               |
| 115½                                           | 112½  | 114½                                | 113½ | Funding 4% 1952-57           | 101    | 100½                | 3 0 0                | 24/10½               | 23/7½                               | 5½    | b                  | 2½               | a   | 24/4½               | 24/4½                | 6 13 3               |
| 102½                                           | 100½  | 100½                                | 100½ | Funding 4½% 1952-57          | 114    | 114                 | 2 1/2                | 31/3                 | 30/3                                | 17½   | b                  | 6                | b   | 18/9                | 18/9                 | 5 6 9                |
| 102½                                           | 100½  | 100½                                | 100½ | Nat. Def. 3% 1954-58         | 101½   | 101½                | 2 1/2                | 31/3                 | 30/3                                | 11/6  | c                  | Nil              | c   | 10/9                | 9/9                  | Nil                  |
| 102½                                           | 100½  | 100½                                | 100½ | War Bonds 2½% 1945-47        | 101½   | 101½                | 2 1/2                | 31/3                 | 30/3                                | 20/6  | c                  | Nil              | c   | 21/6                | 21/9                 | 3 13 3               |
| 102½                                           | 100½  | 100½                                | 100½ | War Bonds 2½% 1949-51        | 100½   | 100½                | 2 1/2                | 31/3                 | 30/3                                | 26/1½ | c                  | Nil              | c   | 26/1½               | 26/1½                | Nil                  |
| 102½                                           | 100½  | 100½                                | 100½ | War Bonds 2½% 1952-55        | 100    | 100                 | 3 0 0                | 16/9                 | 15/6                                | Nil   | c                  | Nil              | c   | 16/9                | 16/9                 | Nil                  |
| 102½                                           | 100½  | 100½                                | 100½ | Savings Bds. 3% 1960-70      | 100    | 100                 | 2 1/2                | 31/3                 | 30/3                                | 47/6  | a                  | 3½               | a   | 45/9                | 45/9                 | 3 16 6               |
| 102½                                           | 100½  | 100½                                | 100½ | Victory Bonds 4%             | 112    | 112                 | 3 0 0                | 54/6                 | 51/6                                | 24/6  | a                  | 5                | b   | 53/9                | 53/9                 | 2 16 6               |
| 102½                                           | 100½  | 100½                                | 100½ | War Loan 3% 1955-59          | 100½   | 100½                | 2 1/2                | 31/3                 | 30/3                                | 21/7½ | a                  | 3½               | a   | 22/3                | 22/3                 | 3 8 0                |
| 102½                                           | 100½  | 100½                                | 100½ | War Loan 3½% aft. 1952       | 104    | 104                 | 3 7 0                | 35/3                 | 33/9                                | 17½   | a                  | 7½               | a   | 34/3                | 34/4                 | 4 7 6                |
| 102½                                           | 100½  | 100½                                | 100½ | Local Loans 3%               | 93½    | 94                  | 3 3 0                | 75/6                 | 72/6                                | 16½   | c                  | 20               | c   | 73/3                | 73/9                 | 5 8 6                |
| 102½                                           | 100½  | 100½                                | 100½ | Austria 3% 1933-53           | 101    | 101                 | 2 1/2                | 6                    |                                     |       |                    |                  |     |                     |                      |                      |
| <b>Dom. &amp; Col. Govts.</b>                  |       |                                     |      |                              |        |                     |                      |                      |                                     |       |                    |                  |     |                     |                      |                      |
| 103½                                           | 101   | 103½                                | 103½ | Australia 5% 1945-55         | 103    | 103                 | 4 18 0               | 102/6                | 99/6                                | 5     | a                  | 15               | b   | 102/6               | 102/6                | 3 18 0               |
| 105½                                           | 102   | 104½                                | 102½ | New Zealand 5% 1946          | 104    | 104                 | 2 18 6               | 30/6                 | 26/9                                | 17½   | a                  | 15               | b   | 29/6                | 29/6                 | 3 16 0               |
| 112½                                           | 110   | 111½                                | 110  | Nigeria 5% 1950-60           | 111    | 111                 | 2 1/2                | 93/6                 | 88½/4                               | 17½   | a                  | 15               | b   | 92/6                | 92/6                 | 3 16 0               |
| <b>Corporation Stocks</b>                      |       |                                     |      |                              |        |                     |                      |                      |                                     |       |                    |                  |     |                     |                      |                      |
| 108½                                           | 105½  | 108                                 | 105  | Birmingham 5% 1946-56        | 106    | 106                 | 1 18 11              | 42/4½                | 39/6                                | 3     | a                  | 5                | a   | 40/-                | 40/-                 | 4 0 0                |
| 98½                                            | 92    | 94                                  | 93   | L.C.C. 3%                    | 93½    | 93½                 | 3 4 2                | 21/6                 | 18½/4                               | 1½    | a                  | 2½               | b   | 19/6                | 19/9                 | 4 1 0                |
| 100½                                           | 99    | 100½                                | 99   | Liverpool 3% 1954-64         | 100    | 100                 | 3 0 0                | 41/3                 | 32/6                                | 2½    | a                  | 4                | a   | 34/-                | 33/6                 | 4 3 9                |
| 106½                                           | 104   | 106½                                | 104  | Middlesex 3½% 1957-62        | 104½   | 104½                | 3 1 6                | 41/3                 | 39/6                                | 5½    | b                  | 3                | a   | 40/6                | 40/6                 | 4 3 9                |
| <b>Foreign Governments</b>                     |       |                                     |      |                              |        |                     |                      |                      |                                     |       |                    |                  |     |                     |                      |                      |
| 95½                                            | 83½   | 93½                                 | 89   | Argentine 3½% 1927           | 92½    | 92½                 | 3 19 0               | 27/9                 | 24/4½                               | 10    | c                  | 10               | c   | 25/9                | 26/-                 | 1 18 3               |
| 66½                                            | 56½   | 62½                                 | 21   | Brazil 5% Funding 1914       | 59½    | 62                  | 5 8 10               | 23/9                 | 22/3                                | 7½    | c                  | 7½               | c   | 23/9                | 23/6                 | 6 7 6                |
| 60½                                            | 49½   | 55                                  | 20½  | Chile 6% (1929)              | 22     | 25                  | 5 5 0                | 15/6                 | 13/3                                | 6     | b                  | 4                | a   | 14/1½               | 14/7½                | 6 16 0               |
| 97½                                            | 88    | 94                                  | 92   | Chinese 5% 1913              | 49     | 48                  | Nil                  | 15/9                 | 13/3                                | 15    | c                  | 17               | c   | 32/6                | 32/6                 | 3 14 0               |
| 76                                             | 56½   | 66½                                 | 63½  | Portuguese 3%                | 94     | 94                  | 3 3 10               | 18/9                 | 16/9                                | 12½   | a                  | 12½              | a   | 18/6                | 18/4½                | 8 16 9               |
|                                                |       |                                     |      | Spanish 4%                   | 64     | 64                  | 6 5 0                | 43/4½                | 40/4½                               | 17½   | b                  | 110              | a   | 76/6                | 75/3                 | 4 0 0                |
|                                                |       |                                     |      |                              |        |                     |                      | 43/4½                | 40/4½                               | 20    | c                  | 20               | c   | 42/-                | 42/-                 | 2 1 0                |
|                                                |       |                                     |      |                              |        |                     |                      | 98/9                 | 97/9                                | 20    | c                  | 20               | c   | 100/-               | 100/-                | 4 0 0                |
| <b>Shipping</b>                                |       |                                     |      |                              |        |                     |                      |                      |                                     |       |                    |                  |     |                     |                      |                      |
|                                                |       |                                     |      | Cunard Ord. £1               | 23/6   | 23/6                | 2 2 0                |                      |                                     |       |                    |                  |     | 23/6                | 23/6                 | 2 2 0                |
|                                                |       |                                     |      | Furness, Withy Ord. £1       | 24/-   | 24/-                | 6 0 0                |                      |                                     |       |                    |                  |     | 35/-                | 35/-                 | 4 11 0               |
|                                                |       |                                     |      | R. & O. Def. £1              | 23/6   | 23/6                | 5 2 0                |                      |                                     |       |                    |                  |     | 23/6                | 23/6                 | 5 2 0                |
|                                                |       |                                     |      | Royal Mail Lines Ord. £1     | 17/9   | 17/9                | 6 12 0               |                      |                                     |       |                    |                  |     | 17/9                | 17/9                 | 6 12 0               |
| <b>Tea and Rubber</b>                          |       |                                     |      |                              |        |                     |                      |                      |                                     |       |                    |                  |     |                     |                      |                      |
|                                                |       |                                     |      | Anglo-Dutch of Java £1       | 15/-   | 15/-                | 6 0 0                |                      |                                     |       |                    |                  |     | 15/-                | 15/-                 | 6 0 0                |
|                                                |       |                                     |      | Jokai (Assam) Tea £1         | 37/-   | 37/-                | 6 6 0                |                      |                                     |       |                    |                  |     | 37/-                | 37/-                 | 6 6 0                |
|                                                |       |                                     |      | London Asiatic Rub. 2/-      | 1/10½  | 1/10½               | 11 11 0              |                      |                                     |       |                    |                  |     | 1/10½               | 1/11                 | Nil                  |
|                                                |       |                                     |      | Rubber Pltns. Trust £1       | 1/17   | 1/17                | Nil                  |                      |                                     |       |                    |                  |     | 1/17                | 1/17                 | Nil                  |
|                                                |       |                                     |      | United Serdang Rub. 2/-      | 1/17   | 1/17                | Nil                  |                      |                                     |       |                    |                  |     | 1/17                | 1/17                 | Nil                  |
|                                                |       |                                     |      | United Siam Rubber £1        | 29/-   | 28/9                | 9 12 0               |                      |                                     |       |                    |                  |     | 29/-                | 28/9                 | 9 12 0               |
| <b>Oil</b>                                     |       |                                     |      |                              |        |                     |                      |                      |                                     |       |                    |                  |     |                     |                      |                      |
|                                                |       |                                     |      | Anglo-Iranian Ord. £1        | 113½/4 | 113/9               | 3 9 0                |                      |                                     |       |                    |                  |     | 113½/4              | 113/9                | 3 9 0                |
|                                                |       |                                     |      | Burmah Oil Ord. £1           | 79½/4  | 78/9                | 3 3 0                |                      |                                     |       |                    |                  |     | 79½/4               | 78/9                 | 3 3 0                |
|                                                |       |                                     |      | Shell Transport Ord. £1      | 73½/4  | 72½/6               | 1 7 0                |                      |                                     |       |                    |                  |     | 73½/4               | 72½/6                | 1 7 0                |
|                                                |       |                                     |      | Trinidad Leaseholds £1       | 81½/3  | 82/6                | 3 12 0               |                      |                                     |       |                    |                  |     | 81½/3               | 82/6                 | 3 12 0               |
| <b>Miscellaneous</b>                           |       |                                     |      |                              |        |                     |                      |                      |                                     |       |                    |                  |     |                     |                      |                      |
|                                                |       |                                     |      | Assoc. Brit. Picture 5/-     | 16/3   | 16/3                | 5 7 0                |                      |                                     |       |                    |                  |     | 16/3                | 16/3                 | 5 7 0                |
|                                                |       |                                     |      | Assoc. Pict. Palace £1       | 63/6   | 63/6                | 2 16 0               |                      |                                     |       |                    |                  |     | 63/6                | 63/6                 | 2 16 0               |
|                                                |       |                                     |      | Barker (John) Ord. £1        | 58½/3  | 58/9                | 3 8 0                |                      |                                     |       |                    |                  |     | 58½/3               | 58/9                 | 3 8 0                |
|                                                |       |                                     |      | Boots Pure Drug Ord. 5/-     | 43½/3  | 43/-                | 2 16 0               |                      |                                     |       |                    |                  |     | 43½/3               | 43/-                 | 2 16 0               |
|                                                |       |                                     |      | British Aluminium £1         | 47/9   | 47/9                | 4 3 0                |                      |                                     |       |                    |                  |     | 47/9                | 47/9                 | 4 3 0                |
|                                                |       |                                     |      | Brit.-Amer. Tobacco £1       | 113/9  | 113/9               | 1 18 0               |                      |                                     |       |                    |                  |     | 113/9               | 113/9                | 1 18 0               |
|                                                |       |                                     |      | British Oxygen Ord. £1       | 80/-   | 80/-                | 3 15 0               |                      |                                     |       |                    |                  |     | 80/-                | 80/-                 | 3 15 0               |
|                                                |       |                                     |      | Cable & Wir. Hdq. Stk.       | 81     | 81                  | 4 2 0                |                      |                                     |       |                    |                  |     | 81                  | 81                   | 4 2 0                |
|                                                |       |                                     |      | Carreras A. Rubber £1        | 14½/6  | 14½/6               | 3 17 0               |                      |                                     |       |                    |                  |     | 14½/6               | 14½/6                | 3 17 0               |
|                                                |       |                                     |      | Dunlop Rubber £1             | 28/-   | 28/9                | 2 15 0               |                      |                                     |       |                    |                  |     | 28/-                | 28/9                 | 2 15 0               |
|                                                |       |                                     |      | Electric Mus. Ind. £1        | 16/3   | 16/3                | 3 12 0               |                      |                                     |       |                    |                  |     | 16/3                | 16/3                 | 3 12 0               |
|                                                |       |                                     |      | Gaumont British 10/-         | 35/-   | 35/-                | 3 11 0               |                      |                                     |       |                    |                  |     | 35/-                | 35/-                 | 3 11 0               |
|                                                |       |                                     |      | Gestetner (D.) 5/-           | 77½/8  | 77½/8               | 2 11 0               |                      |                                     |       |                    |                  |     | 77½/8               | 77½/8                | 2 11 0               |
|                                                |       |                                     |      | Harrisons & Cros. Def. £1    | 38/10  | 38/10               | 4 2 0                |                      |                                     |       |                    |                  |     | 38/10               | 38/10                | 4 2 0                |
|                                                |       |                                     |      | Imperial Chemical Ord. £1    | 7½     | 7½                  | 6 8 0                |                      |                                     |       |                    |                  |     | 7½                  | 7½                   | 6 8 0                |
|                                                |       |                                     |      | Imperial Tobacco Ord. £1     | 37½    | 37½                 | 5 8 0                |                      |                                     |       |                    |                  |     | 37½                 | 37½                  | 5 8 0                |
|                                                |       |                                     |      | International Nickel n.p.    | 33½    | 33½                 | 2 16 0               |                      |                                     |       |                    |                  |     | 33½                 | 33½                  | 2 16 0               |
|                                                |       |                                     |      | Lever & Unilever Ord. £1     | 66½/3  | 65/-                | 3 1 0                |                      |                                     |       |                    |                  |     | 66½/3               | 65/-                 | 3 1 0                |
|                                                |       |                                     |      | London & Lancs. £1           | 57/-   | 56/9                | 3 1 0                |                      |                                     |       |                    |                  |     | 57/-                | 56/9                 | 3 1 0                |
|                                                |       |                                     |      | Marks & Spencer 'A' 5/-      | 102½   | 102½                | 3 18 0               |                      |                                     |       |                    |                  |     | 102½                | 102½                 | 3 18 0               |
|                                                |       |                                     |      | Murex £1 Ord.                | 29½/4  | 30/-                | 2 10 0               |                      |                                     |       |                    |                  |     | 29½/4               | 30/-                 | 2 10 0               |
|                                                |       |                                     |      | Odeon Theatres 5/-           | 33/-   | 34/-                | 2 10 0               |                      |                                     |       |                    |                  |     | 33/-                | 34/-                 | 2 10 0               |
|                                                |       |                                     |      | Pinchin Johnson Ord. 10/-    | 67/6   | 67/6                | 2 15 0               |                      |                                     |       |                    |                  |     | 67/6                | 67/6                 | 2 15 0               |
|                                                |       |                                     |      | Tate and Lyle Ord. £1        | 36/-   | 36/-                | 4 2 0                |                      |                                     |       |                    |                  |     | 36/-                | 36/-                 | 4 2 0                |
|                                                |       |                                     |      | Triplex Safety Glass 10/-    | 80/6   | 80/6                | 3 2 0                |                      |                                     |       |                    |                  |     | 80/6                | 80/6                 | 3 2 0                |
|                                                |       |                                     |      | Tube Investments Ord. £1     | 32/9   | 32/9                | 5 2 0                |                      |                                     |       |                    |                  |     | 32/9                | 32/9                 | 5 2 0                |
|                                                |       |                                     |      | Turner & Newall Ord. £1      | 60/6   | 60/6                | 3 6 0                |                      |                                     |       |                    |                  |     | 60/6                | 60/6                 | 3 6 0                |
|                                                |       |                                     |      | United Millases Ord. 6/8     | 32/9   | 32/9                | 5 2 0                |                      |                                     |       |                    |                  |     | 32/9                | 32/9                 | 5 2 0                |
|                                                |       |                                     |      | Woolworth Ord. 5/-           | 60/6   | 60/6                | 3 6 0                |                      |                                     |       |                    |                  |     | 60/6                | 60/6                 | 3 6 0                |
| <b>Mines</b>                                   |       |                                     |      |                              |        |                     |                      |                      |                                     |       |                    |                  |     |                     |                      |                      |
|                                                |       |                                     |      | Ashtanti Goldfields Prd. 4/- | 58/9   | 59/4½               | 5 7 0                |                      |                                     |       |                    |                  |     | 58/9                | 59/4½                | 5 7 0                |
|                                                |       |                                     |      | Cons. Glds. of S. Af. £1     | 54/3   | 53/9                | 4 13 0               |                      |                                     |       |                    |                  |     | 54/3                | 53/9                 | 4 13 0               |
|                                                |       |                                     |      | De Beers (Def.) £2½          | 18     | 19½                 | 10 7 0               |                      |                                     |       |                    |                  |     | 18                  | 19½                  | 10 7 0               |
|                                                |       |                                     |      | Randfontein Ord. £1          | 32/6   | 32/6                | 3 14 0               |                      |                                     |       |                    |                  |     | 32/6                | 32/6                 | 3 14 0               |
|                                                |       |                                     |      | Rhokana Corp. Ord. £1        | 10/-   | 9/3                 | 7 14 0               |                      |                                     |       |                    |                  |     | 10/-                | 9/3                  | 7 14 0               |
|                                                |       |                                     |      | Roset & A. Corp. 5/-         | 5½     | 5½                  | 4 15 0               |                      |                                     |       |                    |                  |     | 5½                  | 5½                   | 4 15 0               |
|                                                |       |                                     |      | Sub Nigel Ord. £1            | 8½     | 8½                  | 4 15 0               |                      |                                     |       |                    |                  |     | 8½                  | 8½                   | 4 15 0               |
|                                                |       |                                     |      | Union C. 12/6 fy. pd.        | 10½    | 10½                 | Nil                  |                      |                                     |       |                    |                  |     | 10½                 | 10½                  | Nil                  |
|                                                |       |                                     |      | W. Witwatersrand 10/-        | 10½    | 10½                 | Nil                  |                      |                                     |       |                    |                  |     | 10½                 | 10½                  | Nil                  |
| <b>Iron, Coal and Steel</b>                    |       |                                     |      |                              |        |                     |                      |                      |                                     |       |                    |                  |     |                     |                      |                      |
| 50/6                                           | 48/6  | 7                                   | 4    | Abacoock & Wilcox £1         | 50/-   | 50/-                | 4 8 0                | 10½                  | 8½                                  | 8     | Nil                | Nil              | Nil | 50/6                | 48/6                 | 4 8 0                |
| 50/-                                           | 47/7½ | 3½                                  | 11½  | Bolsover Colliery Ord. £1    | 48/-   | 48/-                | 6 3 0                | 10½                  | 8½                                  | 8     | Nil                | Nil              | Nil | 48/-                | 47/7½                | 6 3 0                |
| <b>Insurance</b>                               |       |                                     |      |                              |        |                     |                      |                      |                                     |       |                    |                  |     |                     |                      |                      |
| 229                                            | 222½  | 7                                   | 4    | Alliance £1, fully paid      | 28     | 28                  | 3 4 3                | 358½                 | 336                                 | 5     | c                  | 5                | c   | 37½                 | 35/3                 | 3 4 3                |
| 228                                            | 222½  | 7                                   | 4    | Atlas £5, £14 paid           | 14½    | 14½                 | 3 13 6               | 37½                  | 35/3                                | 5     | c                  | 5                |     |                     |                      |                      |



# INVESTMENT

## Stock Exchanges: London

### "FINANCIAL NEWS" INDICES

| 1944        | Total<br>Bargains<br>in S.E.<br>List | Corres.<br>Day<br>1943 | Security Indices   |                   |
|-------------|--------------------------------------|------------------------|--------------------|-------------------|
|             |                                      |                        | 30 Ord.<br>shares* | 20 Fixed<br>Int.† |
| Mar. 9..... | 5,267                                | 4,886                  | 103.7              | 135.1             |
| " 10.....   | 4,895                                | 4,886                  | 103.8              | 135.1             |
| " 13.....   | 6,944                                | 6,115                  | 103.9              | 135.1             |
| " 14.....   | 5,124                                | 4,834                  | 104.0              | 135.1             |
| " 15.....   | 4,532                                | 4,687                  | 103.9              | 135.1             |

\* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1944: highest, 104.6 (Feb. 18); lowest, 103.0 (Feb. 28). 20 Fixed Int., 1944: highest, 135.4 (Feb. 23); lowest, 134.0 (Jan. 3).

## New York

(WEEKLY AVERAGES) (1935-36=100)

|                     | 1943             |                    | Feb.<br>25,<br>1944 | Mar.<br>1,<br>1944 | Mar.<br>8,<br>1944 |
|---------------------|------------------|--------------------|---------------------|--------------------|--------------------|
|                     | Low<br>Jan.<br>6 | High<br>July<br>13 |                     |                    |                    |
| 37 Industrials..... | 81.7             | 133.5              | 96.1                | 96.2               | 98.4               |
| 32 Rails.....       | 72.6             | 99.9               | 99.8                | 97.7               | 97.0               |
| 40 Utilities.....   | 67.9             | 89.64              | 87.3                | 88.2               | 88.9               |
| 419 Stocks.....     | 78.5             | 100.9              | 94.9                | 95.0               | 96.8               |
| Av. yield %.....    | 5.36             | 4.35               | 4.83                | 4.78               | 4.67               |

\* Common Stocks. (a) Aug. 25.

## STANDARD STATISTICS INDICES

### DAILY AVERAGE OF 50 COMMON STOCKS

| 1944        | Average | Transactions | 1944        | Average | Transactions |
|-------------|---------|--------------|-------------|---------|--------------|
| Mar. 3..... | 116.8   | 757,000      | Mar. 7..... | 117.2   | 1,270,000    |
| " 4.....    | 117.0   | 332,000*     | " 8.....    | 118.2   | 1,693,000    |
| " 6.....    | 117.0   | 751,000      | " 9.....    | 119.4   | 934,000      |

1943: High, 125.4 (July 14). Low, 99.3 (Jan. 2). \* Two-hour session.

## Capital Issues

| Week ending               | Nominal | Con-     | New    |
|---------------------------|---------|----------|--------|
| March 18, 1944            | Capital | versions | Money  |
| To Shareholders only..... | 11,272  | £        | 30,998 |

Particulars of Government issues appear on page 385.

| Year†     | Including<br>Conversions | Excluding<br>Conversions |
|-----------|--------------------------|--------------------------|
| 1944..... | 199,597,393              | 189,304,737              |
| 1943..... | 334,659,351              | 326,341,057              |

### Destination\* Nature of Borrowing\*

| Year†     | U.K.        | Brit. Emp.<br>ex. U.K. | Foreign<br>Countries | Deb.        | Prof.   | Ord.      |
|-----------|-------------|------------------------|----------------------|-------------|---------|-----------|
| 1944..... | 189,186,487 | 118,250                | Nil                  | 188,526,739 | 488,750 | 289,248   |
| 1943..... | 325,553,457 | 787,600                | Nil                  | 321,593,261 | 609,837 | 4,137,959 |

\* Conversions Excluded. † Includes Government issues to March 7, 1944, only. Above figures include all new capital in which permission to deal has been granted.

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ANNUAL INCOME EXCEEDS - £14,500,000

ASSETS EXCEED - £83,000,000

CLAIMS PAID EXCEED - £155,000,000

(1943 Accounts)

## ALEXANDRIA WATER COMPANY, LIMITED

### ALEXANDRIA, EGYPT.

NOTICE IS HEREBY GIVEN that the sixty-sixth ordinary general meeting of the shareholders will be held at the company's offices, 51 Avenue Fouad Ier, Alexandria, on Thursday the 6th April 1944 at half past four in the afternoon for the transaction of the ordinary business of the company pursuant to Act of Parliament and to fix the directors' remuneration. Holders of share warrants to bearer desiring to attend or to be represented at the meeting must deposit their share warrants in London before the 23rd March 1944 or in Alexandria before the 3rd April 1944 until after the meeting, at the National Bank of Egypt, 6 King William Street, London, E.C.4, or at the National Bank of Egypt, Alexandria, or at some other approved bank in London or Alexandria.

By Order of the Board,  
T. D. KEY,  
R. WALTON, } Joint Managers.

Dated, Alexandria, Egypt, the 20th January, 1944.

CANADIAN PACIFIC RAILWAY COMPANY (Incorporated in Canada with Limited Liability).—Notice to Shareholders. The Sixty-third Annual General Meeting of the Shareholders of this Company, for the election of Directors to take the places of the retiring Directors and for the transaction of business generally, will be held on Wednesday, the third day of May next, at the principal office of the Company, at Montreal, at 12 o'clock, noon. The Ordinary Stock Transfer Books will be closed in Montreal, Toronto, New York and London at 3 p.m. on Tuesday, the eleventh day of April. The Preference Stock Books will be closed in London at the same time. All books will be reopened on Thursday, the fourth day of May. By Order of the Board, F. BRAMLEY, Secretary. Montreal, March 13, 1944.

# THE ECONOMIST

ESTABLISHED 1843

l. CXLVI No. 5248

REGISTERED AS A NEWSPAPER

MARCH 25, 1944

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

ONE SHILLING

|                                   |     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |     |
|-----------------------------------|-----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|
| Dictated Diplomacy - - -          | 389 | The President's Budget - - -                                                                                                                                                                                                                                                                                                                                                                                                                                      | 399 |
| War in Eastern Europe - - -       | 390 | Czechoslovakia Turns East? - - -                                                                                                                                                                                                                                                                                                                                                                                                                                  | 401 |
| Public and Private Practice - - - | 392 | US Wartime Savings - - -                                                                                                                                                                                                                                                                                                                                                                                                                                          | 404 |
| NOTES OF THE WEEK - - -           | 393 | LETTERS TO THE EDITOR - - -                                                                                                                                                                                                                                                                                                                                                                                                                                       | 403 |
|                                   |     | Relics of Dear Money; Jews in Hungary.                                                                                                                                                                                                                                                                                                                                                                                                                            |     |
|                                   |     | THE BUSINESS WORLD                                                                                                                                                                                                                                                                                                                                                                                                                                                |     |
|                                   |     | BUSINESS NOTES - - -                                                                                                                                                                                                                                                                                                                                                                                                                                              | 405 |
|                                   |     | Coalowners Decide; A Programme of Action; More Discount Market Capital; Bradford Dyers Revival; Cartelisation in Cotton; International Statistics; Shipping Replacement Charges; Preparing to Salute; Conflicting Views on Electricity; Canada's Sterling; India's Contribution; A Policy for Rayon; British Celanese Borrowing; A Renaissance in Design; "Civvy" Clothes; Industrial Catering; No Nemesis for Nickel; Production Balance-Sheet; Company Results. |     |
|                                   |     | AMERICAN SURVEY - - -                                                                                                                                                                                                                                                                                                                                                                                                                                             | 399 |
|                                   |     | The President's Budget; Feeding the Fighters; Palestine Resolutions Shelved; The Soldiers' Vote; Foreign Policy.                                                                                                                                                                                                                                                                                                                                                  |     |
|                                   |     | THE WORLD OVERSEAS - - -                                                                                                                                                                                                                                                                                                                                                                                                                                          | 401 |
|                                   |     | Czechoslovakia Turns East?; Belgium's Fourth Year.                                                                                                                                                                                                                                                                                                                                                                                                                |     |
|                                   |     | COMPANY MEETINGS - - -                                                                                                                                                                                                                                                                                                                                                                                                                                            | 412 |
|                                   |     | RECORDS AND STATISTICS - - -                                                                                                                                                                                                                                                                                                                                                                                                                                      | 415 |

THE ECONOMIST, BRETTENHAM HOUSE, LANCASTER PLACE, LONDON, W.C.2.

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## Dictated Diplomacy

A RECENT motion, supported by nearly a hundred Members of Parliament, expressing sharp dissent from the Prime Minister's recent remarks on Germany and the Atlantic Charter, was treated by him as a vote of censure, and was therefore not pressed to a debate. This was doubtless the proper Parliamentary strategy, both on the critics' part and on Mr Churchill's. But it has the unfortunate result that one of the major questions of the day, on which opinions are very divided and minds very troubled, cannot come under discussion in Parliament.

It would be very foolish of the Prime Minister, or of anybody else, to ignore the grave disquiet with which certain recent developments of British diplomacy—so far as they can be half-seen through the veil of secrecy—have been observed in very wide circles. Some of this disquiet relates to the evidence there has been that the three major Allies are by no means as united in their policies for winning the war as was officially maintained after the conferences at Moscow, Cairo and Teheran. To take only one case of policy towards Italy: Mr Churchill has said a few words about the King and Marshal Badoglio; Mr Roosevelt has announced decisions on the disposal of the Italian Navy; and Marshal Stalin has resumed full diplomatic relations with the Badoglio Government. It has been made clear that each of these steps was taken without prior consultation, and that each of them has annoyed the consulted partners.

These things are serious enough; but they can be regarded with exaggerated gravity. The need to win the war is so clear, and the necessity for winning it in unison is so obvious, that these surface tactlessnesses will not be allowed to interfere with the basic policy. There is far more serious ground for dissatisfaction, not with the partners' occasional failures to agree, but with some of the matters on which, it would appear, they are in full agreement. Decisions are apparently being taken that will govern the shape of world affairs for many years to come. It is impossible to feel happy either about the decisions taken or about the way in which they are being taken.

In the direction of active hostilities, the case both for trusting one man to make decisions, and for allowing him to keep his decisions secret when made, is clear and unassailable. There can be no doubt that the British people want Mr Churchill to run the war and trust his judgment in doing so. When it comes to armistice terms, the supreme military commander should also have the largest say in determining what is necessary and practical. But the long-term conditions of peace are a different matter. It is wrong that commitments should be made in secret and by one man, however eminent, that will bind the whole nation for many years to come. The mandate of confidence does not extend as far as that.

It is not merely constitutional punctilio that is at stake. In any case, the British constitution very rightly concen-

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C. H. Hunt, Manager

HEAD OFFICE: MONTREAL

Agency in New York

## MIDLAND ELECTRIC CORPORATION FOR POWER DISTRIBUTION LIMITED

NOTICE IS HEREBY GIVEN that the TRANSFER BOOKS of the company will be CLOSED from the 1st to the 14th April, 1944, both dates inclusive, for the preparation of Preference and Ordinary Share Dividend Warrants.

Warrants will be posted on April 14th.

By Order of the Board,

F. W. CATER, Secretary.

Toll End Road, Tipton. 15th March, 1944.

38. *ates the fullest responsibility on the Government; they would be well within their rights in taking decisions on any subject they choose and challenging the dissenters to unseat them in Parliament. It is not the rights of the Government that are in dispute, but their good judgment in exercising those rights. The success or failure of the peace that is written after this war will not depend on the diplomatic situation now or at the time it is written, but simply upon whether the peoples, of whom the British people will be one of the most important, will maintain it. This is a truth on which *The Economist* has insisted before and will insist again and again. The test of any provision that it is sought to include in the treaty is not the logic behind it, or the strategic or diplomatic justification or its morality or justice, except in so far as any of these factors bear upon the central issue. And that central issue, so far as the British people are concerned, is this—will they be prepared to maintain the treaty in force, at the cost of any inconvenience to themselves, when they have returned to the material comforts and moral lassitude of peacetime? The only test by which peace-making can be judged is this popular one. It follows that it is not wrong so much as foolish to make commitments without consulting public opinion.*

The issue has arisen, for the moment, on Mr Churchill's reference to the Atlantic Charter, which is unfortunate, since neither the Charter nor the Prime Minister's reference to it is very clear. What the Prime Minister said was:

The term "unconditional surrender" does not mean that the German people will be enslaved or destroyed. It means, however, that the Allies will not be bound to them at the moment of surrender by any pact or obligation. There will be, for instance, no question of the Atlantic Charter applying to Germany as a matter of right and barring territorial transference or adjustments in enemy countries.

This might mean two things. Some of Mr Churchill's later sentences and his answer to a question this week would suggest merely a determination not to permit the Germans to take any bargaining stand on their fancied "rights," such as the play they made after the last war with the famous Fourteen Points. It might mean, that is to say, that though the principles of the Atlantic Charter were to be applied to Germany, it would be *ex gratia* and not of right. If so, that would be a simple counsel of prudence with which few would wish to quarrel.

But it was clear from the rest of Mr Churchill's remarks that this is not what he meant. He meant that, in the case of Germany, the principles of the Atlantic Charter were to be infringed, so that territories inhabited by Germany could be handed over to Poland in compensation for an alteration of the Polish-Soviet frontier. Mr Churchill said that this was agreed between himself and Marshal Stalin. There is a further topic on which no statement has been made, but on which circumstantial rumours are afloat. These rumours say that it was also agreed that an effort should be made to destroy the unity of the Reich and

to partition Germany into a number of independent states.

The question arises whether Great Britain is to be regarded as being committed to either or to both of these proposals, without open discussion or any consultation of public opinion. For itself, *The Economist* avows its open and decided hostility to both of them. That opposition is not based—though it possibly could be—on moral grounds. It is not based on any tenderness for the German people or any respect for German "rights." It is based on the most strictly realistic of all grounds, that no treaty so based stands any chance of being upheld by the British people once they have fallen back, as they inevitably will, into civilian habits and instincts. When it is considered how much opposition was aroused, and how quickly, to the infinitely more lenient terms of the Treaty of Versailles, it is quite out of the question that the British people would, in ten or twenty years' time, lift a finger to prevent the reunion of a partitioned Germany or remain unresponsive to the complaints of a Germany that had been robbed of indisputably German lands. It might be argued that, if these clauses of the treaty would not in fact be enforced, there is no harm in agreeing to them now if it smooths the immediate path. To this there are two answers. The first is that nothing is better calculated to cause discord with our friends than to mislead them on our intentions. Better by far to state the truth as we see it now than to foster the growth of delusions, those great breeders of wars. The second is that if one clause of the treaty is allowed to go by default others cannot be retained. The only true bulwark of a peace settlement is the willingness of the people to maintain it, and if matters are included that impose too great a strain on the resolution of the British people (and, for that matter, of the American people), the result will be that the whole treaty, including such essential elements as the disarmament clauses, will be reduced to a mockery as rapidly as Versailles.

Are we, then, committed? Those who, like *The Economist*, see in an annexation of East and West Prussia and in the partition of Germany the certain seeds of an inevitable third German war cannot say for certain that they interpret the British people more correctly than Mr Churchill. They can only say that British public opinion has not been consulted, and should be. This is not, of course, to suggest a Gallup Poll or a plebiscite—nothing could be more ridiculous. Nor is it to detract from the right and duty of His Majesty's Government to take responsibility and give leadership. Nobody in this country would suggest that we should have a rule requiring a two-thirds majority for the ratification of international undertakings. But it is to suggest that binding commitments on these supremely important topics should not be taken in small and secret groups, however responsible and however eminent. No country in the world is better equipped with means by which the Government can take counsel with public opinion, with proper weighting for knowledge, experience and responsibility. There will never be a stronger case for using them.

## War in South-East Europe

SOUTH-EAST EUROPE is now in the hands of the war god. Whatever political manoeuvrings there may be in the course of the next few weeks, it is the pressure of the Russian armies against the Carpathians and the German counter-defence that will shape events and hammer out the fate of the satellites on the anvil of battle. The German occupation of Hungary and the defence-measures taken in Roumania and Bulgaria resemble the occupation of Southern France after the Allied landings in North Africa. Then Hitler rushed southwards to slam the Mediterranean door. To-day there are doors to secure in Hungary, beyond the Danube and below the Carpathians, and they open not on to an outer ring of defences, but on to the inner citadel itself.

As usual, the German High Command are reacting

swiftly, but their ability to restore their damaged position is growing daily more cribbed and confined. The Russians are reaping the full benefit of the Germans' insensate decision to maintain their position in the Dnieper bend long after they had been outflanked. The German southern army has been split in two. Half of it, presumably under Manstein, is falling back on Lwow, the other half under von Kleist retreats in disorder into Roumania. New and more scattered fronts have opened, and the Germans are in a weaker position to reinforce them than they were to hold their earlier Russian line.

Hungary must be held in the first place. It is the Germans' base for all the fighting to the South-East. But the Russian advance on Lwow suggests that Hungarian-held Ruthenia may be in the front line of the fighting before

long, and the task of the German divisions in Hungary is as much to reinforce Manstein's retreating armies as to secure complete German control of Hungarian communications. One must suppose that the defence of Roumania is to be left to von Kleist, and he will presumably establish a line between the Carpathians and the lower reaches of either the Pruth or the Danube in order to protect Ploesti and the oil wells, which are on the wrong side of the mountains for the Germans. But his army is so shattered that it will be no light task to establish a new defence line.

It is also uncertain how many more divisions the Germans can throw into their South-Eastern front. Three divisions are said to have been withdrawn from the Zagreb area. This suggests that the new line can be held only by denuding the front against Tito. Even more significant is the report that ten divisions have been switched from the central reserve in Austria. If this is so, the German High Command has been compelled to draw on reserves destined to be used only when, with the opening of the Second Front, the German army will be fighting on two fronts. If to all this is added the fact that no great defence works or supply bases have been built up behind the new fronts, the picture of the German defence position is gloomy enough. However, there can be no retreat. The Carpathians are the essential bastion of the Reich. The double Russian threat—in Galicia and Roumania—must be held, and the Germans will not withdraw from the South-East without fighting every step of the way.

It follows that much of the speculation about political manoeuvres among the satellite states, Hungary, Roumania and Bulgaria, has a somewhat academic interest. Misleading comparisons with 1918 have been made. Then the crumbling of the South-Eastern front was the prelude to a German collapse. To-day there is no organised opposition in any of the satellite states. The desire of national self-determination which split open the Austro-Hungarian Empire is confused and spent. In Germany itself there is no democratic parliamentary opposition. In the European wilderness of totalitarian government, secret police, and cowed and apathetic peoples, the one decisive factor is the Nazis' will to resist and their ability to ensure that their yoke is not thrown off. Hungary is already occupied. The Prime Minister Kallay has resigned rather than co-operate with the German demands for "greater collaboration." In his place, Hitler has compelled the Regent Horthy to set up a government of pro-German puppets under the leadership of the Hungarian Minister to Berlin, Doeme Sztojay. This shadow regime makes no difference at all to the substance of German control. Roumania is in process of becoming a battlefield, and will therefore pass under direct military administration. Hitler has apparently decided to keep Antonescu, but the question is unimportant. However much the Kallay Government or the Antonescu Government may have

played in recent months with the idea of a separate peace—the Social Democrats have been allowed more prominence in Hungary and the Roumanian Government did permit the Stirbey peace mission—Hungary and Roumania are now German-occupied territory and their rulers have as much freedom for manoeuvre as the Republican Fascists in Northern Italy.

Only in Bulgaria is the case different. It is true that the Germans are already securing their lines of communication, but Bulgaria is on the extended limit of German occupation and is accessible to the Russians by sea and to all the Allies by air. Another vital military factor is Bulgaria's strategic situation. Unlike Hungary and Roumania, it does not lie on the main line of the German-



Russian clash, and as the Germans are compelled more and more to concentrate on the primary struggle, they may not have reserves for sideshows. It is also significant that alone of the satellites, Bulgaria has kept its army intact. If the Bulgarians could succeed in changing sides at this point, the military results would be far-reaching. The Germans would lose a secure base on which to build up their Danube-Carpathian defence line. Their flank would be turned and a withdrawal to the Iron Gates would be an immediate necessity. If political warfare has any part to play at this point in the campaign, the stage is set for it in Bulgaria alone. The favourable factors are its geographical position, the relative light-

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ness of German control already mentioned, the people's sympathy for Russia, the fact that relations between Sofia and Moscow have never been suspended. The chief obstacle is the anti-Russian sentiments and fears of the Regency. A change in the Bulgarian Government is almost certainly an essential preliminary to a drastic change in policy. How can it be brought about? A popular uprising is probably out of the question. However strong the pan-Slav feelings of the peasants, however widespread the hold of Communism, the Bulgarians are far less organised for action than, say, the workers in Northern Italy. The Government, backed by the Germans, can certainly keep them in order.

The change could only come from a palace revolution, a reshuffle of the kind that brought Badoglio to power in capitulating Italy. The possibilities of such a change have been in the wind for some weeks now, and the name of M. Kiosseivanov has been mentioned in connection with peace feelers. Bulgaria's relatively favourable strategic position provides the background, but the issue finally turns on the Regency's political decisions, and nothing is likely to be done so long as Bulgaria is uncertain about the intentions of the Allies. It is here that a joint political strategy might have its effect. The main decisions in this area naturally lie with Russia, politically as well as militarily. The degree of assistance Britain and America can offer is limited militarily by their concentration on the Second Front. Politically,

however, they can be a major reinforcement to Russia's political warfare. What is needed at this juncture is a solemn guarantee given jointly by the three Great Powers that they will respect and uphold the independence of the Balkan peoples. A more detailed statement of policy is, of course, impossible. Frontiers, minorities, confederations—these questions can only be decided after the war. But that the Allies intend to guarantee and maintain the independence of the Balkan States can be said now, and it may well be that such a joint guarantee, given at this time, would swing the Bulgarian Government into a new channel and radically effect the military position in South-Eastern Europe. Political warfare cannot do much. The decisive factors are the Russian advance and the German retreat. But this much at least it might accomplish, and the effort should be made.

Unhappily, events since Teheran do not suggest that the machinery of Allied consultation is working swiftly enough for such a decision on joint political strategy to be taken in time. The result is a serious loss to the Allied cause. The war machine is decisive, yet its victories might be swifter and the cost it exacts less terrible if the Allies were wielding their political arm in unison and strength. Control of the Bulgarian base is a big stake, and it is hard to avoid the conclusion that the German propagandists have played their political trump of anti-Bolshevism more skilfully than the Allies have played their hand of Great Power co-operation and Small Power survival.

## Public and Private Practice

DISCUSSION of the Health White Paper has turned almost entirely on one question. Is the establishment of a public medical service compatible with the continuance of private medical practice? On one side it is said that the consequences of such a dual system must be the withering away of private enterprise in medicine. On the other, it is said that the only true public service would be a public monopoly, with private practice forbidden; otherwise, it is argued, there will still be two nations, those who are well doctored because they can pay extra fees and those who are badly doctored because they cannot.

Very much this point has already arisen in the case of education. It will be ever-present throughout discussions of reconstruction policy. Both sides to the controversy believe that a system, like a society, cannot live half slave and half free. They believe this in spite of the fact that this nation has lived largely in this condition for a very long time. In education the argument takes the form, on the side of the levellers, of the demand that the public (properly private) schools should be "liquidated" and that fees should be abolished for all children in all secondary schools. In medicine, it takes the form of a demand that doctoring should be solely a state salaried service and that all hospitals should be publicly owned and publicly controlled. The answer to this argument in the case of education has been stated several times in *The Economist*. The only case for the abolition of either public schools or secondary fees would be if their maintenance in itself deprived other school children of facilities which would otherwise be forthcoming. If their abolition would not in fact raise standards elsewhere, the consequence would actually be the opposite of what the levellers intend. By paying very high charges for private, public and grammar school education, as well as rates and taxes for the state schools, parents give to the state system without taking in return. If secondary school fees were abolished, those who cannot afford to keep their children at school until the age of eighteen would be taxed to subsidise those who can. It is a question not of principle but of supply. If the total facilities for education can be made adequate to meet the needs of all children at the required standard, it is a help and not a hindrance that those who can pay extra fees should choose to do so.

The same argument applies to medicine. It is again a question of supply. If the maintenance of fee-paying prac-

tice meant, as Lord Nathan put it in the Lords last week, that "the cream will be skimmed off and the public service left undernourished in personnel, equipment and facilities," it could not be reconciled with the aim of making "the whole range of health care available to every person." At present, the Secretary for Scotland admitted in the Commons, "we are short of doctors, of ophthalmic surgeons, of all sorts of specialist consultants and of nurses" and "we shall be short of dentists for many years to come." These shortages have been used as an argument against a public service. Actually they are the strongest argument for it. They show the need for a national minimum of medical service, for rationing to enforce it and, above all, for an expansion of facilities with all the weight of the state behind it. But to argue from these present shortages that we should, therefore, abolish private practice and concentrate all our limited resources in the public service is a defeatist solution. It is, in effect, restrictionist. For it would not, in the end, solve the problem; the shortages would remain. The task is not to root out private practice and create a monopoly, but to increase the supply of medical manpower and equipment, specifically for public uses. To pull down Harley Street or submerge the great free hospitals in the newer local system might be as bad for medicine as the abolition of the public schools, the world's best, would be for education. The grievance of the many is not the good treatment of the few but their own bad treatment. The proper course for democrats, who believe in both freedom of choice and minimum standards with equal opportunity, is to increase the public's means, not to decrease private facilities. And the argument that the removal of independent opportunities might itself reduce the supply of able and enterprising doctors and researchers is, in existing conditions of medicine, by no means groundless; the best doctors should still be able to take the highest fees from the richest people, so long as services no less good are freely and adequately available to the poorest. The positive approach to this problem, even for the most egalitarian, is to make the public's doctors, and the public's hospitals—and the public's schools—so good and so well provided that the gap between them and the higher-priced private article is removed.

The aim is good doctoring for all. There is no reason why, if this is achieved, the rich should not pay extra for

their fancy. The proposed national service, Mr Johnston said last week, is designed to ensure

that the care of patients in the new public arrangements does not suffer in quality or quantity by reason either of private commitments or other public arrangements.

If the scheme were being made from scratch with no existing system of doctoring in operation, the case for an exclusive state service might be very strong. As things are, it is unsound practically and impossible politically. The White Paper plan, in Mr Willink's words, is a compromise "to produce a scheme that will work, and into which every one of the present elements can put their best."

It aims "to build a system which will grow out of the old." The objective, which will not in any case be achieved for a considerable time, is a complete range of personal health services for every man, woman and child. There will be a general practitioner service; a consultant and specialist service; hospital treatment; and a dental service. Some doctors will work whole-time in public service, others part-time, some not at all outside their private practice. The general practitioners will be directed from the centre. Local services will be run by local authorities, regional services, such as hospitals, by joint boards. Simultaneously and in addition, the old arrangements between doctor and patient will go on for those prepared to pay fees over and above their social security contribution. It is reasonable that the public work of doctors should be restricted according to the number of their private patients, to ensure that time and energy are left to treat public patients properly. It is unreasonable that, as some critics have suggested, doctors paid out of public funds should be forbidden to undertake private practice. This would make precisely the kind of separation that would permanently divide patients and doctors into two classes—the former into privileged and unprivileged, the latter into good and bad. The left-wing critics would at least be on firm logical ground if they proposed the prohibition of private practice—though, of course, they would stand no chance of carrying their point. But so long as private practice remains, to insist on a rigid separation between it and public practice is the reverse of egalitarian.

Far too long has been spent in controversy over the political theory of the scheme; certain doctors in particular have turned a good case for professional independence in professional matters into intransigence and obscurantism. The patient, as Mr Johnston said the other day, has been forgotten, the consumer overlooked. The real question is whether the scheme will do what it is intended to do—provide a comprehensive medical service in terms of actual treatment.

The plan is not a revolutionary or dramatic break with the past. This is so much so that its chief risk may be that of being too like the present system. In contrast with the National Health Insurance, the chief advances are that

treatment will now be uniform and, it is hoped, sufficient for everyone, and that the families and dependants of workers are brought in, which makes up a long standing lack. In addition, there is no longer the upper income limit of £420 a year; those who earn more than this figure are brought in, not only for their own security, but also to give assistance by their contributions to those in more need. In other words, the scheme will have to do much more for many more people than the existing one, and do it better. The "shortages" are much the biggest obstacle to be overcome.

The scheme starts off with the advantage that the combination of private practice and public service is already embodied in the tradition and conduct of British doctoring and in the panel system. Medical ethics already require that the most skilled surgeons and physicians should give part of their time, free if necessary, for part of their career to the service of the needy sick. In practice the conditions under which this is done make it seldom possible for treatment of the poor to compare with treatment of the rich. The panel system in National Health Insurance is similarly unsatisfactory. Whatever their inclination, doctors have not the time or the inducement to give equal treatment to public and private patients. This, not the old weary disputation about free and unfree medicine, is the crux of the matter. Can equal treatment for all be ensured by organisation? If the number of doctors, consultants and specialists, as well as general practitioners, can be raised to the numbers needed without reducing their professional quality, and if they can be given for their public work the conditions and the time to treat each patient to the best of their ability, doctoring can be given the chance to rediscover that sense of service which has become dimmed by circumstances. It is the doctors' great opportunity. Paid properly—without, as Mr David Eccles argued in the Commons last week, establishing a situation in which they would earn less money as a body for more work—they can do unequalled work for public and private patients alike. And if their public work becomes so good that their private practice dwindles naturally, no one will be a real loser.

But even this is only a step on the road. The White Paper plan is for a medical service, not for a health service properly so called—though it does embrace the welfare activities of local authorities. By itself, in the words of Mrs Hardie, it regards the nation as "a nation of invalids." It requires a much wider context of prevention instead of a cure. An essential part of reconstruction will be the betterment of the environment of the people. Good housing and steady work are first needs. So, too, is good nutrition. The public health services of local authorities can be the basis, with the health centres proposed in the White Paper, for a positive policy. It is by strides in these directions that the Ministry of Health can justify its title.

## NOTES OF THE WEEK

### Finland Refuses

German diplomacy has scored a notable success in Finland. The negotiations for an armistice between Russia and Finland broke down when on March 17th, the Finnish Government gave its negative reply to the Soviet armistice terms. The proposal to start direct negotiations with the Russians before accepting any armistice terms was apparently made by the Finns in the hope of securing better conditions, and they officially described the Russian demands—such as the withdrawal of the Finnish armies to the 1940 frontier and the internment of the German forces in northern Finland—as "harsh and unacceptable." The Russians have now put an end to the Finnish Government's attempt to play for time and have placed on it the responsibility for the breakdown. Several reasons may have accounted for the Finnish refusal. Public opinion in Finland is particularly ill-informed and misled by a muzzled or strictly censored press, and shows no awareness of the

gravity of the country's military situation. Since 1940 it has been fed on the myth of German invincibility and has not been in any way prepared for the rude awakening. The Finns also hope that, as long as Russia has its forces engaged in the great battles in the South, Finland will enjoy a prolonged military respite. Finally, there is the fear that acceptance of the Russian terms would leave Finland in a completely helpless condition and compel it to accept any further demands which the Russians might raise. It is upon this fear that Hitler was playing when he said that the Russian "intention is simply to place the noose round the victim's neck and to tighten it properly when the time comes." The Finnish hope for a military breathing space is likely to be exploded very soon. The campaign in the South is not likely to prevent the Russians from waging a short and decisive campaign against Finland, now that the Finns have lost the protection of the severe northern winter.

## Lend-Lease and Exports

A considerable flurry seems to have been caused in Washington by the discovery that the so-called British "Export White Paper" is the subject of negotiations between the two Governments. This White Paper, it will be recalled, was a unilateral undertaking given by the British Government in the autumn of 1941. Its terms were detailed and complicated; their general purport was that the receipt of lend-lease goods from America should not be allowed to accrue, directly or indirectly, to the post-war benefit of the British export trades. American goods, in short, should not be used to filch American markets. This is an entirely reasonable principle, with which nobody in this country would wish to quarrel. It is in the application of the principle that trouble has arisen. The original American insistence on having a complicated set of rules could be put down to the professional prejudices of lawyers. But, even so, the White Paper as drafted was an unnecessarily restrictive document which prevented many quite legitimate British exports rather than allow the suspicion of an improper use of lend-lease materials to arise, and which subjected British activities to an unnecessarily humiliating process of seeking consent. The White Paper is believed to have been personally negotiated between the American Ambassador and the late Sir Kingsley Wood, and is known to have been regarded by many official American, as well as British, quarters as far stricter than it need have been. But on top of the defects of the document itself, it has been administered by the Americans with surprising rigidity.

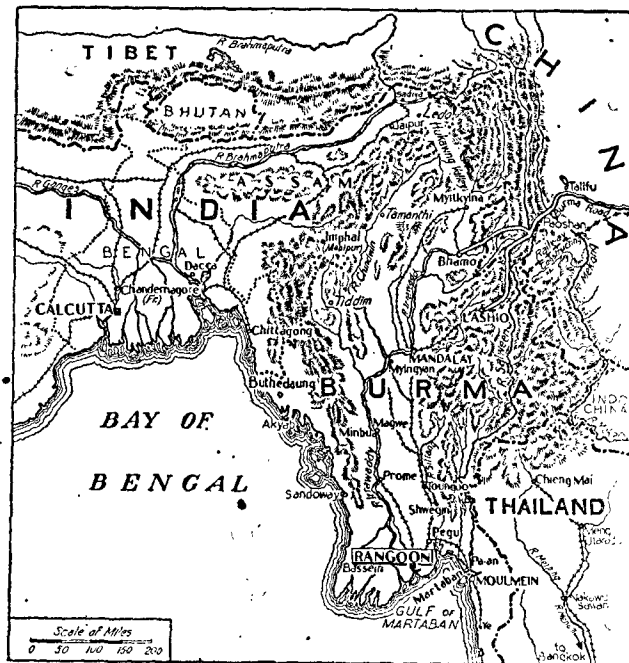
Strong justification for revising it can be adduced. Even if it had been perfectly adjusted to the circumstances of the autumn of 1941, many things have changed since then. America is now a belligerent, and Lend-Lease is by no means a one-way flow. The combined allocation of scarce materials has now been carried so far that the use of these materials (whether obtained on lend-lease or not) for other than approved purposes is well nigh impossible, without specific restrictions on exports. The American Administration, however, has been quick to deny that the principle of such restrictions is being abandoned. That, apparently, is more than could be tolerated by a Congress that is astonishingly quick to believe the worst of its allies. But if the principle is to be retained, it is to be hoped that the same restrictions will be placed on American exports as are placed on British. They are much more likely to be necessary in the case of a country that still has goods to spare. The only industry for which figures can be quoted is that of cotton goods. In 1942, British exports were cut down to just over 25 per cent of their 1937 volume. American exports in 1942 were over 190 per cent of the 1937 figure. Much the same is probably true of other industries. Any statement that the war is conferring advantages on British exporters at the expense of Americans is not only untrue, but the exact reverse of the truth.

## Canadian Mutual Aid

Mr Mackenzie King announced in the Canadian House of Commons on March 16th the signature of "Master Agreements" governing the provision of Canadian Mutual Aid to the United Kingdom, the Soviet Union and Australia. Similar agreements are being negotiated with China, the French Committee of National Liberation and other countries. There are strong resemblances between these agreements and the American "Master Agreements." For example, the only return to be made by the recipients that is specified (if "specified" is not too strong a word for the rather vague terms employed) is that they shall co-operate to establish a liberal regime of international trade. But if there are similarities with the American "Master Agreements," there are also differences. As Mr Mackenzie King pointed out, the American Lend-Lease Act was originally passed when the United States was still a neutral, and its philosophy was different from the purpose of Canadian Mutual Aid, which is "that Canada should make the utmost contribution to the victory of the United Nations." The Canadian agreements are intended not merely to prevent the accumulation of large war debts, but also to prevent any indeterminate obligations of any sort being left at the end of the war. Accordingly they specifically provide that, with certain exceptions, no materials provided under Mutual Aid shall be returned to Canada. The signature of these agreements provides another opportunity for recognising not only the very large scale, relatively to its resources, of the aid that Canada has provided for its allies, but also for the generous spirit in which it has been given.

## Burmese Operations

The fighting in Burma is taking on definite shape. It is no longer a question of scattered columns fighting in isolation along the Burma-India frontier. The various forces are part of a combined operation to clear the Japanese out of North Burma and open the way for the junction of the Ledo and Burma Roads. The Arakan forces are trying to take the flat land between Buthidaung and Akyab, for here it will be possible to establish airfields and intensify the attack on Japanese communications in Central Burma. To the east, three Allied columns, two of them operating along the Chindwin, are forcing the Japanese back from the Hukawng Valley, and an airborne force has been landed somewhere in the Japanese rear to cut them off in their retreat towards Myitkyina. An encouraging feature of the campaign is the mobility of the fighting groups and the



audacious use made of them. The Japanese have been put on to the defensive, surrounded and surprised in their own chosen jungle battlefield, and new methods and new tactics now appear to be the monopoly of the Allied commanders. Another significant fact is the close co-operation between the different columns. Two services and four nations are acting together with the greatest precision and resource. The landing of the airborne force was a model of effective planning, and was a joint venture of army and air force and British, American and Indian troops. But in spite of the new Allied initiative, the Japanese are still pushing forward strongly towards the Indian frontier. Between Tiddim and Tamanthi they have crossed the Chindwin and are advancing in the direction of Imphal. This town in Assam is the key to the Allies' communications behind their various Burmese fronts, and unless the Japanese column is checked, it will interfere with the whole strategic plan for clearing North Burma before the summer rains.

## France and Europe

In his address to the Assembly on March 18th, General de Gaulle gave the first official French reaction to the suggestion for a West European bloc brought forward by General Smuts last autumn. The French reply is favourable. The need is felt in France, as well as Britain, to reinforce national independence in a larger unit and, without defining precisely its limit, General de Gaulle suggests a "kind of Western grouping," of which "the Channel, the Rhine and the Mediterranean would be the arteries." His angle of approach is in one respect wider than that of General Smuts, who suggested a bloc almost purely in terms of strengthening Britain's position. France, too, needs reinforcement, but General de Gaulle insisted far more strongly on the need to restore Europe as a whole to the influence and power in the councils of the world to which it is entitled by its history, its skill, its resources and population. This insistence on Europe as an entity, coupled

with the choice of Channel, Rhine and Mediterranean as arteries, not frontiers, of the Western bloc, suggests that the French envisage something more than a "Western fringe" and are anxious to play a leading part in working for a confederation of all or most of Europe. General de Gaulle touched, too, on other points of cardinal importance—the extension of the co-operative principle to the colonies of Europe and co-operation between France and Britain to create an Arab confederation in the Middle East. These various projects add up to a serious attempt to outline a new basis for French foreign policy. The extent to which in expression and intention it overlaps the interests of Great Britain is remarkable and encouraging. General de Gaulle announced that

the French Government is ready from this very moment to undertake in co-operation with other states all the studies and negotiations necessary.

One would like to feel that the British Foreign Office were equally ready.

## France—Still Absent?

Memories of the period when the United States still recognised the Vichy Government have apparently not faded altogether in Algiers. Suspicion that the State Department might still try to do a deal with Vichy when the invasion starts has apparently been voiced again recently in connection with American criticisms of the Pucheu trial. Misgivings among Frenchmen were probably strengthened by General de Gaulle's recent emphatic complaint about "the relative absence of France" from the councils of the Allies. Mr Cordell Hull's strongly worded denial of "absurd rumours and reports" on the State Department's intentions has come just in time to stop the spread of these fears.

No loyal supporter of the Allied cause would make the ridiculous charge that the United States Government... would have any dealings or relations with the Vichy régime except for the purpose of abolishing it.

Whether this denial will be enough to make Frenchmen feel quite confident about the form of government or the personalities whom the United States may eventually support in France is another question. Mr Hull's statement was purely negative. It contained no positive sign that the United States is now more ready than before to give exclusive recognition to the National Committee of Liberation. The time for recognition has almost certainly come. It would be absurd to call upon the resistance movement in France to co-operate with Allied armies and at the same time not to acknowledge the authority of the only body that directs it. The trial and execution of Pucheu, whatever its unwisdom, or any other dubious policies pursued by the National Committee, ought not to be used as arguments against the leading rôle of the National Committee in the rebirth of France. If Algiers is not recognised the invading commanders may be tempted on grounds of expediency—whatever the Allies' decision on principle—to work with the administrators on the spot—and with Vichy.

## Time-table for Education

There are signs that the lost art of voting is being rediscovered at Westminster as well as in the constituencies. On Tuesday, as many as 137 Members voted against the Government; the Government's majority was only 35. The bulk of the votes were Labour; but the Tory Reformers took this chance of reasserting their integrity as reformers. The occasion was an amendment to fix a definite date for raising the school-leaving age to 16. No one in the debate disagreed with the view that the school-leaving age should be raised first to 15, for which 1945 is fixed in the Bill, with an escape clause, and then to 16 as soon as possible. Nor, on the other hand, did anyone question the difficulties listed by Mr Butler; the shortage of teachers and school buildings are chief among them, and the first step of raising the leaving age to 15 will itself make very big demands. Nevertheless, those who supported the amendment—which proposed, in effect, to raise the leaving age to 16 not more than four years after it had been raised to 15—were perfectly right. If a set date could be stated in the Act, then the Government would either have to follow instructions or else come to the House and prove to Members' satisfaction that the law could not be carried out. All experience of past Education Acts proves abundantly that such a spur is imperatively needed. Unless a definite timetable can be laid down, and

the onus placed upon the Government always to show reason why it cannot be duly implemented in this or that direction, the way will still be open to the old delays. It already appears that the Government is preparing a second line of defence if raising the leaving age to 16 proves too difficult. Mr Butler pointed out that, if the age could not be raised as soon as is hoped, there would still be the Young People's Colleges for pupils between 15 and 18, which are to be a first charge in the second stage of educational reconstruction. But the Young People's Colleges, with attendance only one day a week, are no substitute at all for raising the school age to 16. Considerably larger attendance at the Colleges is required to make them valuable; and, in any case, both steps are equally urgently needed.

## Forward by the Right

Tuesday's big vote against the Government on the Education Bill will probably not be the last, without support for the war and Mr Churchill being in any way weakened. The many Members of Parliament who believe that their duty is to press the Government on to bolder deeds in home policy are slowly realising that strong words and inaction in the lobbies go ill together. It is only an accident that education rather than land planning provided the occasion for the first demonstration.

We accordingly state as our conviction that only by creating effective machinery for the three main objectives agreed upon unanimously by the Barlow Commission, and by solving in one way or another the problem of compensation and betterment, can the Government lay the foundation of a successful long term housing policy.

In the absence of a single comprehensive policy on the issues of the location of industry and the protection of agricultural land we see no alternative to the continued promiscuous growth of our cities and the drift of our people from the countryside, and to an aggravation of the evils that must inevitably result.

These words, which are strikingly to the point, come not from some Opposition document, but from a report of



## HALIFAX BUILDING SOCIETY

## INCREASED ASSETS

Extracts from the 91st Annual Report to be presented to the Shareholders at the Annual General Meeting at Halifax, on Monday, April 3rd, 1944.

|                           |              |
|---------------------------|--------------|
| TOTAL ASSETS              | £129,229,049 |
| SHARE & DEPOSIT FUNDS     | £121,780,609 |
| MORTGAGE ASSETS           | £80,831,442  |
| LIQUID ASSETS             |              |
| In Trustee Securities     | £40,787,307  |
| Cash at Banks and in hand | £6,985,079   |
| RESERVE FUNDS and         |              |
| UNDIVIDED PROFIT          | £6,381,751   |

Copy of Balance Sheet may be had on application.

General Manager — F. E. WARBRECK HOWELL, LL.D.  
HEAD OFFICES — HALIFAX

LONDON DISTRICT OFFICE—HALIFAX HOUSE, STRAND, W.C.2.  
CITY OFFICE—62, MOORGATE, E.C.2.

BIRMINGHAM — 26-28, COLMORE ROW GLASGOW — 119, ST. VINCENT STREET  
BELFAST — 14, DONIGALL SQUARE WEST LEEDS — 32, COMMERCIAL STREET  
CARDIFF — 124, QUEEN STREET LIVERPOOL — 37, DALE STREET  
EDINBURGH — 75, GEORGE STREET MANCHESTER — 130, DEANSGATE  
SHEFFIELD — 49-55, BUREY STREET

BRANCHES THROUGHOUT THE KINGDOM



the Conservative Party sub-committee on housing published this week. They are an apt answer to Lord Woolton's curiously disingenuous contention in the Lords on Wednesday that serving men want "houses, not Uthwatt." In fact, they need both, for the provision of sufficient good houses in the right places is impossible without planning. The strong words of the Conservative sub-committee bear the marks of the views of Lord Balfour of Burleigh, who this week stated very trenchantly over the air his opinion that not even the shortest term programmes of housing can be properly drawn up and carried out without the introduction of a planning policy. But this is a Party, not a personal, report. It bases its demand for a right foundation for housing upon the impending decline in population and "the urgent need for a thriving industrial economy, including agriculture." It states the view that workers desire and deserve homes near to work, church, school and shops, accessible to the open country, simple in design and with sufficient space, within and without, for decent living. It votes strongly for houses against flats. It believes even more strongly, that "housing is bound up indissolubly with the location of industry and the availability of transport": and states the view that "national action in the planning of town and country is a vital necessity" and that

uncertainty as to Government policy on the vital question of compensation and betterment is having a deadening effect upon initiative.

### Oligarchy

Lord Woolton said on Wednesday that certain "proposals" on planning are nearly ready. But if it is true that the Government's intention is still simply to produce—"after Easter"—a Bill for the public acquisition of land in bombed areas and a White Paper arguing yet again about planning problems, this will clearly not satisfy the Conservative Party sub-committee. That it will not satisfy the other parties is already established. The likelihood is that, if the opportunity for a division could be found, the Government would be beaten; and the question arises, since all parties are agreed upon the need for prompt action in this matter, who it is that is holding up decisions. Obviously, this is a case of rule by a small and recalcitrant minority—which is what Coalition almost inevitably means when it seems to have attached to it the proviso that action is only possible on the basis of complete agreement. In other words, something like a *liberum veto* seems to have been imposed upon this branch at least of domestic reconstruction. Lord Woolton's naïve revelation that he has found it much more difficult to get decisions on planning than he expected when he became Minister of Reconstruction is no doubt true.

### The Civil Estimates

With the approach of the end of the financial year, most of the estimates for civil expenditure in the forthcoming year have been published, and from the Vote on Account the gaps can be filled in for all but the details. For the first time since the war began, the first estimates for the new year are higher than the estimates, including the supplementaries, for the year drawing to a close. At the beginning of the war, an attempt was made to cut down the Government's civil expenditure, and at the same time only token votes were given for the war services of the civil departments, which have since been met from the votes of credit. Nevertheless, since 1939-40 even the civil expenditure for which details are given has in the end been far larger than the estimates, in spite of the big, consistent fall in unemployment assistance. The estimate for the Assistance Board for the coming year is only £5,380,000, compared with a final estimate of £6,455,000 in 1943-44, and an actual appropriation of £5,804,000 in 1942-43 and £17,601,000 in 1940-41. By far the greater part of the rise in the total civil estimates in 1944-45—from £450,785,000 in the current year to £469,912,000—is accounted for by the considerable increase in the Government's expenditure on social services other than unemployment assistance. Thus, the estimate for the Board of Education has gone up from £60,076,000 to £64,898,000, not for any reason connected with the new Education Bill but mainly because of higher grants to local education authorities for the school meals service and the milk in schools scheme and also for the increase in the teachers' war bonus. The estimate for teachers' pensions has also gone up by £845,000. But, especially when com-

pared with pre-war expenditure, the change in the civil estimates that dwarfs all other is the new item of supplementary pensions. When assistance for needy old age pensioners and needy widows receiving pensions under the contributory pensions Acts was transferred from the local authorities to the state in 1940, it was not realised what an important part of the pensions system the supplementary pensions would form. In the coming year, however, expenditure on this item is estimated at £54,930,000, against £46,250,000 in the current year and against an actual expenditure of £15,566,000 in 1940-41. It is fast approaching the estimate for old age pensions themselves, which is £56,000,000 in 1944-45, and it compares with an estimate of £22,525,000 for expenditure under the contributory pensions acts.

### Rural Slums

Between 1921 and 1938 the numbers employed in agriculture fell by 276,000, or about a third. At the beginning of the war, before the Essential Work Order was applied to agriculture, a further 70,000 workers left the land to find work in better-paid and more congenial occupations. Mr Gooch, President of the National Union of Agricultural Workers, addressing the Farmers' Club on Monday, gave a warning that the drift from the land will continue after the war, unless something radical is done to raise the standards of the agricultural worker nearer to those of the industrial worker. A great many villages, though picturesque, are no better than slums. Mr Gooch quoted cases of

cottages in which the rats scampering about the bedroom floors keep the children awake and . . . in which it is part of the household routine in wet weather to put umbrellas over the beds or to evacuate the bedrooms altogether.

Not even the fringe of the housing problem has yet been touched. Of the 3,000 cottages promised by last harvest, only some 700 have been completed. Refhousing, however, is not enough; the countryside needs piped water supplies, sewage systems and electricity, and improved amenities. In 1939, out of 11,186 parishes in England and Wales, 3,432 were without proper water supplies and over 5,000 were entirely without sewage systems. Farm workers feel very strongly about the tied-cottage system, which limits their freedom and security. A report in 1937 estimated that 500,000 houses were occupied by agricultural workers, and that 200,000 of these were "tied." The abolition of this feudal system was recommended by the Scott Committee. The real fundamental need is that farming should be in a position to afford higher standards for its workers. The Scott committee assumed that, compared with before the war, agriculture would be much expanded. If it is, it will almost certainly be unable to afford more than poor conditions for farm labour. Either its size will be limited roughly to the extent to which it can farm efficiently, in competition with overseas products, in which case it will be able to afford good standards for a limited number of workers. Or it will be dependent on public charity, at the expense of the standard of living, to raise the standards and keep the services of a much larger number. Whether agriculture can pay high wages must depend on its productivity. This is partly a question of applying scientific methods and improving technique, partly of comparative costs.

### Business or Profession?

The public has been told what medical services it may hope to receive after the war. The Secretary of State for Scotland put eye specialists high among the shortages that will considerably delay complete fulfilment of the plan. The time is opportune for the consideration, already overdue, of the persons and qualifications entitled to give eye treatment. In the treatment of defects of the eye the old problem—who is a physician and who a quack—still arises in a modified form. Do opticians constitute a business or a profession? Twice opticians have sought official recognition through state registration. Both times the draft Bills failed. Now they are likely to try again. Opticians do not necessarily have any medical qualification. Their original job was merely that of making glasses in accordance with the prescription of an oculist or doctor; and the medical profession claims that they should confine themselves to this. But in actual fact the majority of people with faulty vision go straight to an optician without consulting an oculist. It is very much cheaper and there are seven opticians to every one oculist. If it is merely a matter of "needing glasses," the optician may be competent to prescribe. The trouble arises in those cases

which need something more than glasses, people who are suffering from some disease of the eye, which the optician is unable to cure and very likely will not detect. The crucial question is how many such cases are at present "dead-ended" at the opticians and receive no treatment or the wrong sort. It is not likely that such cases constitute a high proportion of the opticians' turnover of patients. But, however low the proportion, it is clearly undesirable that any statutory recognition should be extended to opticians which would leave in being this serious gap in eye treatment. The alternative is difficult to find. Oculists are still very much too few in number and, for most people, too expensive. It would be wasteful to lose the skill in sight-testing acquired by many opticians. Under National Health Insurance, a few approved societies invariably direct applicants for ophthalmic benefit to a medical practitioner and pay his fees. But the majority of the insured have to make do entirely with attention from an optician. If the new National Health Service allows this state of affairs to continue—as it may have to for a time—it is at least essential that the public should realise what they are getting. It should be clearly understood and stated that the optician can only deal with errors of refraction, and that only by means of glasses. He may know more, but there is no guarantee.

### Economic Man

It is very human for men to cry their own wares. Mr Dalton, once a student and teacher of economics and now, as President of the Board of Trade, head of an economic department, appears to have fallen into this trap. There is in any case very little comfort in his statement on Tuesday that "our post-war international planning is going ahead much faster on the economic plane than on the political plane," which is a comparison between two very slow motions. But his rider to the effect that "this is thoroughly healthy, and I hope it will go on" is most alarming and quite misleading. He added that "between the wars there was too much politics and too little economics." In fact, of course, there was much too little of both; will and skill were both lacking. But, if there is one thing which the record of this age proves, it is the primacy of politics over economics. If Mr Dalton really believes that the world's problems of peace and prosperity can simply be solved by economists proposing the right policies at the right time, he is barking up quite the wrong tree. The expert's proposals have to become policies and for them to become policies involves political decisions. There is, indeed, abundant room and urgent need for the right solution of technical problems by up-to-date economic experts—some of whom would much disagree with Mr Dalton when he says that "full employment cannot be got by any one nation acting alone." But to suggest that the mere working out of these solutions could succeed in removing our difficulties without the all-important process of political persuasion, conviction and acceptance is as misguided as to say that, because the modern world is based upon science, science, too, must come before politics in the making of national and international policies. Mr Dalton might argue that he qualified his remarks by the phrase "by the nations acting together." But this begs the question and gives away his case. It is not possible in the nature of human society to "keep politics in a rôle in which primacy is given to economic endeavours and co-operation," unless, as seems most unlikely, Mr Dalton is thinking about some kind of dictatorship in which the economists themselves would be the political dictators.

### Experiment in Regionalism

The first report of the Anglo-American Caribbean Commission gave the interesting news that a regular system of West Indian conferences was to be set up in order to associate local opinion with the work of the Commission itself. The first of these conferences is being held this week in Barbados, and is being attended by two delegates from each British and American territory—Puerto Rico, the Virgin Islands, Jamaica, Barbados, Trinidad, British Guiana, British Honduras, the Windward and Leeward Islands and the Bahamas. The agenda covers nutrition and food production; the reabsorption of labour into civilian jobs; public works; health; and industrial development. Like the Commission itself, the conference, which, though not composed always of the same people, is to be a standing body, will for the time being be purely advisory, but—in

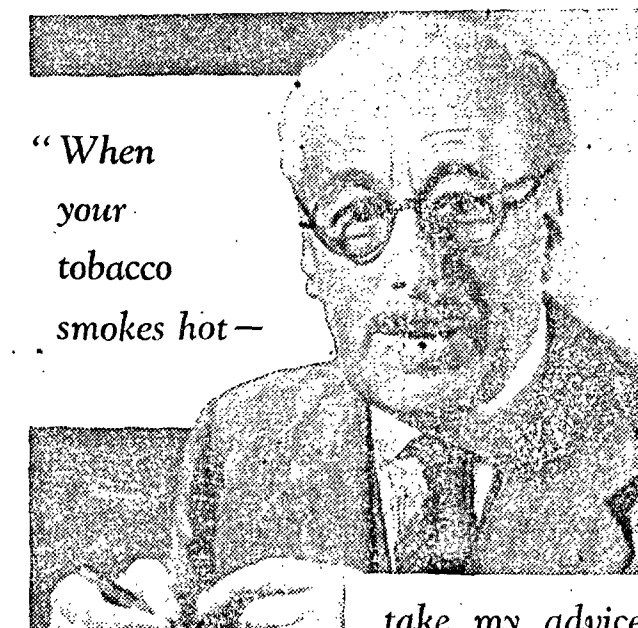
the words of the Commission's report—

it would be open at any time to the interested Governments to agree . . . to delegate to it any specific powers which they might think desirable.

Thus, the progress of this first meeting of the conference will be watched with interest. It is an attempt to reconcile good government with self-government, and to keep the advantages of regionalism and international co-operation in colonial policy without sacrificing the principle of colonial responsibility—without, that is, depriving the colonial peoples of the right to pin responsibility on to their own overlord. The choice of delegates to the conference is not altogether satisfactory—there is to be one official delegate and one unofficial who is to be nominated by the Governor—but, provided the delegates are representative of progressive West Indian opinion, a better method of election can wait until the usefulness of the conference can be judged. It should be a promising experiment both in regionalism and in self-help.

### Apology to Indian Planners

The full text of the Fifteen Year Plan for the economic development of India which was recently prepared by a group of Indian industrialists and economists makes it evident that an injustice has been done. The Note on page 334 of *The Economist* of March 11th was based on what now prove to be quite inadequate cabled summaries, and gave a wrong impression of the Plan. So far from ignoring the fundamental position of farming in Indian economy, the authors put the need for more food first in their calculations, and propose that the net agricultural output should be more than doubled. The first aim of the Plan is in fact to establish a minimum standard of living. At present the great majority of Indians have not enough to eat; they are ill-clad, badly housed, ridden by disease and poorly educated. Poverty is the fundamental fact of Indian life; and the Plan devotes most of its text to detailed calculations of the requirements



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of food, housing, clothing, public health and education. The second aim, which is to be pursued in step, is to increase Indian industrial potential, and so make the country capable of affording this higher standard of living. Again first things are put first: power, transport equipment, fertilisers, necessary consumption goods; and emphasis is put upon small-scale and cottage industries to be part of the raising-up of village life. If the Plan is to be criticised, as it must, it is for its omissions rather than for any of its specific statements. It is not true that, as was said in our Note, it definitely advocates a policy of self-sufficiency and high protection. But it is true that several sentences place much emphasis upon the need to be as independent as possible of foreign imports, especially of capital goods. It can fairly be said that the authors of the Plan are disinclined, on political grounds, to permit India to participate to its greatest advantage in the international division of labour—but no more.

### The Means of Development

The model for the Indian Plan is Russian economic development in the twentieth century rather than American economic development in the nineteenth. But it is explicitly admitted that India lacks either the resources or the willingness to go the Russian road and finance its economic development out of the forced savings of its people; the "sufferings" that would be involved cannot be contemplated. India's large and growing sterling assets would be used, in the Plan, to bring in imported goods, mainly capital equipment. Borrowing abroad for development would not be "unwelcome," provided it could be done without foreign influences and vested interests. But the capital that would be needed to accomplish the plan, and the extent to which its benefits would be wasted in increased population, have both been under-estimated. Nor is it said how the investment would be carried out, by state or private enterprise. There seems to be, it is fair to repeat, bias towards a policy of economic nationalism, which should be very carefully watched for the sake of the Plan's own aims. But to say that this is a plan for autarky is to say more than its authors have said. The large figures in the Plan are illustrations rather than precise estimates; and many of the crucial questions—replies to some of which were taken for granted in *The Economist's* Note on March 11th—are in fact left unanswered. But it is good news that the Plan may soon be available to a wide reading public in this country. It may be that, as was suggested in *The Economist's* Note, the Plan will prove to be a rallying point—for British as well as Indian well-wishers of India.

### Policy for Police

The Home Secretary's speech at Torquay last week served not only as a reminder of what the police services of this country have done, but also as a question mark as to what they are going to do in the future. Mr Morrison did little to answer his own questions. But his speech may have drawn public attention to yet another variation on the theme of central and local authorities, in relation to the administration of public services. Some wartime expedients which have increased efficiency in police methods or have released trained men from clerical drudgery need not be abandoned when the war comes to an end. Others, which have involved the administrative arrangements amalgamating certain local forces under the Chief Constable of the County (*The Economist*, November, 1942, p. 760), have posed the question of whether a National Police Service is intended or desirable after the war. Mr Morrison denied that there is any such intention. With goodwill, he said, there is no reason under peacetime conditions why the local system should not operate efficiently. On the other hand, Mr Morrison also said that

the days have gone when each unit of administration could be an independent entity.

The task is to secure adequate uniform standards of personnel, training, office organisation and administrative as well as technical efficiency. If opposition or obstruction from local authorities, from watch committees in particular, is too great, some compromise between local and national control is necessary, even if a National Service is ruled out.

### Merrie England

The Government's friendliest critics admit that its progress in tackling the major tasks of reconstruction is slow. But while the famous half-back line of Barlow, Scott, and Uthwart stamp their feet to keep out the cold, and Beveridge—popularly placed at centre forward—has temporarily been deprived of the ball, in other and lesser fields of planning the whistle has blown and—in Parliamentary terminology—progress is reported. The softer contours of our sport and culture are being drawn. Land use, full employment, the location and control of industry—on these subjects the many alternatives have produced headaches and not decisions. But for Basic English, county cricket, turf racing, there are clear cut and far-reaching plans. In only one of these, of course, the first, is the Government itself concerned. Nor are the three subjects connected; unless it can be held that a cricket match is the one place where conversation is already confined to Basic English. Still, taken together, they add up to a pleasing panorama of the diversions of peace. But even here the market realities break in. There is a financial aspect to even the lighter side of English life. Even the sport of kings is in need of a major financial reorganisation. Before the war only a few of the many racecourses could afford to pay dividends. In its plans for the future, the Jockey Club has shown a thoroughgoing business spirit. A company has been formed to promote a partial concentration of racing, which will mean the closing down of redundant and inefficient courses. It is very much to the good that sport should plan ahead to reduce its economic cares. Only so can the public look forward confidently to the renewal of their recreation and amusement, which bulk so very largely in the peace aims of most of us. What sort of England will emerge from the war is anybody's guess; but there is comfort to be found in the assurance that, whatever else may be lacking, horses will run and cricket will be played—and both activities are likely to be more efficiently managed than in the past.

### King Willow

The return of peace would be incomplete without the renewal of first-class cricket. A select committee of the Marylebone Cricket Club has made its suggestions for the game's revival. County cricket was beginning to suffer before the war from two associated troubles—waning public interest and waning financial resources. The way out is believed by many to lie through a more ebullient and more carefree playing of the game. The MCC recognise this need, but, probably wisely, they remain conservative—cricket is a conservative game, and few of those likely to support it would wish it otherwise. Cricket, of its nature, is leisurely, and its adherents will always be found among the leisurely minded, among those who feel the game's affinity to "the murmurous haunt of flies on summer eves." For finding its full public and for maximising its gate receipts, quality is more important than quantity. Over-long matches, an over-weighted fixture list, and wickets "doped" to play slow in the interests of economy—and of batsmen—these conditions defeat their own objects. They do not bring in the money. The MCC reject the idea of a time-limit for each innings, but in other ways—by proposing a new ball every 55 overs, the suspension of the eight-ball over, the elimination of appeals against the light, by allowing declaration on the first day, and by urging that fast wickets should be prepared—they give some allegiance to the brighter cricket movement. If other methods fail, there remains the suggestion—made in *The Economist* on May 27, 1939—that an endowment fund should be formed by appealing to the game's well-wishers. The suggestion is not so radical as it seems, because the core of the counties' finances has always in the past been members' subscriptions, in character largely the donations of local well-wishers, which before the war were falling off. But it would obviously be better if the game did not have to be bolstered in this way like a declining industry. The right way is to increase efficiency. The MCC's proposal for a knock-out competition is designed to bring new money into the game and to contribute to a central fund for affording overdue benefits to professionals. The pay and conditions of workers are important. But the only sure way back to public enthusiasm lies in good cricket, played with boldness and enterprise. For the future, even at Lord's, élan needs to replace éclat.

## AMERICAN SURVEY

### The President's Budget

(From a Correspondent in Washington)

IN sharp contrast to the middle thirties when the "spending budgets" of the US Government excited widespread comment in the press and elsewhere, there has been little public discussion of the \$100 billion budget recently proposed to Congress for the fiscal year beginning next July 1st. Two years of acclimatisation to expenditure programmes running into the tens of billions is partly responsible for the calm acceptance of a budget which contemplates the absorption by the central Government of about one-half of the total national production for the fiscal year 1944-45. War expenditures, which constitute the overwhelming proportion of the current budget, are accepted as a high-water mark of production to be achieved rather than as a restrictive limitation on the amount of the nation's resources to be put at the disposal of the Government. A more fundamental explanation lies in the fact that the real battleground of fiscal policy has shifted from expenditures to revenues, and, contrary to British practice, the American Budget is not the vehicle for proposed changes in the revenue system.

Major divisions in public opinion and the Congress on fiscal policy now concern the size and character of the tax and borrowing programme, and these have as a matter of custom developed in other channels than those controlling the development of the budget, although there is some evidence that in the course of time, tax programmes may occupy a more important place in the budget.

But despite its slight reference to revenue policy, the 900-page budget document is of fundamental importance as a picture of the size and scope of the American war effort, and also as a reflection of certain basic relationships and trends in the governmental structure.

#### The Bureau of the Budget

Executive formulation of a comprehensive budget did not become an established procedure in national government until 1921. Under the 1921 Budget and Accounting Act, the President was given authority to review and revise the appropriations estimates of Executive agencies and was directed to prepare each year a comprehensive budget for submission to Congress. Prior to that time, expenditure proposals, although submitted to Congress through the Treasury Department, were not centrally reviewed and co-ordinated. Congressional consideration was equally diffuse. In each House a number of separate Appropriation Committees working independently of one another made recommendations for legislative action on individual segments of the proposed activities for the year. Establishment of a single Appropriations Committee in each House of Congress brought about some co-ordination within the legislature at about the same time that the major move was made toward integration on the executive side.

The full significance of this milestone can be understood only in the light of the formidable obstacles that stand in the way of unified and integrated government in the United States. The divergent sectional characteristics of the country are reflected in the organisation of Congress by states and districts. Strong and conflicting group pressures make themselves felt in major departments and agencies—Agriculture, Labour, Commerce, among others—and in the corresponding sub-committees of the House and Senate appropriations committees. Furthermore, the Federal Government, like the nation itself, is widespread and sprawling.

Under these circumstances, it is no mean task for the Bureau of the Budget to serve as a co-ordinating and harmonising influence in the executive branch of the Government. Originally a small unit in the Treasury Department, the Bureau, in 1939, was made an integral part of the Executive Office of the President, thereby giving more reality to the President's central managerial responsibilities. During the early years of its existence the Bureau concen-

trated on the development of the procedures for the formulation of the budget, a process that begins a full year before the appropriations take effect. The agencies prepare their estimates in the late summer; informal hearings and consideration by the Bureau of the Budget takes place throughout the autumn; in December the President makes the final determinations; and in January the whole is presented to Congress. (The unpredictable character of Government programmes during war has necessitated some adjustment in this procedure. At present, the budget document contains detailed figures for normal Government expenditures only. War expenditures are presented in summary; the detail is supplied later following an abbreviated period of preparation and central review.)

But lately the Bureau has done more than give guidance to the central financial planning of the Government. It has operated as an instrument for central control and co-ordination of all Government policies and programmes and for general managerial oversight of organisation and administration. In this developing rôle, the Bureau of the Budget has characteristics in common with the British Treasury and the Offices of the War Cabinet.

The Bureau advises departments on the policy of the President regarding legislation which they desire or with which they are concerned. The Bureau assists the President in the preparation of executive orders relating to governmental organisation, practices and procedures. All governmental reorganisation matters pass through its hands. During the war period, the Bureau has been particularly active in connection with the establishment and organisation of emergency agencies. Recently, recognising that material and manpower, rather than money, are the currently significant limitations on national productivity, Congress gave to the Bureau a central control over Government employment. Each quarter, the Director of the Bureau establishes a maximum limitation on employment by each executive agency. This supplements the traditional limits placed upon expenditures by means of appropriations and accounting devices. By another recent piece of legislation, the Bureau was also made responsible for the review of all questionnaires proposed by executive agencies engaged in gathering information from the public, as a means of eliminating expensive and annoying duplication of statistical inquiries.

These new and expanding activities of the Bureau of the Budget include intensive work to improve the Government's internal administration. Although important improvements in Government management had been instituted in earlier years, progress had been slow and piecemeal. Recently the Bureau has organised special programmes to stimulate better organisation and management in individual agencies and to bring about Government-wide improvements, such as better accounting terminology and classifications, standard methods of compiling fiscal reports, and simplified personnel and fiscal procedures.

#### Executive Control

The present authority of the Bureau of the Budget to exercise control over the use of executive appropriations and to strengthen the Chief Executive in his guidance of governmental operations have not gone unquestioned and has been challenged in Congress. Three new *ad hoc* committees—two in the Senate and one in the House—have given further evidence of Congressional resistance to the trend toward increased central executive co-ordination, review and control. For ten years the Bureau has exercised the power to "reserve" parts of appropriations for unforeseen future needs or to remain unobligated. Later in 1943 a proposal was made to transfer this responsibility to the Congress, to be exercised on the basis of agency statements rather than on the basis of central executive authority. The proposal was, in the end, defeated, but only after a sharp debate.



The complexity of the American budgetary process, of which this is only one illustration, contributes to Congressional-Executive differences on questions of fiscal administration. A specific authorisation by Congress is required before executive agencies can incur obligations (through order, contract, employment or some other committing action). This authority is normally provided by an appropriation, which covers both the authorisation to incur the obligations and also the actual disbursement of funds up to a stated limit. Unlike the British budget, which relates simply to disbursements, the American budget must therefore make a clear distinction between the money amount of proposed new appropriations and of estimated disbursements from both these and previous grants. As a consequence, in wartime, when huge military programmes involve the letting of contracts long before resulting outlays are made, the fiscal records seem to show tremendous balances of money "on hand," even though new authority to incur obligations may be simultaneously requested.

A general tendency to substitute direct Congressional action for Presidential responsibility for management appears in the activities of three Congressional committees established to investigate, respectively, war expenditures, employment and personnel costs, and "the reduction of non-essential expenditures." Each of these committees has expressed scepticism about the sincerity of the Chief Executive in promoting economy and efficiency. For example, one predicted that unless the Bureau of the Budget uses more drastically its power to set personnel ceilings for the various executive agencies, Congress will itself step in to make arbitrary reductions.

There is little doubt, however, that the President will increasingly be recognised as responsible for the formulation of a consistent body of policies of Congressional consideration and for effective supervision of the work of executive agencies. In the Bureau of the Budget he has the means of making effective his rôle as general manager of the Federal establishment.

## American Notes

### Feeding the Fighters

One of the granaries as well as the arsenal of the democracies, America has announced a "food programme for 1944." The fact that one-fourth of US food production will go to Government procurement is part of a report prepared for the Director of War Mobilisation, Mr James F. Byrnes, by the War Food Administration. The programme reviews the problems of production, and of distribution between military, lend-lease and civilian requirements. In the first place, the resources to be distributed have been considerably increased by the efforts of the farmers, especially through an extension of crop acreages. But a jump in production of one-third over pre-war averages will still not be sufficient to meet growing demands. Total needs have risen over 1943 by something like 6 per cent for meat, 11 per cent for fats and 14 per cent for potatoes. Civilian consumption will absorb the major part of supplies. On the whole it is likely to be stabilised at the 1943 level, though this, especially in meat and fluid milk, is well above pre-war consumption. There is no suggestion that food supplies for US civilians should be cut down at all by means of stricter rationing. On the other hand, it is argued that the amount exported to other countries under Lend-Lease is limited more by restricted shipping-space and by military considerations than by the amount of food consumed inside the United States. This applies particularly to Russia; the quantities sent are to be increased in 1944, but will still be very small relatively to the needs. Meanwhile food supplies shipped to Britain are to remain, on the average, on a level equal to that of 1943. Generally speaking, the time when the difficulty will be to find the demand and not to find the supply is likely to be more distant in agriculture than in other industries. On the contrary, the effort for some time to come will be to live up to the high ambitions of feeding the world which have been professed in America.

### Palestine Resolutions Shelved

The resolutions in both Houses of Congress calling for the right of free entry for Jews who wish to immigrate to Palestine and expressing disagreement with the provisions of

the British White Paper have now been pigeon-holed. This temporary agreement to let the matter rest has been made on the recommendation of the War Department. A note from Mr Stimson has suggested that acrimonious discussion of British policy in Palestine at the present moment would be likely to foment trouble in the Middle East rather than contribute to any ultimate settlement of the problem. The strategic sagacity of this view need hardly be stressed. But it should not be imagined that it disposes of the matter. Only military necessity could have adjourned the discussion, and it should not be assumed that even considerations as strong as these will necessarily keep the matter in abeyance till after the armistice. Among people whose interest in the hardships of the immigrant is heightened by the bitter experience of past generations an issue such as this cannot but command attention. Nor will the politicians of an election year be easily persuaded to drop so valuable a weapon, no matter which party they represent. The "Jewish vote," split though it is on the issue of Zionism, is one which no party would care to alienate. Nor are these the only voters who might be moved to united action if they thought the Administration was subjecting a fundamental principle of the American way of life to the "imperialistic" interests of Britain. Whatever the outcome, it is unlikely that the motions, strongly backed as they were in both Senate and House of Representatives, have been adjourned with very marked willingness.

### The Soldiers' Vote

The President is still making adroit political use of the soldiers' vote issue. Congress, it will be recalled, refused to accept his recommendation of a Federal ballot by which all men and women in the forces could express their choice in the Presidential election without having to find their way through the complications of each state's electoral law. The Bill which passed both Houses confined itself, in substance, to providing Federal assistance for the transmission and collection of State ballot papers. How many soldiers would actually record their votes would, therefore, depend upon how many states made arrangements to use this procedure. This Bill is now before the President for signature or veto and he has taken the step, both obvious and subtle, of asking the 48 Governors to report on their states' intentions. The answers are revealing what the President's Congressional opponents conspired to forget—that the procedure will not work. The majority of states could not count ballots so collected and less than half propose to take any steps to legalise them. In only 10 states out of 48 is it reasonably certain that the plan would work. In view of this, a veto seems likely. The President will have the satisfaction of killing a plan that he will have proved dishonest, but it is very doubtful whether he will get one that he likes better. And it is, therefore, unlikely that anybody will ever know whether the politicians are right in the assumption that underlies the whole dispute—namely, that a large majority of the 10,000,000 electors in uniform would vote for Mr Roosevelt if they had the chance.

### Foreign Policy

The long-continued criticism by the most authoritative American publicists of the policy, or lack of policy, of the State Department has drawn from Mr Cordell Hull a statement of the guiding principles of the policy he intends to pursue. The statement neither has in it, nor purports to have in it, anything new. On the contrary, it has the character of a number of abstract aphorisms culled from the Secretary's pronouncements of the last few years. It is therefore unlikely to pacify the critics. Nevertheless, certain conclusions of value, even though of negative value, can be drawn from it. It is a great advance on Kellogg Pactism to read that "some international agency must be created which can—by force if necessary—keep the peace among nations." But this realism is diluted by the statement that the force is to come from the co-operation of nations whose armaments have been "reduced to a minimum," and that all "spheres of influence, alliances, balances of power or any other special arrangements" are to be eschewed. In short, Mr Hull's policy is Wilsonian universalism. The official policy of the State Department stands at 1919. One can rejoice that it does not stand at 1914; but some recognition of what has happened since 1919 would also be an advantage.

# THE WORLD OVERSEAS

## Czechoslovakia Turns East?

ON the eve of the Fifth Anniversary of Hitler's march into Prague, the Czechoslovak Government in London called its people to prepare for armed struggle against the invader. President Benes himself made this appeal very strongly in his recent message to the Czechoslovak State Council.

The Czechoslovak people were recently reproached with some frankness by authoritative Soviet quarters for "lagging behind" other invaded nations in resistance to the Nazis. The President of Czechoslovakia, who is now closely associated with the Russian Government, has therefore summoned his countrymen to make up the leeway and not to wait passively for the rebirth of the Republic.

### The Memory of Munich

The fact that the Czechoslovaks have in a sense "lagged behind" cannot be denied. But it may be questioned whether they really deserve severe censure on this account. The peculiar background of the post-Munich period in Czechoslovakia did not favour the emergence of a popular and nationwide movement of resistance. The passive capitulation into which Czechoslovakia was forced in the autumn of 1938 inevitably bred much apathy and a feeling of prostration. The long years of Allied military reverses that followed could hardly have shaken the mass of the Czechoslovak people in its political lethargy.

There was a passive struggle up to a point. But individual acts of anti-Nazi resistance, such as the assassination of Heydrich in 1942, remained more or less isolated events. The German repression which followed the assassination of Heydrich undoubtedly weakened Czechoslovak resistance further. The year 1942 marked the ebb of the movement. The memory of Munich had bitten deep. The people who had been deserted by the rest of Europe when their own existence was at stake remained more or less apathetic when the rest of Europe was fretting angrily at its chains.

Another legacy of Munich which damped down national energies was the Hacha Administration. It came into being as the constitutional successor to the Benes Government. True, the Government of President Benes was revived in exile. But the fact that it was President Benes himself who delegated his powers to Hacha could not so easily be effaced from the people's memory. This implies no reflection on President Benes' conduct after Munich. Perhaps no other course of action was open to him after the catastrophe of September, 1938. But a major consequence of the catastrophe is the existence of a Government claiming legal rights and collaborating with the Germans. This cannot be overlooked.

The legality of the Hacha Government has been rightly challenged by President Benes himself. He has pointed out that his successor violated the constitution when, on March 15, 1939, he acquiesced in the occupation of Bohemia by the Germans. Moreover, the Presidential term lapsed on December 18, 1942. As no election of a President has since taken place, it is argued, the old President, that is Dr Benes, now exercises his powers legally on the basis of Article 58 of the Constitution. But however strong the legal force of this argument may be, the fact that the origin at least of the Hacha Government was constitutionally unimpeachable cannot fail to have influenced the attitude of the Czechoslovak people.

Moreover, the geographical position of Czechoslovakia has probably been a decisive handicap to the resistance movement. Because of the central position of their country, altogether surrounded by enemy territory, the Czechs have found it more difficult than the resisters among other nations to establish contact with political centres abroad. This may now change. The Soviet armies have nearly reached the sub-Carpathian Ukraine.

The response inside Czechoslovakia to appeals for armed resistance will depend very largely now on the closeness of the contact between Czechs and Russians. Even so, the fact that Czechoslovakia stretches from the eastern fringe of the Carpathians to the heart of Germany makes the prospects for armed struggle different in different parts of the country. The rumbling of Russian guns on the other side of the mountains may be a signal for guerrilla fighting in the sub-Carpathian Ukraine. In Bohemia and Moravia the conditions are certainly less favourable. In Slovakia, situated in the centre, the response to the call to fight will largely depend on whether the Slovaks have really had enough of their "independent state" under Tiso.

Czechoslovak policy in exile has concentrated on undoing the effects of Munich. Yet some of those effects are still there; and to some extent they still colour the political ideas that prevail among the Czechoslovak emigration.

The catastrophe of September, 1938, has not left the democratic tradition of the Czechoslovak Republic altogether intact. Disappointment with democracy and parliamentary rule was, naturally enough, fairly strong among the Czechoslovaks when all their democratic virtues would not save them from national disaster. At some time even the belief in a single party system seemed to be striking root. Quite recently, President Benes outlined a new scheme for a three-party system:

All our reliable reports from home state that the great majority of our people . . . are convinced that we shall not return to the former party system after the war, and that we shall set up a new Republic, more consolidated, and less complex. This means that we shall create a new party system comprising only three parties: a party of the Left, a party of the Centre and a Conservative party. . . .

President Benes has not made it clear by what means he intends to limit the number of parties. One of the chief obstacles to setting up a three-party system after the war may be the multi-national character of Czechoslovakia. This difficulty may be overcome by giving each of the three parties some sort of a federal structure, with national subdivisions in each. Even so, the restraint of parties is a dangerous road for democrats to travel.

### Frontiers and Policy

But the most important issues with which Dr Benes' Government has been grappling are the reconstitution of Czechoslovakia with its pre-Munich frontiers, and the formulation of a programme of foreign policy. The two issues are interrelated. All the Allied Governments have declared the Munich Agreements null and void. But the most explicit assurance of the restoration of Czechoslovakia in its pre-Munich form has so far been given by the Soviet Government. Soviet influence will undoubtedly weigh in the scales when the time comes to settle Czechoslovakia's complicated minority problems again.

The Sudeten-German problem comes first in importance. Czech policy seems to favour a drastic solution in the shape of a transfer of most, if not of all, of the Sudeten Germans to Germany. On the wider German problem, President Benes has sided with the extremist adherents of a "Carthaginian peace." In his message to the State Council, he said:

In my opinion a nation which has been responsible for two such abominable evils (that is, two world wars) merits the desolation which will fall upon it after the present war and really deserves to undergo a great national decline for centuries to come.

The problem of Slovakia is less acute but not less difficult. Discussion turns on whether the Slovaks ought to be given autonomy within the framework of the reconstituted Republic. During the course of the first world war, the Czechs and Slovaks concluded the Pittsburgh Agreement, under which the Slovaks were promised wide autonomy. It was this agreement that the Slovaks later invoked in support

of their claims. In the course of this war, Dr Benes has consistently refused to give any similar pledge. Until recently he spoke, on the contrary, in favour of more centralisation than before the war. He re-stated this view somewhat emphatically on the twenty-fifth anniversary of Czechoslovakia's independence last November. But in the message which he delivered on his return from Moscow in February he put on record a revised view.

There will be no disputes regarding the decentralisation of the State. I, myself, believe that the decentralisation of Bohemia, Moravia, Slovakia and Carpathian Ruthenia—to the degree that will be especially necessary in Slovakia—is a matter of course.

### The Pull of Moscow

From this it may be deduced that the future structure of Czechoslovakia was one of the topics discussed during President Benes' visit to Moscow. While Soviet policy is committed to the reconstitution of Czechoslovakia in its pre-Munich form, it appears at the same time to favour a solution on federal lines. This is probably especially so in the case of the Sub-Carpathian Ukraine, the only Ukrainian (or Ruthenian) territory which will be left outside Russia, if the Polish Ukraine is absorbed by the Soviet Union.

Finally, there is the problem of the part of the Teschen province that was incorporated by Poland shortly after Munich. Poles and Czechs claim the province, and no agreement has so far been reached. On this question, too, there has been some difference between the British and the Russian attitude. Both the British and Russian Governments have denounced the Munich Agreement. But Britain has so far not definitely sided with either Czechs or Poles in the dispute over Teschen, while Soviet diplomacy fully supports the Czech claims.

A survey of the issues arising out of the reconstruction of Czechoslovakia explains in part the strongly pro-Soviet character of President Benes' policy. There can be no doubt that this policy is in harmony with a widespread feeling in Czechoslovakia itself. The tragedy of Munich has made Czechoslovakia turn its eyes from the west to the east, because in the eyes of the Czechoslovak people Russia does not share the blame for the dismemberment of Czechoslovakia. There is, in addition, the old Pan-Slavist tradition, always strong in Czechoslovakia and now immensely invigorated by Russia's triumphant part in the war.

President Benes' policy, however, is in the last resort based not so much on historical memories as on the new facts in eastern and central Europe. That eastern Europe is going to be a Russian sphere of influence has been unquestionably accepted by Czechoslovakia's leaders in exile. But the question of what rôle Czechoslovakia may play within that sphere remains open. The peculiarity of the position is that, while the Czechs have definitely turned to the east, they are still in essence the most western-minded nation among the Slavs; and in the somewhat longer run they would hardly be willing to sever their links with western Europe.

The question which is vital for Czechoslovakia's future, and, indeed, for the future of all its neighbours, is by what methods Russia is going to exert its influence over its prospective sphere. The Czechs set their hopes on a Russian good neighbour policy. While they welcome Russia's economic, political and military preponderance in eastern and central Europe, they hardly think of this in terms of exclusive hegemony.

## Belgium's Fourth Year

DURING the fourth year of German occupation, Belgium's food supply situation improved slightly. The daily bread ration for normal consumers was increased in August, 1943, from 8 ounces to 8.8 ounces and in January, 1944, to 10½ ounces. It is reported that the home production of bread cereals increased from 205,000 tons in 1940, when the fighting reduced it sharply, to 425,000 tons in 1942. In 1943 the harvest seems to have been roughly the same as the year before, although another increase in the acreage under bread grain was reported.

The few acreage and harvest statistics that are available are, however, contradictory. From what is known about Belgian agriculture before the war, it would not be possible to enlarge the area under cultivation very much or to increase the yield per acre; both were among the highest

in Europe. The bigger bread rations have obviously been made possible by larger imports of grain, probably from Hungary and Roumania. The extremely small meat and fat rations were maintained largely from home production, and here it seems that heavy pressure on farmers has resulted in larger deliveries. As in other occupied countries, potatoes show the largest expansion. From 1940 to 1943 the acreage under potatoes increased by three quarters.

Before the war, Belgium had the largest consumption of beer per head of the population in the whole world. At present beer output has been reduced to three-fifths of pre-war production. At the same time, its quality has declined.

The diet provided by the rationing system is extremely monotonous. Formally there is a considerable differentiation between different groups of consumers; but extensive thefts of ration cards and a large black market show that the main concern of all Belgians is to improve their diet. Flemish farmers are credited with delivering their quotas more adequately than the Walloons. But this is obviously German propaganda. It seems also obvious that political reasons were mainly responsible for an increase in the bread ration. Peacetime necessities like tobacco have become luxuries and are entirely distributed in the black market; all German attempts to control this market have been a failure.

### Much Reduced Output

In industry, German and collaborationist efforts are no longer directed at bringing industrial output back to the pre-war level. The pretence has even been given up that coal output is as large as before the war. It is admitted at present that coal output can only with difficulty be maintained at four-fifths of pre-war. Only fractions of the steel capacity are reported to be working. The largest coal and steel concern, the SA Augrèe Marihay, has reported that, during the business year 1942-43, only 27 per cent of its steel capacity was in production.

Restrictions on every kind of civilian production have not availed to keep up the output essential for Germany's war industry. Production has stayed stagnant at a low level. The concentration of firms has continued, particularly in the glass industry, which was mainly an exporting industry before the war. In all industries any expansion of productive capacity is prohibited. The restriction of building activities decreed in 1942 was again tightened in 1943. Private building is at a complete standstill.

In modern industry stagnation inevitably results in decline, and this process is accelerated if resources of labour and material are taken to work outside the country or in the construction of fortifications and military installations. During 1943 more workers were sent to Germany, and the numbers now employed in Germany probably exceed 500,000. At the same time, more Belgian labour has been forced to work on fortifications at the coast. The Belgian coast-line extends, however, only over some 40 miles, and it can be assumed that Belgian workers are employed in this work outside Belgian territory. Conscription of labour led to a resistance movement and the flight of workers into the mountainous regions of the Ardennes. The actual extent of this flight is very obscure. There seems no doubt that fugitive conscript labour moves all over the country, especially in the eastern provinces.

### The Export Drain

The much reduced industrial production is not available for home consumption. The export drain has continued and increased steadily. In 1938 the value of total exports amounted to 91 per cent of imports. In 1941 it had increased to 157 per cent and in 1942 to 261 per cent. There seems to be no doubt that during 1943 exports may have reached at least three times the value of imports.

Reduced industrial activity is also shown by a considerable decline in transport activity. The movement of goods on the extensive inland waterways amounts to only one-third of the pre-war transport. The carriage of goods by rail fell by 12 per cent in 1942 compared with 1941. During 1943 a slight increase was reported. Naturally a considerable part of transport facilities is used for German military purposes; these movements are not shown in the statistics. The efficiency of the railways must have greatly declined; the personnel of the state railways has increased by 3 per cent. During the occupation of the last war rail-

way services were manned by German personnel; this time Belgian workers are still employed. There are as yet no indications that any changes are contemplated as part of the preparations against the invasion.

### Financial Expansion

Financially, there was another expansion in contrast to the industrial stagnation. Control measures seem to have been used drastically. The following summary of the annual increases in the most important financial items shows the general trend:

| In million Belgian francs. |                            |                                                           |                  |                  |
|----------------------------|----------------------------|-----------------------------------------------------------|------------------|------------------|
|                            | Notes<br>in<br>Circulation | Central<br>Bank Credits<br>to the<br>Banque<br>d'Emission | National<br>Debt | Total<br>Revenue |
| 1941.....                  | 18,823                     | 8,799                                                     | 17,939           | 12,283           |
| 1942.....                  | 19,451                     | 16,817                                                    | 20,482           | 13,824           |
| 1943.....                  | 16,298                     | 22,770                                                    | 23,546           | 15,189           |

The relatively small increase in total revenue shows again the general stagnation of the economy. The increasing costs of the occupation, as well as the mounting German clearing debt, are clearly reflected in the rising credits of the central bank to the Banque d'Emission. The rise in the national debt is correspondingly large. There is, however, the interesting fact that the increase in notes in circulation was smaller in 1943 than in 1942. This corresponds with the equally interesting fact that total deposits in commercial banks and savings banks showed an increase which exceeded the rise in the notes in circulation. There is only one conclusion possible; banknotes which had been hoarded have returned to the banks in greater numbers. The inactivity of the Bourse, the stop on dividends and wages and so on have been partly responsible for this. But the main reason seems to be the impossibility of spending money and the standstill of private credits to industry. Generally, the figures reveal that, even with the most extreme reduction of economic activity, administrative measures can prevent or at least arrest acute currency inflation of the type that happened after the last war on the Continent.

## Letters to the Editor

### Relics of Dear Money

TO THE EDITOR OF THE ECONOMIST

SIR,—In the article in your issue of March 4th reference is made to the common practice of Life Offices whereby a half-yearly life assurance premium is arrived at by adding 2½ per cent to the yearly rate and dividing by two. An example is given which alleges the true effect to be a loan by the office of part of the year's premium at a rate of interest equal to 10 per cent per annum, thus suggesting that the office is charging an unconscionable rate of interest. This suggestion is not correct. If it is really intended that the extra cost incurred in collecting and accounting for two premiums instead of one shall be computed at 5s per cent per annum, i.e., at 2s. 6d. per £100 premium per annum, the obvious reply is that such cost could not be so covered. If, on the other hand, a constant charge of 5s per annum per policy is intended, then in relation to the average amount of new premium per annum encountered in practice namely, £14, the interest yield works out not at 10 per cent but at 3 per cent per annum.

Moreover, these considerations take no account of an additional point which applies in the majority of cases, viz., that the 2½ per cent charge covers not only additional collection and accounting costs and loss of interest, but also the chance of losing the second half-yearly premium altogether, if the life assured should die within six months of the yearly renewal date.

The comment in the article on the charge in respect of overdue premiums should also be considered not with reference only to rates of interest, but with reference to the combined effect of interest and expenses.—Yours etc.,  
A. SHREWSBURY.

The Life Offices Association.

[The 10 per cent rate admittedly covers an insurance risk as well as an interest charge. The insurer is, in fact, covering the life of the assured for six months of each year

at half the premium. The actuarial expression of this risk will vary with the expectation of life of the assured. For life policies as a whole it can hardly account for more than a small fraction of the 10 per cent rate. The fact that this rate has remained unaffected by the downward movement of interest rates over the past 13 years is in itself strong evidence that it must be judged high and a "relic of dear money" in the present-day context.—EDITOR.]

## Jews in Hungary

TO THE EDITOR OF THE ECONOMIST

SIR,—In the letter published in your February 5th issue, Lady Listowel asks *The Economist* not to relinquish its splendid standard of accuracy; but she herself makes several inaccurate observations.

1. The number of Jews within the present frontiers of Hungary was 724,000 according to the official Hungarian Census in 1941—not 900,000.

2. There are at the moment five, not sixteen, Socialist Members of Parliament, and, as none of them belongs to the 1942 Committee, which for all practical purposes replaces the legislature, it is difficult to see how they can be the influential party which she describes.

3. Since the time of Bela Kun the Communist Party has been persecuted with unequalled relentlessness. To imply that individual Communists have no trouble if they behave nicely does not make sense.

I was in Hungary from October 1939, to June 1940, working for Polish refugees, and in the course of my duties made several visits to the Budapest Detention Prison. Here I found hundreds of innocent Jews, suspected Communists, fugitive Czechs, etc., living in conditions which were a disgrace to a civilised country—without soap for washing or change of linen, crowded a hundred to a cell without a bench to sit on or any stick of furniture. Many whom I talked to had been there for months without trial. What Lady Listowel calls Hungarian democracy has indeed its limitations.—Yours, etc.,  
FRANCESCA M. WILSON.

5, Downshire Hill, N.W.3.

## "WHAT! Another of those 'Zoning' advertisements?"

TO be in the fashion, we ought to say "Some of you can't get our splendid chocolate now. We are sorry for you! All this zoning, you know."

And we say phooey.

If we were still making our pre-war chocolates — Black Magic, Chocolate Crisp, Aero Milk Chocolate, Dairy Box, Smarties — there would be something in it.

But we're not.

We're making good chocolate, but so are other people. If you can't get Rowntree's, you can still get your ration of good chocolate.

"Good" was not quite our idea of what chocolate should be when we had a free choice of ingredients and all the skilled workers we needed. "Good" would not have satisfied us then. Nor would it have satisfied you.

Perhaps it doesn't now.

But there's nothing to be done about it till the war is won.

Then, when we are again free to set our own standard, we are going to set it higher even than before; for we're still learning. If then you couldn't get the things we shall be making, you might well think yourself hard done by. But for the present, we won't say we're sorry for you.

To be absolutely honest, we're more sorry for ourselves.

ROWNTREES



# THE BUSINESS WORLD

## Wartime Savings in America

(From a Correspondent in Washington)

ONE of the outstanding developments affecting post-war business conditions in the United States is the enormous quantity of liquid spendable reserves accumulating in the hands of individuals as the result of wartime saving. This is indicated in the following tables:

INDIVIDUAL SAVINGS (ESTIMATED BY THE DEPARTMENT OF COMMERCE)  
(Billions of dollars)

|                                                            | 1940 | 1941 | 1942  | 1943 |
|------------------------------------------------------------|------|------|-------|------|
| Total income payments to individuals                       | 76.5 | 92.2 | 115.5 | 142  |
| Direct personal taxes                                      | 3.3  | 4.0  | 6.6   | 16   |
| Disposable income                                          | 73.2 | 88.2 | 108.9 | 126  |
| Spent on goods and services                                | 65.7 | 74.6 | 82.0  | 90   |
| Savings of individuals (including unincorporated business) | 7.5  | 13.6 | 26.9  | 36   |

INDIVIDUAL SAVINGS (ESTIMATED BY THE SECURITIES AND EXCHANGE COMMISSION)  
(Billions of dollars)

|                                                                         | 1940 | 1941 | 1942  |
|-------------------------------------------------------------------------|------|------|-------|
| Increased equity in non-farm dwellings(a)                               | 1.7  | 1.9  | 1.3   |
| Increased equity in private insurance(a)                                | 1.7  | 2.1  | 2.4   |
| Increased holdings of State, local government, and corporate securities | —6   | —7   | —2    |
| Increased equity in savings and loan associations                       | —3   | —3   | —3    |
| Liquidation of consumer purchase debt to corporations                   | —3.1 | —3.6 | —4.2  |
| Increased holdings of U.S. Government bonds                             | —1.1 | —6   | —2.8  |
| Increased holdings of currency and bank deposits                        | —7   | —3.2 | —10.2 |
|                                                                         | 3.0  | 5.6  | 11.7  |
|                                                                         | —3.7 | —8.8 | —21.9 |
| Total                                                                   | 5.7  | 11.8 | 28.9  |

(a) For dwellings, equity represents the difference between the value of buildings and the value of the mortgages; for private insurance it represents the difference between the value of the policies and the value of the loans for which they serve as security.

The significance of these large accumulations can be better appreciated by referring them to certain benchmarks. (1) If the war lasts through 1944 total savings for the three years 1942-44 will be substantially larger than the total income of individuals in the best pre-war year. (2) Never before 1941 did the annual savings of individuals exceed 10 billion dollars. The average for the previous decade was less than 5 billion dollars. In 1943 they will probably

exceed 35 billions. (3) Additions to individual holdings of these liquid assets in the one year 1943 will be larger than both individual and corporate accumulations for the two-year period April, 1917, to June, 1919.

Perhaps even more important than the increase in the total savings of individuals is the distribution of these savings among income classes. Since most of the instalment and other purchase debt was owed by people with relatively modest incomes, the liquidation of this debt represents savings by these individuals. Of still greater significance is the accumulation of liquid reserves of buying power in middle income groups. In the three years ended on December 31, 1943, individual holdings of currency, bank deposits and Government bonds probably increased by roughly 60 billion dollars. Part of this total will be held by unincorporated business enterprises—producers rather than consumers—and by the very wealthy, whose spending habits it will not greatly affect. Most of it, however, possibly 35 to 45 billion dollars, will be owned by consumers whose incomes are now less than \$10,000 per year. Such a large increase in their liquid reserves can be expected to exert a profound influence on their post-war spending decisions.

The very fact that these large holdings of liquid assets have not led to a ruinous price inflation during the war is an indication that people have preferred to save rather than spend their incomes. There are special reasons for this preference; it is important to understand them in appraising the possible post-war effect of wartime savings.

Normally, people save for one or more of three purposes: (a) Investment either for income or for appreciation; (b) planned future expenditures that cannot conveniently be made out of current earnings; (c) protection against various contingencies that may result in a loss of income or in extraordinary expenses. Though it is difficult to distinguish these motives—let alone measure them accurately—they do form a basis for analysis.

It is reasonably certain that the investment motive in wartime savings has not been important. While the return on war savings bonds if held to maturity compares quite favourably with that on other securities, it is not, for most people, sufficient to induce the foregoing of current expenditures. The second motive for saving, for planned future expenditures, is more important today, especially since many of the things people would like to buy are just not available. But it is the third group of "rainy day" or "just in case" savings that are undoubtedly the most important. To these normal motives for saving may be added the rise in holdings of "ready cash" as current income increases and, finally, patriotism.

In the post-war period, however, these motives may be considerably weakened because of the fact that individuals will have had unparalleled opportunities during the war to act upon them. Patriotism will no longer be so compelling, nor does it seem likely that the investment motive will be a more important influence after than during the war. Then, too, the spending of reserves on the objects for which they will have been accumulated should more than offset any savings by other consumers out of their current income to finance future purchases.

The inflationary potentialities are obvious. Any attempt of producers and consumers to spend, on balance, substantially more than their combined income can lead to a very large post-war price rise. This could destroy the buying power of these reserves, their adequacy as protection against future contingencies, and therefore their influence on the expenditure decisions of consumers, just as effectively as though the dollar amounts were dissipated.

But the large increases in liquid savings need not augur badly for the post-war world. An individual with sub-

stantial holdings of cash and Government bonds is much more likely to spend his weekly earnings than when his holdings are in his estimation inadequate. He is potentially a better market. The enormous wartime accumulations of liquid assets should greatly enhance his confidence as a consumer. If inflation is avoided, wartime savings can be

much more than the basis for a temporary replacement boom after the war. Their presence and the confidence they inspire could serve to weaken the propensity to withhold earnings from the income stream. In short, they may do much to increase the size of the over-all market for consumers' goods and services.

## Business Notes

### Coalowners Decide

On March 16th the Mining Association—the coalowners' collective organisation—issued a dramatic statement. Its Central Committee had recorded agreement on a proposal

to establish in each district a scheme designed to secure the maximum efficiency of production in the district as a whole, and in that connection to facilitate the concentration of control in the hands of a smaller number of undertakings.

The decision is to be welcomed, even if it merely acknowledges what has long been public knowledge, namely, that the problem of combining good wages and profits with reasonable coal prices can only be solved by technical reorganisation. Hitherto all attempts to secure voluntary reorganisation on the scale required have foundered on the rock of uncompromising individualism, with disastrous effect in the present war. The low level of productivity is probably the major, if not the only, cause of the shortage of supplies. Moreover, in the absence of an improvement in productivity, the raising of wages to a level more in accordance with the nature of the work, and with earnings in other heavy industries, has lifted the price of coal at the pithead well above its price in other industrialised countries, such as the United States; wages paid per ton of coal disposable commercially rose by 86 per cent between 1939 to 1943, from 10s. 10.73d. to 20s. 3.05d. It is hardly surprising that the delay of technical reorganisation has given rise to impatience, and, against the background of unsatisfactory labour relations, to a demand for its achievement through nationalisation. The impatience was shared by some of the more enlightened coalowners. For example, Mr N. B. Brooks, chairman of the Bolsover Colliery Company, Ltd.—one of the biggest in Great Britain—publicly announced the need for redesigning the industry, and called upon coalowners to declare their acceptance of the principle of reorganisation, and of their intention to apply it. The more progressive section of the owners has evidently carried the day, assisted by the growing public demand for nationalisation. Sir Evan Williams, who has been president of the Mining Association for 25 years, is understood to have expressed his desire to retire; there is to be a full-time chairman, to be selected outside the industry.

### A Programme of Action

A statement of good intentions, however, is not enough; by itself it carries no guarantee of speedy action. Indeed, the time has come when only a definite programme of action, with time limits, can be regarded as adequate. As a first step the coal mines should be surveyed by a committee of experts, if existing surveys are incomplete or out of date. Next, plans should be prepared for the technical reorganisation of existing coalfields; they should be worked as single units, which will involve the closing down of some pits and the development of others. Thirdly, the plans for individual districts should be related to the industry as a whole in order to ensure the highest overall productivity. Production plans should provide for the use of the best processes and methods within the limits of technical knowledge. Such a scheme would inevitably come up against the financial problem of widely diffused ownership, one of the impediments to progress in the past. But finance should be made to fit the technical plans, not to obstruct them. The solution of the problem is to be found in some form of financial pooling. The danger is that the difficulties of valuation may be made the excuse for further delay. Obviously, the owners of a coal mine with good prospects, but not yet fully developed, would not care to accept past earnings as a basis of valuation. But a perfect valuation is impossible, and it should be possible, in conjunction with the preparation of plans for technical reorganisation, to prepare a formula that would do rough-and-ready justice. In sum, the test of the

owners' intentions is not the acceptance of technical reorganisation as a principle, but the elaboration, without delay, of a detailed programme of action. Of this there is as yet no sign.

### More Discount Market Capital

The discount house of Jessel Toynbee and Company is about to double its issued capital. At present this capital amounts to £300,000, the whole of which is in ordinary shares. The increase is to take the form of 300,000 redeemable preference shares of £1, bearing interest at 4½ per cent. These shares will be placed on behalf of a syndicate by the New Trading Company. It was this company which figured in the £115,000 increase in the ordinary capital of the company about a year ago, and the syndicate for which it acted on that occasion was understood to include insurance companies and other interests. Their intrusion in the discount market was purely in the nature of an investment operation and did not affect the control of the company. That is more than ever true of the impending issue of preference capital. The development is of special interest on two counts. First, it breaks the tradition of the 5 per cent rate at which discount houses have recently been issuing preference shares. That had all along appeared to be an excessive price to pay for additional capital in so well-protected an organisation as the discount market. That the tradition should be broken by one of the smaller firms in the market is doubly significant and welcome. Secondly, the coming increase will have raised the capital of every discount house above the figure of £500,000 which for some time has been held by the Bank of England as the desirable minimum for firms in this market. There is perhaps a solitary exception to this rule in the highly specialised firm of Secombe Marshall and Campion, but as the official agents of the Bank of England this firm is rather outside the rules. The process of consolidation and capital development in the discount market appears, therefore, to have completed an important phase.

The operations that have concluded this phase have shown how abundant is the capital seeking investment in the discount market. Rather less dignified evidence of this attraction of the discount market for investable funds was recently provided by advertisements appearing in a number of daily newspapers offering to purchase in part or in whole any

The  
**BRITISH  
MUTUAL  
BANKING  
COMPANY  
LIMITED**

Founded 1857

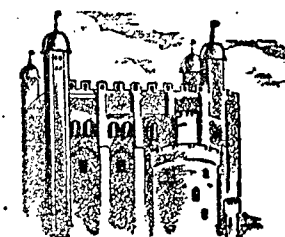
By reason of its organization, this old established Bank is able to provide prompt and individual service for all classes of sound business, and customers in all parts of the country express their appreciation of the facilities provided.

LUDGATE CIRCUS, LONDON, E.C.4

**A TOWER of STRENGTH**  
SOLID • SAFE • SECURE

All classes of  
**Fire & Accident  
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also  
ADMINISTRATION AND  
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**THE BRITISH LAW**  
INSURANCE COMPANY LIMITED

Head Office: 31 & 32 King St., Cheapside, London, E.C.2

well-established discount house. That was the first time Lombard Street had appeared in the "small classified ads," where it hobnobbed with mink coats and second-hand denures. The attraction of the discount market for capital can be readily understood. In no other section of the British financial and commercial system does a given amount of capital immediately acquire such high gearing by forming the basis of additional loans from the banks. The short loan fund in London is still increasing, partly as a result of the persistent expansion of clearing bank credit, but more especially owing to the accumulation of abnormal sterling area balances in London. For the moment, therefore, this gearing up of the book of a discount house whose capital is increased need not react adversely on the funds lent to the rest of the market. But insofar as the market is building up its books and especially its bonds on the basis of these overseas funds, it is building on rather impermanent foundations.

### Bradford Dyers Revival

As was pointed out in a Shorter Note on page 380 of last week's *Economist*, Bradford Dyers' Association re-entered the dividend-paying list with a distribution of 4 per cent on its ordinary capital of £2,250,000 odd after a break of thirteen years. This caused no surprise. The company had more than covered its debenture charges for four years and in three of them had paid off ten years' arrears of preference dividend, calling for £1,274,618 gross. Earnings on the ordinary, after charging one year's preference dividend, exceeded 18 per cent in 1940 and half that figure in each of the two succeeding years. Last year they rose again to 9½ per cent. But since the payment of the previous ordinary dividend, reserves and carry forward had fallen from £930,000 to £235,000 for 1943. Even so, the consolidated balance-sheet of the group showed net liquid assets of £2,850,000 odd, against total gross assets and liabilities of £8,873,300. The fact that the ordinary shares stand at a modest premium suggests that results at least as good as those of the past three years are expected for some time to come, and no doubt there will be a very large demand for textiles during the restocking period after the war. It is evident, however, that the monopolistic position of the group has long ceased to afford it an assurance of earnings on its ordinary capital, which was inflated by a 60 per cent scrip bonus in 1925. The difference in the experience during the two wars is a striking comment on both the decline in the importance, for the world at large, of the British cotton industry and the extent of the mobilisation of resources for the war effort. War brought improvement this time as last, but five years' equity earnings 1939-45 amount to only 48.9 per cent, or 78.2 per cent on the 1913 capital. Actual payments on the ordinary for 1915-19 amounted to 165 per cent and the earned percentage must have been materially higher. Despite misfortunes in the spinning and weaving sections, the virtual monopoly which the Association had enjoyed since its formation in 1898 enabled it to earn reasonable, if lower, dividends until the collapse of 1931 came in sight.

### Cartelisation in Cotton

In view of the nature of the Cotton Board's report, dealt with in *The Economist* of January 29th, it is not surprising to find Mr G. Douglas, chairman of the Bradford Dyers' Association, advocating a very close corporation for the finishing sections of the industry. He would like to see the general adoption of standard prices, to be fixed periodically by Board of Trade costing accountants. Only those undertaking to adopt these prices and to subscribe to other rules, including the payment of standard wages, would be allowed to engage in the industry. The reduction in capacity—which is admitted to be necessary, although the Bradford Dyers' Association has enjoyed a dominant position in this section for some 45 years—would be carried out by buying out redundant firms. The necessary money would be provided by the banks. Mr Douglas would not formally debar new entrants, but he thinks that they might be required to pay a levy, additional to that required to liquidate the above-mentioned bank loans. For the rest, although it is possible that

the universal application of standard prices . . . would call for the continuance of the quota and compensatory payments in certain sections,

he believes that there is nothing in these arrangements

which need constitute any hindrance to rivalry in quality of production, time of delivery and service generally. It is a little difficult to understand the value of standard prices which take no account of quality of production, and it is equally difficult to believe that competition in services would be effective in concentrating production in the hands of the more efficient, which is the only basis upon which this country can hope to secure a high standard of living. Clearly, however, Mr Douglas believes in the general efficacy of charging a high price to one's own people so as to be able to sell cheaply overseas. As to any possibility of the public interest being protected by the provisions for new entrants, the hope is surely illusory under the plan put forward. The new entrant would not only have to make his own way while both his selling prices and his wage-rates were fixed, but he would have to do this while paying an additional membership charge, whose amount would be fixed by his established competitors.

### International Statistics

The presidential address that Dr E. C. Snow read to the Royal Statistical Society this week was the first since 1939 and contained a welcome report on the Society's wartime activities as well as a discussion of "The International Comparison of Industrial Output." Dr Snow took as his text the article in the *Economic Journal* of March, 1943, in which Dr Leon Rostas made certain comparisons of industrial productivity in the United Kingdom, the United States and Germany, based on the pre-war censuses of production in those countries. Dr Rostas reached the conclusion that productivity per head in this country was only about equal to that in Germany and rather less than half that of the United States. Dr Snow's paper pointed out the large number of statistical difficulties involved in any such comparison and threw considerable doubt upon the conclusion reached. Dr Rostas was successful in rebutting most of these criticisms, and the general result of the discussion was to leave the broad conclusion standing, though also to emphasise the difficulties in the way of making it precise. There is no doubt that American *per capita* productivity is, on the average of manufacturing industry, at least double British, and that is the main point of public policy emerging.

This controversy, however, was subordinate to the main point of Dr Snow's paper, which was to urge the importance of establishing an international statistical body capable of making these international comparisons on a basis of strict comparability. Dr Snow appeared to doubt whether the existing International Statistical Institute would serve the purpose, and it is certainly true that it is the results of statistical work rather than the methodology that are of most urgent interest. Dr Snow did not mention the League of Nations' Conference on Economic Statistics. Whether this is the right body or not, it is certainly necessary that very much more attention should be paid to international comparisons. Not only are they entering into treaty relations—as witness the decision of UNRRA to base its levies on national incomes—but they could also be used to throw much light on purely domestic economic problems. It is obvious, of course, that valid international comparisons can only be based on good national statistics. It is therefore encouraging to know, as was stated at the Statistical Society's meeting, that the Board of Trade is laying its post-war plans on the basis of an annual census of production with a more extensive range of information than the quinquennial pre-war censuses.

### Shipping Replacement Charges

It has been increasingly apparent in recent months that the main preoccupation of managers and shareholders of shipping companies is the level of replacement costs and the adequacy of existing funds to meet them. A year ago the Liverpool Steam Ship Owners' Association had hopes that costs might be kept within reasonable limits. This year they make the inadequacy of existing provisions the principal plank in their annual report. While reasserting their conviction that subsidies are harmful, they claim that the Government can

properly be asked to assist in the replacement problem, at least insofar as it is aggravated by war-created levels of costs.

It can scarcely be gainsaid that low shipbuilding costs are

eminently desirable, but it is very doubtful whether more than a fraction of the existing rise can be offset by technological improvements. There will be some increase against pre-war, but it is at present quite impossible to assess its extent. Further, the need of assistance will vary in each individual case. Insofar as insured values took account of obsolescence already provided, total depreciation plus receipts for ships lost will fall short of replacement cost, on the basis of prices ruling at the time of insurance. But that basis has risen progressively. Those who lost ships in 1940 will be far worse off than those whose fleets remained intact until 1943. Very possibly, those who lose none during the war will suffer the heaviest financial detriment. The British mercantile navy must be rebuilt, although there may be argument as to its exact size and nature. And there is no justification for the view that shipping should suffer heavier capital destruction than other industries; rather the reverse. For what it is worth the LSSOA estimate that ship repairing costs are now some two and a half times pre-war levels. That will, presumably, not be the level of post-war building costs, but it is an indication that the gap may be considerable. The LSSOA ask for adjustment of the Government Tonnage Replacement allowances and of tax assessments, coupled with low interest loans repayable over a reasonable period within the life of the ships built. Only the second of these concessions would bring in any money at present, but what the shipping companies need now is not cash but a reasonable assurance that they will not be prevented by wartime losses alone from possessing efficient fleets built at costs which are reasonable within the framework of post-war prices.

### Preparing to Salute

The banking system has been well prepared to meet the impact of London's Salute the Soldier Week, which, by the end of next week, should have netted more than £165 million in subscriptions to the Government's tap loans. In the first place, the decks have been cleared by sales of Conversion 5 per cents on the part of the clearing banks. These operations have been largely responsible for lightening their investments by £26 million over the three months to the end of February. As regards more immediate preparations for next week's effort, the authorities have seen to it that an ample supply of bank cash is available. Their Treasury deposit receipts call this week amounted to £80 million and was approximately balanced by the effective TDR maturities. The preparatory easing of the credit position is reflected in the latest Bank of England return, which shows bankers' deposits at the high level of £198,794,017. The banks will contribute substantial quotas of direct investments toward the target figure of £165 million. They have also been enlisted in the London drive by way of sending out exhortations to their depositors to subscribe as much as possible to Government loans next week. The impact of direct and customers' subscriptions on the bank cash situation will be largely cushioned by the pre-encashment of TDRs. As these securities will be encashed in substantial amounts next week, it is probable that the Treasury will abstain from fresh TDR calls during this period. The technical credit position is therefore well braced for the coming shock of this sudden and heavy canalisation of funds to Government accounts.

### Conflicting Views on Electricity

As was to be expected the electricity supply industry has not found it possible to speak with one voice on its future. At one time a large measure of agreement seemed possible, for a joint report was presented to the Minister of Fuel and Power by the Incorporated Municipal Electrical Association, the Provincial Electric Supply Association, the London Electricity Supply Association and a group of Power companies from the Incorporated Association of Electric Power Companies. This report was based on the assumptions that the consumer should be able to choose freely the fuel service he wants and that no drastic alteration should be made in the ownership and organisation of existing undertakings unless these can be proved to bring substantial and permanent benefits to the consumer. It contained a scheme that, while retaining the present structure of the industry "so far as this may be efficiently utilised," provided for any inefficient undertaking to be "brought up to the required standard for the

area." A separate report, issued by the Incorporated Association of Electric Power Companies, is a variation of the main report, but both embody, broadly, the main principles of the report of the McGowan Committee, published in 1936, that is

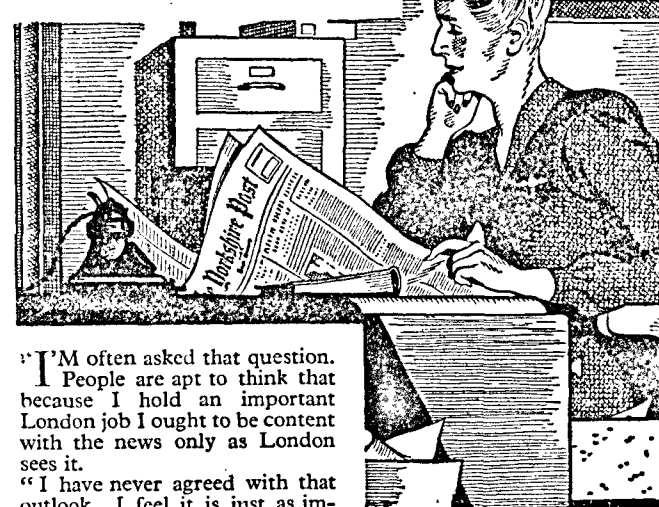
the retention and utilisation, where possible, of the larger and more efficient of the existing undertakings—both public authorities and companies—and the absorption by such undertakings of the smaller and less efficient undertakings.

It is now reported, however, that the Incorporated Municipal Electrical Association has approved a supplemental memorandum advocating the principle of public ownership and, in particular, local authority ownership. A report issued by the Electrical Power Engineers' Association, an organisation representing the technical staffs of the industry, suggested a national board for the industry, including both generation and distribution. The Minister of Fuel and Power is, therefore, faced with a choice of advice ranged in favour, and against, private enterprise. His choice, surely, should be guided by technical rather than by political considerations and his aim the provision of electricity as cheaply and as efficiently as it can be had for given purposes.

### Canada's Sterling

Some remarks of Dr W. C. Clark, Canadian Deputy-Minister of Finance, on Canada's balance of payments and accumulation of sterling balances make interesting reading in the context of the new Anglo-Canadian Mutual Aid Pact, discussed in a Note on page 394. Dr. Clark emphasised the quite astonishing expansion which has occurred in Canada's foreign trade during the war years. That trade amounted in 1943 to \$5,000 million, which, on a per head basis, easily exceeds any comparable achievement by any other country in the past. More detailed figures suggest that the favourable balance of trade last year amounted to \$1,350 million, which is more than 12 times the favourable balance attained in 1940—the last year before Canada's exports came to be dominated by the gigantic industrial war effort of the Dominion. Although that favourable balance of payments,

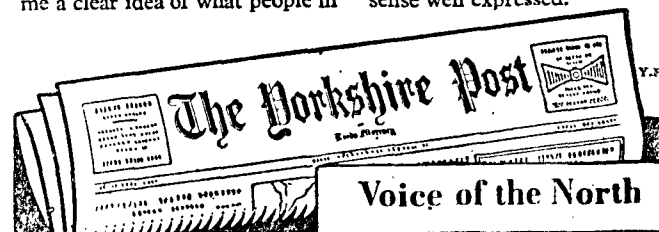
### "Why do I read The Yorkshire Post?"



"I'm often asked that question. People are apt to think that because I hold an important London job I ought to be content with the news only as London sees it.

"I have never agreed with that outlook. I feel it is just as important—more so in fact these days—to keep well-informed of the ideas, developments and trend of political thought in other parts of the country, especially in the North. "Well, The Yorkshire Post gives me a clear idea of what people in

the North are thinking and doing. It's what I call a well-balanced paper, and its leading articles are written by specialists in the particular subjects. I know when I read it I'm sure of reading good sense well expressed."





so far as it is being fed by exports to the United Kingdom, is not finding any corresponding counterpart in accumulation of sterling assets, Dr Clark pointed out that as a result of such exports made before the Mutual Aid agreements had come into force, Canada had acquired substantial sterling balances. Between the beginning of the war and March, 1942, when Canadian Mutual Aid began with the first \$1,000 million credit, the excess of Canadian exports to the United Kingdom amounted to \$1,800 million. Of this total, \$250 million had been covered by gold shipments from the United Kingdom, a total of \$840 million was absorbed by the repatriation of Dominion sterling debt, and the remainder, equivalent to about \$700 million, which had been accumulated in the form of balances in London, was then converted into an interest-free loan for the duration of the war. This should still be the extent of Canada's sterling holdings. Canada, however, is evidently counting on this sterling as an offset against debts to the United States accumulated during the war years. Dr Clark pointed out that unless Canada could convert sterling into United States dollars and buy what she needed in the United States, its use "would be hard indeed." This is an interesting hint on one aspect of the dollar problem after the war.

### India's Contribution

More detailed reports of the recent Budget debate in the Indian Central Assembly are now available in this country. They provide interesting details of the manner in which the financial agreements between India and the British and American Governments are operated. Sir Jeremy Raisman, Finance Member, explained that India bears no part of the cost of operations beyond its frontiers and only part of the cost of its own defence. The cost of British and Indian troops serving in Burma is borne by the British Government, and that of the American forces by the American Government. Forces raised in India and maintained there for local defence are paid for by the Indian Government, and so is their equipment insofar as it is produced in India. But the heavier equipment which has to be imported for the defence of India is provided on lend-lease terms if it comes from the United States, or is given outright if it comes from Britain. India is providing some reciprocal aid to the United States, but not to Britain. India only pays for the cost of airfields constructed in India if they are regarded as necessary for the local defence of the country. The airfields constructed in connection with the major operations of the South-East Asia Command and those which are used by British forces are not provided for in the Indian Budget estimates. This repatriation of financial costs—the true costs are in any case borne currently by India—was agreed upon before Japan entered the war and before the scale of military operations in and around India could possibly have been foreseen. The financial agreements can hardly have contemplated a situation whereby the expenditure of the British Government alone in India would very considerably exceed the total Indian Government Budget. This discrepancy between local Government expenditure for which some effort at compensation through taxes and loans is made, and external Government expenditure, which is financed by direct borrowing from the Reserve Bank and by the expenditure of rupee notes, is bound to increase as the scale of operations of the South-East Asia Command increases. Unless India can be flooded by consumers' goods, or unless the rupees created by British and American expenditure can be mopped up through taxes and loans, it would seem that the phenomenon of Indian inflation is only in its very early stages. The official gold sales and the issue of premium bonds have so far only touched the fringes of the problem, and in view of the prospect of a considerable increase in the flow of inflationary material the outlook is one that must cause misgiving.

### A Policy for Rayon

The full accounts of Courtaulds for 1943 show that gross profits after depreciation continued to fall, and that the figure before that provision was even more heavily down. The change in net profit, previously slight, was quite appreciable last year, and the accentuation of the shortage of labour, already acute, threatens further declines while the emergency lasts. The investor is, however, less interested in current results than in the eventual return on net liquid assets, now exceeding £42½ million, resulting from

the sale of the American Viscose Corporation. Mr Samuel Courtauld has consistently refused to bind himself in any way on the use to be made of this money, but this year he gave a very strong pointer about what he will not do with it. His statement is the corollary of the British Rayon Federation's protest against the Cotton Board Committee's suggestion for bringing rayon within the control of the cotton industry. He said rayon should stand on its own feet, that it is

a new and rapidly changing industry in competition with the whole world; whereas old English textile industries are fettered by old rules, methods and machinery, which are very much out of date. The extent to which Courtaulds, Ltd., are prepared to invest their funds in developing their textile business in England will obviously depend very much upon whether or no they see before them a free and unfettered field.

This is excellent, and if Government pressure is exercised it should be in the direction of stimulating cotton and wool to new efforts, not in that of regimenting rayon. But Mr Courtauld's own words show that rayon itself must not be closed to new entrants, to new ideas and to new efforts.

### British Celanese Borrowing

It may be recalled that two years ago British Celanese took power to issue £550,000 new 4 per cent debentures and actually issued £400,000 of them. The funds were required for a war development and the debentures were charged upon certain fixed assets with a floating charge over others. The total to be created was limited to £1,500,000. The company now requires a further £600,000. It proposes to convert the existing issue into an equal amount of 4½ per cent second debentures, and to issue in all £1,000,000 of them, carrying a general charge ranking after the £2,500,000 odd of first debentures. The final redemption date remains 1968 and the limit of issue £1,500,000. The additional £600,000 is to be provided in full by Morgan Grenfell in consideration of a commission of 1 per cent. Holders of the existing 4 per cent debentures are being invited to sanction the change, and acceptance of the scheme will amount to acceptance of conversion into the new stock. On balance-sheet values, the second debenture will be well covered by assets and the addition of a half point to the rate of interest is likely to prove decisive in favour of accepting the change. The equity holders are, however, likely to view the creation of fresh prior charges with some doubts, the more so as there is no intimation about the purpose for which the new money is required. It is generally assumed that the sum raised two years ago was for a new synthetic rubber plant, for which the Government granted the company a licence, and it is quite possible that the new loan is for the same purpose.

### A Renaissance in Design

"Colour, design and style—and prosperity" was the title of an address given by Sir E. Raymond Street, CBE, chairman of the Cotton Board, in Burslem on March 17th. He pointed out that without success in this field there could be no prosperity. Overseas markets will not buy British products unless they compare favourably with those obtainable elsewhere; and so far British goods are not renowned for their colour, design or style.

British productions (he declared) should be characterised by a skilful, attractive use of colour, by designs combining true artistic beauty and charm with functional efficiency, and by that indefinable combination of all these qualities with novelty and the spirit of the times which we call style.

The mediocrity of design which has hitherto been accepted will not do. Sir Raymond called for "a great renaissance" as the "only salvation." British design must be a reflection of the British way of life. Partly for this reason, the first requisite towards attaining better standards in industrial products is that the home market should want better standards. A process of education among the public is clearly desirable. Sir Raymond suggests a campaign to stimulate public discussion which would pave the way for the naissance of new ideas on style and design. His second requisite is that a sufficient supply of good designers should be available—and he puts more emphasis on their quality than on their numbers. Thirdly, manufacturers should support a policy of good design, and, fourthly, British achievements should be made known. The textile in-

dustries are well aware of the importance of the questions Sir Raymond raised. The Cotton Board's Colour Design and Style Centre, which was set up in Manchester in 1940, has been doing pioneer work in stimulating design, in fostering co-operation between all sections of the industry, and in providing information from overseas. Sir Raymond's address has significance for all sections of industry, and especially those producing consumer goods. He made the valuable suggestion that there should be more co-operation between various related industries, and he instanced particularly furnishing textiles, pottery, furniture, paint and wallpaper. There are many isolated examples of good design in every industry. The aim should now be to eliminate products which do not conform to the characteristics laid down by Sir Raymond.

### "Civvy" Clothes

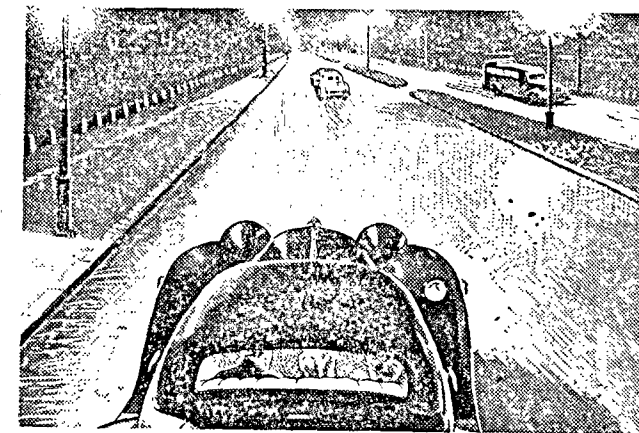
One post-war anxiety of the Armed Forces was allayed last week, when details were announced of the civilian outfit to be given on demobilisation. Women are to be given the equivalent of the men's outfit in cash and coupons. The men's civvy clothes will consist of the following: one suit, one shirt, two collars, one tie, one pair of boots or shoes, two pairs of socks, one hat, one raincoat, one set of back and front studs and one pair of cuff links. The suits—non-austerity—are of a quality equal to the best utility, and they are made in a wide variety of fittings and designs. The soldier is to be provided with the basic elements of a civilian outfit. No one would expect more than a minimum set of clothes, and it may be due to lack of imagination rather than parsimony that only one shirt is included. The demobilised soldier will be allowed to keep parts of his uniform—possibly a battledress, underwear, socks and Army boots. All these he can find a use for, but the new civilian will want other equipment. Extra shirts, pyjamas, a dressing-gown, slippers, an overcoat, gloves, pullovers, handkerchiefs—the list will vary according to his taste and what he has left in his civilian wardrobe. Only a small percentage of the Armed Forces are likely still to possess an adequate stock of civilian clothes in wearable condition. Soldiers discharged during the war are provided for by grants of clothing or cash, and in addition they may obtain coupons in the same way as people who have been bombed-out. This is fair, and such a system could be applied on demobilisation. The number of applications, however, will be so large that administratively it is likely to prove simpler to give a block of coupons to each man, in addition to the outfit. Manufacturers will be anxious to know well in advance what the effective demand of the returning soldier is likely to be in order to prepare for it. The production of uniforms is now slowing down and capacity may become available for post-war needs. Contracts for relief clothing are being placed. Before the ordinary civilian ration of clothing is raised, attention should be concentrated on meeting the prospective needs of the demobilised members of the Forces. The clothing the soldier will want to buy should be in the shops on his return, and the coupons which will entitle him to buy it in his hand.

### Industrial Catering

In accordance with the recommendation of the Catering Wages Commission, the Minister of Labour is setting up a Wages Board for industrial and staff canteens. The Board will follow the normal trade board pattern; it will consist of equal numbers of employers' and canteen workers' representatives with three independent members, one of whom will be chairman. Its functions will be to fix wages, prescribe meal and rest intervals and provide for holidays with pay. It can also make recommendations to the Commission for improving the health and welfare of canteen staffs and their conditions of employment, and for developing industrial catering generally. The Board will cover about 16,000 canteens, employing nearly 200,000 workpeople. Works canteens fall into three main categories: they can be run directly by the employer, by an outside caterer or by a joint committee of management and workers or a workers' committee. About 2,500 canteens are run by contractors; the majority of these belong to the National Society of Caterers to Industry, which employs about 20,000 workers. The advantages and disadvantages of

# G.E.C.

## IN WAR—AS IN PEACE at the service of the Empire



Before the war the G.E.C. planned and installed lighting equipment for tens of thousands of miles of streets and thoroughfares, and pioneered many new developments in this important lighting field. The success of these installations, in all parts of the world amazingly varied in climate, conditions and facilities, stands as a solid demonstration of the Company's immense planning, organizing and manufacturing capacity.

To-day, however, the resources of the G.E.C., the largest British electrical manufacturing organization in the Empire, are devoted to the war effort of the United Nations. In surmounting the innumerable problems that have arisen in all applications of electricity, including the important one of electronics, the Company's technical experience and scientific advancement have been enriched to a degree that will be of incalculable benefit to all electrical services after the war. Then, just as the resources of the G.E.C. have been available for the war effort, they will be at the disposal of all concerned with reconstruction plans in any part of the world.

### ELECTRIFICATION SCHEMES

G.E.C. Electrification Schemes have been applied to all industries, including: Aircraft Factories; Chemical Works; Collieries; Food Factories; Gold Mines; Iron, Steel and Copper Works; Locomotive and Railway Carriage and Wagon Works; Motor Car Works; Oil Refineries; Ships and Shipyards; Textile Mills, etc., etc.

# G.E.C.

## ALWAYS IN THE FOREFRONT OF ELECTRICAL PRODUCTS

employing outside caterers have been widely discussed. While some firms prefer to leave their canteen in the hands of outside experts, the experience of many factories, as was shown in the latest report of the Chief Inspector of Factories, is that the best results are obtained where the workers themselves are associated with the running of a canteen. Apart from the joint industrial council for canteens run by outside caterers, the Catering Commission found a complete absence of any voluntary machinery for regulating wages and conditions in works canteens. Indeed, they report that

in certain of the highly organised major industries there is opposition on the part of the recognised employers' organisations to the idea of bringing catering workers within the scope of the negotiating machinery.

The setting up of a Wages Board should introduce a degree of uniformity into wages and conditions, which are at present widely divergent. Past experience has shown that Trade Boards are valuable in raising standards throughout an industry and that they need not impede the development of voluntary joint negotiating machinery. The next stage of the Commission's work, the consideration of wages and conditions of work in hotels, restaurants and similar establishments, will prove more difficult and far more controversial.

### No Nemesis for Nickel

The International Nickel Company of Canada, by paying a dividend of only \$0.40 for the first quarter of 1944, has broken the tradition lasting from 1937 of quarterly payments of \$0.50 on the common stock. Last November the chairman, Mr Robert Stanley, warned that earnings were falling and might involve a cut in the dividend. Despite this his statement accompanying the report for 1943 is firmly optimistic about future prospects. It is true that the amount earned for common stock in 1943, at exactly \$2 per share, is rather lower than the \$2.15 earned for 1942, and only exactly sufficient to maintain the dividend. In view of this, although profits for the last quarter of 1943 were in point of fact some \$870,000 above those for the corresponding period of 1942, it is not surprising that the dividend level can now be kept up no longer. However, production at the companies' mines continues at a high level, and—were it not for the shortage of manpower, which made itself strongly felt during the latter half of last year—would be appreciably higher. Copper has been subordinated to nickel production. Comparing 1943 with 1939 deliveries of the two metals, there has been a fall of 69 million pounds in copper against a rise of 55 million pounds in nickel. The whole production programme is of course geared to wartime needs, and details cannot be given. It is revealed that deliveries of platinum metals and the output of nickel-copper alloys have reached their highest level in the company's history. If present activity is high enough, Mr Stanley paints an encouraging picture of the future:—

Your company's cash position is excellent, it has no fixed debt, its plants are in good repair and are equipped for low cost production, and measures have been pursued to retain the goodwill of consumers of nickel. In comparison with its position after the first world war, the present status of the company is much sounder in many particulars.

After hearing those encouraging words, the shareholders may be equipped to face the \$0.10 cut in this quarter's dividend with Spartan fortitude.

### Production Balance Sheet

A number of Government statements made in recent weeks show the present scale of Britain's output of aircraft and other munitions of war. Mr Lyttelton has given details of production from the beginning of the war to the end of 1943. For the RAF 90,000 aircraft of all types were built. The Army was supplied with 83,000 tanks, armoured cars and carriers; over 115,000 guns of over 20 mm.; 150 million rounds of ammunition; 5½ million machine guns, rifles, sub-machine guns and automatic pistols; 7,000 million rounds of small arms ammunition. Over a million wheeled vehicles of unarmoured types for various war purposes were manufactured. Similar achievements were recorded in shipbuilding; 70 per cent of new construction is now estimated to be naval construction. Mr Churchill recently stated that this country's output of aircraft—bombers and fighters—exceeded that of Ger-

many, equalled in numbers that of Russia, while American aircraft output was double or treble the German figure. The increase in British aircraft production, it is claimed, has been achieved as a result of improved all-round efficiency, and greater economy in the use of labour. Thus the number of manhours taken for the manufacture of a Lancaster bomber has been reduced by 38.2 per cent in the last 12 months, and for the manufacture of a Spitfire by 27.5 per cent between 1939 and 1943. The aircraft industry has probably reached the peak of production in terms of numbers of aircraft, though the maximum in terms of operational strength has not been passed, since more labour will be put into the production of heavy bombers. The limits of industrial recruitment have probably been reached, but there is still room for further improvements in efficiency, and for an extension of part-time work. The outstanding needs of the forthcoming period will be to maintain quality and to increase flexibility, without sacrificing output. Operational requirements may necessitate further changes which may involve the slowing down of some factories and temporary "redundancies" in the industry. It is satisfactory to know that steps have been taken to make the reasons for these changes known to the workers in the industry.

## Company Results

### Bradford Dyers' Association.

|                                 | Years to December 31st, | 1942      | 1943      |
|---------------------------------|-------------------------|-----------|-----------|
| Profit after EPT†               | 376,497†                | 590,191   | 580,333   |
| Depreciation                    | 136,473                 | 146,309   | 145,901   |
| Income tax                      | —                       | 201,608   | 195,660   |
| War damage contributions        | 28,779                  | 27,174    | 23,366    |
| Debt interest                   | 44,419                  | 44,383    | 44,383    |
| Preference dividend             | 159,327*                | 159,327*  | 63,730    |
| Ordinary stock:—                |                         |           |           |
| Earned                          | 7,499                   | 11,390    | 107,293   |
| Paid (net)                      | Nil                     | Nil       | 45,176    |
| Earned %                        | A 9.7                   | A 9.4     | 9.5       |
| Paid %                          | Nil                     | Nil       | 4         |
| General reserve                 | —                       | —         | 50,000    |
| Carry forward                   | 8,173                   | 19,563    | 31,680    |
| Consolidated Balance Sheet:—    |                         |           |           |
| Net fixed assets B.             | 4,604,972               | 4,289,016 | 3,831,859 |
| Net associated company items C. | 205,791                 | 168,632   | 176,578   |
| Net liquid assets B.            | 1,528,101               | 2,201,281 | 2,851,683 |
| Outside shareholders' interests | 243,578                 | 291,316   | 418,620   |
| Gross liquid assets             | 2,783,727               | 3,454,573 | 4,676,059 |
| Marketable securities           | 134,598                 | 265,632   | 707,455   |
| Tax reserve certificates        | 250,000                 | 430,000   | 742,500   |

† After paying all taxation on earnings of subsidiaries.  
‡ Profits for 1941 are shown net of all taxation.  
\* Representing 24 years payment of dividend. In 1942 payment on preference stock (which is cumulative) was brought up to date.  
A On assumption that only the current preference dividend had to be met.  
B Figures for 1942 and 1943 separate the reserve for deferred repairs and the provision for taxation not immediately due from the total of sundry creditors, in which both items were previously included. The former item has been knocked off the figures for net fixed assets for 1942 and 1943. This reform of the balance sheet means that the figure for net fixed assets is relatively higher—and more accurate—for 1942 and 1943 than for 1941.  
C Including loans to employees of £14,677 in 1941, £10,298 in 1942, and £6,777 in 1943.

The £1 units of ordinary stock, standing at 21s. 3d., yield £3 16s. 10d. per cent.

### Guest, Kean, Baldwins. (Iron and Steel.)

|                                             | Years to December 31st, | 1942      | 1943      |
|---------------------------------------------|-------------------------|-----------|-----------|
| Profit after taxation and deferred repairs† | 626,950                 | 661,043   | 684,141   |
| Depreciation                                | 350,000                 | 375,000   | 375,000   |
| Fees                                        | 3,982                   | 4,000     | 4,316     |
| Debt interest and 5% notes—Interest         | 113,559                 | 112,285   | 110,974   |
| —Sinking fund.                              | 34,840                  | 36,334    | 37,887    |
| Preference dividend (net)                   | 39,053‡                 | 39,053    | 39,053    |
| Ordinary shares:—                           |                         |           |           |
| Earned                                      | 85,616                  | 94,371    | 116,911   |
| Paid (net)                                  | 91,875‡                 | 91,875    | 110,250   |
| Earned %                                    | 4.7                     | 5.1       | 6.4       |
| Paid %                                      | 5                       | 5         | 6         |
| Carry forward                               | 87,795                  | 90,292    | 96,953    |
| Net fixed assets                            | 6,727,186               | 6,456,429 | 6,202,648 |
| Net inter-company items                     | 190,984                 | 202,888   | 208,759   |
| Net liquid assets*                          | 988,714                 | 1,260,063 | 1,514,635 |
| Gross liquid assets                         | 3,410,955               | 3,387,255 | 3,957,303 |
| Sundry debtors                              | 1,813,910               | 1,696,121 | 2,278,455 |

† Including dividends from subsidiaries.  
‡ Calculated; net shown in accounts.  
\* After knocking off provision for contingencies.

## COAL FOR FACTORIES



Coal allocations to the factories have already been cut by 10%. Yet coal consumption in the factories has fallen by only 5%. Let us face it. We are eating into essential reserves.

### THE SUPPLY POSITION WILL GROW TOUGHER

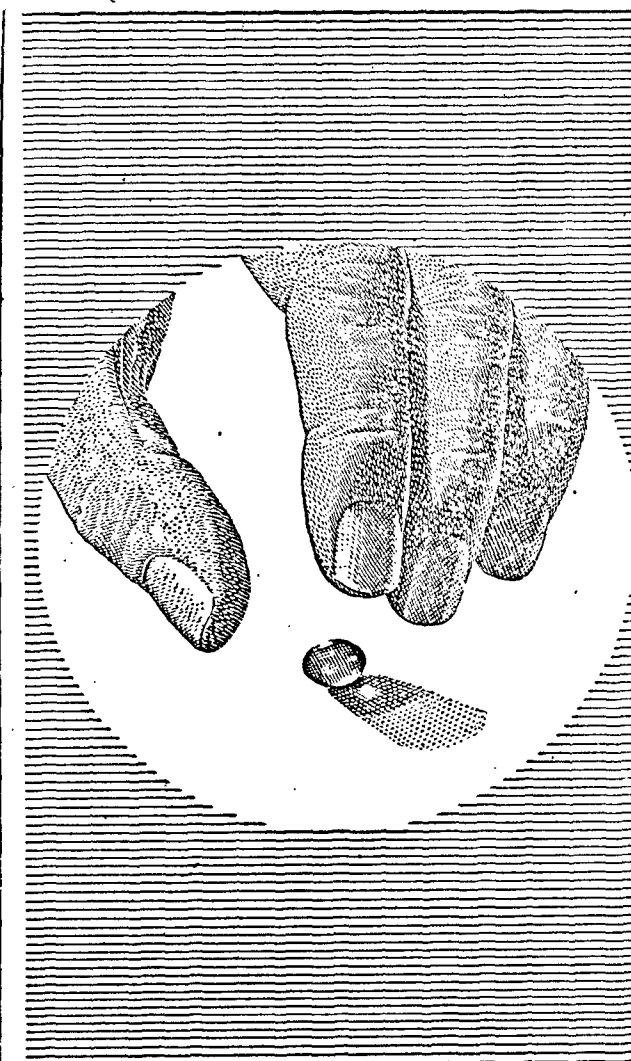
♦ There can be no certainty of regular deliveries in face of the mounting military demands on transport—demands that will grow ever more insistent as the moment of all-out attack approaches.

♦ There is one way out. *The immediate personal attention of every factory management in this country can save the day.*

♦ See that every worker in your plant understands the situation. Encourage the active co-operation of every 'man on the job.' Neglect no means to cut your daily consumption of coal, steam, oil, electricity, or gas—however trivial, however drastic.

Only further substantial fuel savings can now prevent factories closing. Only quicker turn-round of coal trucks can ease the delivery problem.

ISSUED BY THE MINISTRY OF FUEL AND POWER



## RATIONING MAKES EXTRA VITAMIN SUPPLY ESSENTIAL

The body must have enough vitamins A and D if it is to remain healthy. Before rationing most of us got sufficient of these in our ordinary meals, but wartime diets tend to reduce the vitamin value of our food.

A daily dose of Crookes' provides sufficient 'anti-infective' vitamin A to enable you to resist colds and influenza, it provides, too, the correct amount of 'sunshine' vitamin D to keep adults healthy and to allow children to grow up with strong bones and sound teeth.

## CROOKES' HALIBUT OIL

Obtainable only from chemists

CAPSULES—PER BOTTLE OF 100—8/6

LIQUID—PER PHIAL—ENOUGH FOR 16 DAYS 2/-



## COMPANY MEETINGS

## THE BANK OF AUSTRALASIA

A VERY SATISFACTORY RESULT  
MR C. G. HAMILTON'S REVIEW

The meeting of the Bank of Australasia is to be held, on the 30th instant, at 4 Threadneedle Street, London, E.C., Mr C. G. Hamilton presiding.

The following is an extract from Mr Hamilton's review which was circulated with the report and accounts.

I hope you will consider the result for the year 1943 as very satisfactory. In the two preceding years we had to draw somewhat on the carry-forward in order to pay the dividend and last year we brought into revenue £20,000 from overprovision for income-tax. In the year under review we are not only able to pay the same dividend as last year without bringing into revenue anything from income-tax reserves but are able to add over £20,000 to the carry-forward. In my opinion there is no more satisfactory feature in a balance-sheet than a substantial carry-forward.

## BALANCE-SHEET ITEMS

Our balance-sheet shows a total of £74,244,914, an increase of £6,396,256 over the figures of 1942. On the liabilities side total deposits have increased by £4,329,514 and now stand at the record figure of £56,106,502. On the assets side, specie, bullion, etc., have decreased by £6,831,777. This is a large drop, but a not unwelcome one, as it is reflected in expansion of three out of the next four items all of which produce interest and are readily realisable. Treasury bills, Australasian and New Zealand, are £920,000 higher. Special war-time deposits have reached £11,999,000 and show an increase for the year of £8,964,000. British Government securities show a decrease of £743,841. This decrease was caused by the bank having to realise some of the British Government securities in order to provide sterling due to the Commonwealth Bank in respect of exchange operations. The balance-sheet value of our investments stands well below their market value. Advances to customers, usually our most remunerative source of income, and other accounts show a reduction of £673,487 to £31,266,739. This reduction is due largely to the lack of a demand for accommodation and also to the restriction imposed by the Government control.

## VERY STRONG POSITION

The balance-sheet shows that the bank remains in a very strong position. About 43 per cent. of our deposits are fixed for periods up to two years and therefore do not constitute an immediate liability. As security for the remaining 57 per cent. of our deposits, which are an immediate liability, we hold considerably over 100 per cent. in cash in hand, Treasury bills, special war-time deposits with the Commonwealth Bank and Government securities.

Since the last accounts were presented we have closed a number of our branches and agencies under the rationalisation of banking scheme in order to release manpower for national service.

The British Government's agreement to purchase the whole of the Australian and New Zealand wool clip for the duration of the war and one year thereafter has placed the wool industry on a stable basis for that period, subject, of course, to there being no substantial increased costs of production.

There has recently been signed an Australian and New Zealand political agreement which has been warmly welcomed in the press in this country and in the home Parliament. Mr Curtin and Mr Fraser are to be congratulated on their

notable achievement. The closer Australia and New Zealand get together the more it will be to their mutual advantage.

## THE OUTLOOK

As regards the general outlook in Australia and New Zealand the position has immensely improved by the removal of practically any danger of the invasion of either of these Dominions by Japan, who must now be bitterly regretting her piratical actions. Australia and New Zealand are to be congratulated on the splendid and successful efforts they have made with the immense assistance of the forces of the U.S.A. in bringing about this happy result.

It seems to me highly probable that after the war Australia and New Zealand will, besides enlarging their present industries, try to develop many new ones. If my view is correct this bank is, and will be, in a position to give most valuable financial assistance and advice in helping to promote such developments. We hear in this country much talk about helping in the future the small man in his business career. Here I know from my experience as a London bank director that far more is done to help the small man than is generally recognised, and I feel that our new superintendent will not overlook the claims of the deserving small man.

BRITISH ASSETS TRUST,  
LIMITED

## SATISFACTORY RESULTS

## MR W. H. FRASER'S ADDRESS

The forty-sixth annual general meeting of British Assets Trust, Limited, was held at 9, Charlotte Square, Edinburgh, on the 23rd instant, Mr W. H. Fraser, chairman of the company, presiding.

In moving the adoption of the report and accounts,

The Chairman said:

In 1932 the ordinary stockholders received a dividend at the rate of 20 per cent. for the thirteenth consecutive year. In 1935 the company passed its ordinary dividend for the first and up to date the only time since its inception. The cause of this sudden decline in the company's fortunes was the world-wide depression of the early Thirties, aggravated, partly by the fact that the ordinary capital of the company represented a very small proportion of the total loan and share capital, and partly by the reduction from the same causes from 15 per cent. to 2½ per cent. of the dividend on our holding of 333,495 £1 ordinary shares of Second British Assets Trust. Since that time the investment status of the ordinary stock has been materially improved by retention of a substantial proportion of our earnings in the business both by this company and by Second British Assets Trust. This has necessitated a conservative dividend policy and we have postponed raising the dividend on the ordinary stock until our available income had reached a figure which seemed to justify expectation of its maintenance in the absence of unforeseen and abnormal conditions. Even should such conditions emerge, our Income Equalisation Fund, now amounting to £165,000 and invested separately in high grade and readily realisable dated securities, will enable us to maintain the present dividend during any but a prolonged setback in earnings.

## THE DIVIDENDS

For the past year our gross income, after allowing for interest on temporary loans and Dominion and Foreign taxation, but before deducting British taxes, amounted to £351,940 against the previous year's figure of £343,691. After providing for taxation, expenses of administration, interest and Preference Stock Dividends, there remains £51,513, equal to gross earnings on the

ordinary stock of 21 per cent. against 19.6 per cent. for the previous year. We recommend a dividend of 15 per cent. compared with the 12 per cent. dividend paid for each of the past four years. At the moment we see no reason to expect that our income for the current year will show any marked variation on that of the year under review. We look forward to resuming the payment of interim dividends, but under present conditions the call for paper economy renders this undesirable, and shortage of staff impracticable.

## THE INVESTMENTS

The capital position is again encouraging, but under existing financial conditions we cannot assume that, as has usually happened in the past, a rise in the value of our investments will be followed by a rise in income. The general rise in prices has, however, given us a favourable opportunity to re-organise our list, and throughout the year we have been reducing individual holdings, which, at present values, represented an undue proportion of the total, or which appeared to stand at unjustifiably high levels. Part of the proceeds have been placed in short-dated securities, the ready realisation of which will enable us to take advantage of investment opportunities more in our normal line of business which may arise during the post-war re-organisation of industry. I may say that in arriving at the valuation of our investments, we have again valued our holding in Second British Assets Trust Ordinary Shares at par, though at 31st December last their Break-up value was 63s. 9d.

I think I may be permitted to repeat what I said last year, that while we must from time to time expect setbacks and difficulties, I feel confident that these can and will be overcome, and that in regard to the company's future I have no reason to be pessimistic.

The report and accounts were adopted.

BRIGHTON, HOVE AND  
WORTHING GAS COMPANY

## FUTURE OF THE INDUSTRY

The annual general meeting of this company was held, on the 17th instant, in London.

Mr A. M. Paddon, M.Inst.C.E. (chairman of the company), in the course of his speech, said: Certain policies and certain suggestions are very prominent nowadays as to how the industry should be conducted, or should conduct itself, in the future. All sorts of suggestions have been made. One is that we have been hitherto subjected to legislative restrictions which are anachronistic and should be done away with. Statutory regulations and restrictions, although they do impose limitations, also afford a very great measure of protection, and that seems very largely to have been lost sight of.

Another school have pointed out that we should in future endeavour to reconstitute ourselves upon the "basis of integration." I can only say that that process, to my certain knowledge, has been in existence for the last 50 years; but if it is to be adopted as a blind perfunctory policy of compelling different undertakings to be merged in each other without their mutual consent or without the justification of economic conditions, then I think it promises a very large measure of disaster. It must be remembered that already the industry is under almost every form of practical regulation at the present time, and has been for at least a hundred years.

There is a very great difference between statutory regulation and nationalisation, and I cannot help thinking that many of those who advocate a rather more active programme with regard to legislation have as their ultimate object nationalisation. That cannot constitute any improvement upon statutory regulation because it is subject to revision from time to time.

The report was adopted.

UNITED KINGDOM PROVIDENT  
INSTITUTION

## SATISFACTORY MORTALITY EXPERIENCE

## THE FINANCE OF POST-WAR INDUSTRY

## SIR ERNEST BENN'S STATEMENT

The annual general meeting of the United Kingdom Temperance and General Provident Institution will be held at the head office, 196, Strand, London, W.C., on the 29th inst.

The following is the statement by the chairman, Sir Ernest J. P. Benn, Bart., circulated with the report and accounts:—

The one hundred and third report and balance-sheet discloses a big rise in our holding of Government securities and a satisfactory reduction in the expense ratio. The claims by death are given in total, but members will be interested to know that claims from war deaths, after four and a-half years of total war, still fall short of those suffered in 1914-1918 and that our general mortality experience in the year has been highly satisfactory.

## INVESTMENTS

At no period in our long history has so large a proportion of our funds been invested at so low a rate of interest. That is the overriding consideration in a proper study of our accounts. As emphasised in all my war statements, the board has followed in the letter and the spirit the war-time monetary policy of the Government. Members should, however, be made aware that if such a policy is continued far into the days of peace, it will be impossible to escape drastic revisions in our premium rates or in our benefits for new entrants. Your assets are still entered in your balance sheet at 1938 values, except in the case of new or changed investments. We continue for yet another year to ignore the large paper appreciation in the value of securities brought about by the cheap money policy. 1944 is the second wartime valuation year, and it is surely permissible to hope that by its end we may be able to see rather more clearly the future trend of values and decide how far any of this paper profit may be taken into consideration.

For many years the international situation has driven the board to keep the funds of the institution as much as possible at home and within the Empire. In considering the practical problems of the post-war period, we should recall the happier times when your chairmen year by year took credit for the safety of your funds by reason of their widespread geographical distribution. Investments in a devastated world will require to be made with great caution, but it may help the world, as well as bring pleasure to ourselves, to contemplate a future in which overseas investments will act as the acid test of the quality of peace and good will.

## NEW BUSINESS

Our figures of new business follow the trend of the market and are better than last year. Our improvement is rather above the average, although we are among the most conservative of life offices. We have, for instance, resolutely refused new policies to cover the civilian war risk and yet a million and three-quarters of new business has come to us, all of it of the highest class, carefully scrutinised by your skilful officials. I attribute our leading position, even in these war days, to the fact that we sell "security" and in the estimation of the insuring public there is no higher grade of that commodity than this old institution can provide. Our policies range from £100 to very large sums, but it is the quality rather than the amount that matters and we always give the same careful consideration to all applicants for membership whatever their social or financial status.

## CHILD'S OPTIONAL POLICIES

We are very proud to have made a number of losses on a special class of claim

of which our members will be glad to hear. The amounts are not large but the circumstances are interesting. When a child's option matures, the parent having paid a small premium for perhaps 20 years, the child, now grown to manhood, even in war time, has a contractual right to a larger policy free of all restrictions. So some of our wonderful young airmen, just like all our pre-war members, are fully covered and some of these policies have become claims.

## FINANCING INDUSTRY

Our great bankers in their annual speeches were all at pains to show how the banks are making preparations to finance the turnover of industry from war to peace conditions. These speeches taken together form a practical contribution of the highest order to the coming work of reconstruction. I would like to add a footnote from the insurance market, for the bankers can only modify, they cannot change, the first rule of banking, to lend on short term and to maintain a high degree of liquidity. By distinction a life assurance fund aims at lending on long term and we therefore provide a supplementary service likely in some cases to be suited even better to the needs of the industrialist.

## INSURANCE MINDED

I have another postscript to these invaluable bankers' speeches. All of them made some reference to the danger of inflation and the chairman of Martins, in a happy phrase, asked the public to become still more "banking-minded." By keeping our money in the banks, instead of in our pockets or our stockings, each of us can help to lessen the risk of inflation and also help to provide, through the banks, the resources upon which both Government and industry must rely. This argument can also be extended to cover the insurance market. After the war the temptation to spend will accentuate the danger of a boom and the risk of a subsequent slump. The national good will be served by all those who have the wisdom to defer their spending until the tendency to boom and boom prices has evaporated—and life assurance is the very highest form of deferred spending. The benefit is national as well as personal, for a premium paid to an insurance office, like a deposit in a bank, adds to those large accumulations of resources without which much necessary reconstruction cannot proceed. I therefore ask the public to be more "insurance-minded."

## FIRE AND ACCIDENT

The United Kingdom Fire and Accident Assurance Company—now in its fourth year—continues to give us satisfaction. The loss of motor business, due to petrol restrictions, has been handsomely balanced in other ways, and we see no reason to modify the high expectations we entertained when entering, in a safe and modest way, the general insurance market.

## STAFF

Our obligation to our officers and staff has never been so heavy. Every remaining member, from the highest to the lowest, has carried burdens beyond anything previously thought possible. The work of maintaining the institution, and presenting its accounts almost as promptly as ever, will be appreciated by large numbers of our members engaged in business and struggling with similar difficulties.

SCOTTISH AMICABLE LIFE  
ASSURANCE SOCIETYSATISFACTORY INCREASE IN  
NEW BUSINESS

## LORD ELGIN'S STATEMENT

The 118th annual general meeting of the Society was held in Glasgow, on Wednesday, the 22nd instant, The Rt. Hon. Sir J. Milne Barbour, Bt., D.L., M.P. (president of the Society), presiding.

The Rt. Hon. The Earl of Elgin and Kincardine, K.T., C.M.G., LL.D. (chairman of the Ordinary directors), in moving the adoption of the reports and accounts said: The net sums assured for the year amounted to £844,788 (including £253,600 assured under new Group assurance schemes), an increase of £212,649 as compared with 1942. Owing to the absence on National service of almost the whole of our outdoor staff we have not been able to give to our connections the close personal service to which they have been accustomed in the past, and the achievement of this increase in the new business is therefore all the more satisfactory. It reflects great credit on our agents and those of our members who have brought the Society to the notice of intending assurers, and we confidently rely on their continued good offices towards promoting the prosperity of the Society by recommending it to their friends and connections.

## FAVOURABLE MORTALITY EXPERIENCE

The mortality experience continues to be favourable. The claims by death, including War claims of £42,705, amounted to £390,754 which, although nearly £100,000 more than in the preceding year, is still only 89 per cent. of the amount expected according to the mortality tables.

The interest revenue at £629,311 represents a return on the funds of £4 9s. 10d. per cent. gross and £3 6s. 3d. per cent. net after deduction of income tax.

There has been during the year an excess of income over outgo of £454,948, so that the Life Assurance and Annuity Funds, including the General Reserve of £250,000, now amount to nearly £14,500,000.

With regard to the investments, the principal change has been an increase of over £600,000 in our holding of British Government securities, which now amount to over £5,000,000 and represent 41 per cent. of our Stock Exchange investments. During the year the market value of our holding in Stock Exchange securities advanced substantially and further widened the margin by which it exceeds the book value.

## MORE FAVOURABLE INTERIM BONUS

In October last the directors had under review the question of the Interim Bonus and after careful consideration they withdrew the existing scale and substituted for it a scale on a more favourable basis. The new scale provides that all ordinary With Profit policies which become claims by death or survival during the period from October 10, 1943 to December 31, 1945, will receive an interim bonus addition at the rate of 20s. per cent. per annum compounded in respect of each year or fraction of a year after December 31, 1935, for which premiums have become due (or assumed due) and have been paid. Under the new scale the interim bonus will increase with each premium payment, and in no case will the amount be less than under the old scale. In addition, new With Profits policies effected since October 9, 1939, will now be entitled to share in interim bonuses. In adopting this improved scale the directors have been careful to ensure, as far as can be foreseen, that the strong financial position which has been built up will be fully maintained.

The report and accounts were unanimously adopted.

## MIDLAND COUNTIES ELECTRIC SUPPLY COMPANY, LIMITED

### POST-WAR PROBLEMS

#### MR WILLIAM SHEARER'S VIEWS

The thirty-first general meeting of the Midland Counties Electric Supply Company, Limited, was held, on the 10th instant, in London.

Mr William Shearer (chairman of the company), in the course of his remarks, said: The accounts before you today reflect the financial stability of the company and will, I feel sure, be regarded as amply justifying the confidence you have invariably shown in its direction and management.

The non-publication of detailed information and the absence of statistics during the war period, indicative as these are of the immense contribution the industry has made in the country's emergency, have no doubt somewhat assisted the exponents of State or Regional control in their endeavours to lead public opinion along their chosen paths. Some people would go the whole hog in abolishing private enterprise in every field of business activity and of eliminating the so-called profit-motive.

Others without real appreciation of the issues involved, or it may be with greater subtlety, in the first instance would introduce the thin end of the wedge only, limiting State control to certain specified industries. For some reason or other they do not show any particular desire to drive the wedge further in at the moment.

#### RECORD OF PRIVATE ENTERPRISE

We are attacked as having a free field, no competition and a statutory right to charge for the commodity we sell. Have we no competition? You are well aware that there are several competitors in the field for heating, cooking and power purposes, some of them powerful, highly developed and with ample resources. As to charges for current supplied, this matter is already the subject of statutory control, as is also the limitation of dividends payable to shareholders. If in certain cases existing safeguards of this kind are found to be not altogether effective there is no difficulty in altering or extending them by simple means.

But not a shred of evidence has been adduced to prove that what is commonly called private enterprise, but which more fittingly might be described as business management, as applied to our industry has failed, nor has any information been given as to precisely how the proposed octopus machine in practice would benefit the public, that is, the consumer, the employee, the taxpayer and the investor.

The case for the continuance of business-managed, self-supporting tax-paying companies in the electricity supply and passenger transport fields is contained in their record of achievement, and that case, if honestly considered, is unanswerable. I sincerely believe that if the subject is studied dispassionately and removed from a biased political atmosphere, any thinking person who has observed and studied the working of the State Trading Machine during the war years will infinitely prefer the present system, with such faults as it may possess, and be convinced that the interests of the nation can best be served with a minimum of bureaucratic control.

It is, however, ultimately a matter for the Government of the day to decide what the future of our industry is to be, but so far as we are concerned, I feel confident that you will support us in contesting with all the strength at our command the proposals involving the revolutionary changes now being advanced.

As I have said on previous occasions, the companies have no desire to stand still, and fully recognise that there are many improvements which can and should be effected as soon as practicable by evolutionary means

within the industry itself, assisted by some relatively simple legislative measures.

The most important of these would remove the threat of purchase by local authorities, which overhangs company-owned undertakings operating under a limited tenure.

The majority of the power companies cannot to this day give a direct supply to consumers solely for lighting purposes. They therefore to a large extent operate for domestic and small power supplies through the ownership of Electric Lighting and Special Orders. No one, aware of the position, can dispute the fact that by experienced business management these few power companies—they number about 20—have built up, within the limits of somewhat hampering legislation, highly efficient public spirited undertakings, and it is to them that the enormous development of electricity supply outside the larger towns has been due.

Surely then it would be a retrograde step to allow the disruption of these successful units to materialise.

#### STANDARDISATION OF TARIFFS

Next in importance is the question of greater uniformity of tariffs and some standardisation of low-voltage distribution systems and voltages. Neither presents insoluble technical difficulties, but both involve material financial considerations, which, however, I feel sure can be overcome in a businesslike manner without recourse to anything akin to nationalisation of the industry.

I am pleased to tell you that as from July 1st last we introduced a modified scale of charges which not only compares favourably with the existing tariffs of other undertakings (not excluding many of the larger towns), but is of uniform application to directly supplied consumers throughout the whole of our area embracing some 2,400 square miles. The reductions made benefited consumers of all classes in varying degrees, and in the six months ended December 31st resulted in a saving to them of approximately £133,000. I mention this matter now to show that the question of standardisation of tariffs is in fact an issue which has been under our constant consideration for a long time, and that it requires no bureaucratic measures to see the issue brought to a practical conclusion whenever circumstances permit.

#### NO NEED FOR NATIONALISATION

I think it is a fair conclusion from these observations that there is no need for nationalisation of electricity supply in any form or for universal dislocation of the industry, irrespective of needs or consequences by the inauguration of regional or public boards or the municipalisation of company undertakings. Let us rather concentrate on correcting some of the outmoded provisions of 50-year-old legislation and on removing the few commercially and technically inefficient undertakers by absorption or amalgamation, be they company or municipally owned.

Those responsible for the future of the company-owned side of our industry have a difficult task ahead, but if we all stand united, displaying the same vision and applying the same energy with which we approached and solved our earlier problems, I believe that a satisfactory solution will emerge, not only satisfactory to stockholders and consumers, but beneficial to the future welfare and prosperity of the country.

The report and accounts were unanimously adopted, and a final dividend of 5 per cent., making 8 per cent. for the year, was approved.

## METROPOLITAN ELECTRIC SUPPLY COMPANY, LIMITED

### ALL DEMANDS MET

The fifty-seventh ordinary general meeting of the Metropolitan Electric Supply Company, Limited, was held, on the 21st instant, in London.

Major H. Richardson, M.C., J.P. (chairman and managing director), said that in spite of difficulties in the existing circumstances all demands had been met adequately, the plant and supply had been maintained efficiently, whilst progress had been satisfactory.

The number of schemes for post-war planning in practically every branch of national life showed but little diminution and the so widely varying degrees of responsible and practical experience in their authorship created a danger of the few essential and attainable proposals being obscured by the fog of so much impracticable idealism. The directors were still of opinion that the only unbiased authoritative and clearly constructive report in existence on the subject of the development of the electricity supply industry was that issued in 1936 by what was known as the McGowan Committee. The adoption of that report would establish the conditions necessary to the cheapest possible supply with the highest service.

There had been some publicity given recently to an idea that competition between distributors of the principal fuels, particularly gas and electricity, should be restricted and possibly eliminated. That could not fail to be a serious retrograde step, and the supporting and obviously inspired arguments that fuel, etc., could thereby be saved were mere sophistry. Any attempt to dictate to householders as to which commodity they were to use and for what purposes would be strongly resented by the public, even if such a proposal were entirely practicable.

The report was adopted.

## LANCASHIRE ELECTRIC LIGHT AND POWER COMPANY, LIMITED

### POWER COMPANIES' RECORD

The annual general meeting of the Lancashire Electric Light and Power Company, Limited, was held, on the 23rd instant, in London.

Sir Joseph Nall, D.S.O., M.P., the chairman, said that with the balance of £15,415 brought forward from the previous year they had available a total of £198,227 compared with £198,165 in the previous year. They proposed to pay dividends at the same rates as last year.

The spate of critical and mostly political views on the future of electricity distribution continued unabated. The electrical supply industry had met every call made upon it for war purposes and, almost alone among the great employing industries of the country, had done it with singular freedom from troubles common in certain quarters.

He had referred last year to the fact that their tariff was entirely uniform over widely varying urban and rural areas which they were supplying direct and compared favourably with the charges made by adjoining authorities. Room for minor adjustment there might be, and the desirability of achieving a more uniform basis of tariff for domestic supplies was freely admitted and was under diligent consideration by those most competent to deal with it.

Public ownership was no certain road to the immediate availability of public service, as was clearly indicated in other parts of the country where scores of parishes were still thirsting for a public supply of water, although they had already got, or in a very short time could have, a supply of electricity from an authorised undertaking already in a position to give it the moment circumstances permitted.

The report was adopted.

## BORAX CONSOLIDATED LIMITED

### NEW USES FOR BORON PRODUCTS

The forty-sixth ordinary general meeting of Borax Consolidated, Limited, was held, on the 23rd instant, in London, Mr D. Abel Smith, M.C., the chairman, presiding.

The following is an extract from the chairman's statement, circulated with the report and accounts: The net profit for the year under review amounts to £398,453, representing an increase of £30,795 over last year. Adding to the above profit the amount brought forward from 1942 the total to be dealt with is £659,452. From this we have to deduct provision for British taxation £279,670, consisting of an appropriation of £190,920 from profits, together with the sum of £88,750 to be deducted from the dividends paid and proposed. This leaves a balance of £379,782.

#### DIVIDENDS OF 7½ PER CENT

We have already paid the sum of £44,000, less income tax, on the 5½ per cent. cumulative preference stock. Also an interim dividend of 3 per cent. on the preferred ordinary stock was declared on October 26, 1943, and paid on December 3, 1943, absorbing £18,000 less income tax, and we now propose the payment of a final dividend of 3 per cent. on the preferred ordinary stock, which will absorb a further £18,000, and to pay a dividend of 7½ per cent. on the deferred ordinary stock, representing the sum of £97,500, less income tax.

The figure of trade creditors, increased by about £73,000, includes current taxation, whilst to comply with the recent recommendations of the Institute of Chartered Accountants we have this year provided for all taxation as far as can be ascertained on profits earned up to September 30, 1943, setting up a separate provision for future taxation which represents one full year's estimated tax liability and amounts to a very considerable figure, namely £314,989. For this purpose the sum of £100,000 has been transferred from reserves for exchange and contingencies set aside in past years and no longer required.

Costs of production both at our mines and refineries have steadily increased—an inevitable sequel to wartime conditions. In the face of these handicaps and the competition we are called upon to meet you will, I am sure, share our satisfaction at the results achieved. Fortunately, on the other hand, under the spur of war exigencies, scientific research has led to the application of Boron products in entirely new directions, some of which we have reason to believe will prove capable of considerably wider development for industrial purposes when the wheels of commerce revolve again freely.

#### IMPORTANCE OF RESEARCH

Much attention has been focused recently on the vital need of promoting research in industry. It has been suggested that a Central Research Board should be established, and also that a very substantial sum be allocated by the Government to enlarging and equipping the technical

training centres and considerably increasing the number of research fellowships. If carried out, this scheme should ensure a steady and increasing supply of skilled laboratory technicians. I venture to submit that it would prove a great incentive and encouragement to all concerned in this research movement if the authorities would take the initiative and permit such expenses devoted exclusively by private firms to research to be freed from taxation. In the end the benefits derived therefrom are bound to redound to the advantage of the Exchequer.

#### BORAX IN AGRICULTURE

Satisfactory progress has been maintained. The interdependence of mineral elements required by plants is becoming increasingly appreciated; this will lead to a greater demand for balanced fertilisers and therefore for Boron products.

#### UNITED STATES POTASH COMPANY

That company has been working throughout the year to capacity and readily disposing of its production. We are proud to report that the "E" Award was recently conferred by the U.S.A. Army and Navy authorities for the excellence of its services and we have every reason to express our appreciation of the very capable management of this important undertaking.

#### FUTURE PROSPECTS

So far as the current year is concerned, trading to date has started satisfactorily and, unless any disturbing features intervene, should so continue. As and when peace conditions prevail and the present barriers are removed I believe we can anticipate with confidence a marked impetus to the demand for our crude and refined materials in all the released markets which have so long been denied. In addition we can look forward to the resumption of activities in many channels at present controlled or restricted by rationing.

The report was adopted.

## ANGLO-FRENCH EXPLORATION COMPANY, LIMITED

The fifty-fourth ordinary general meeting of this company will be held, on the 29th instant, at Winchester House, London, E.C.

The following is an extract from the report of the directors for the year ended December 31, 1943, which incorporates the information given in normal times at the annual meeting by the chairman, Mr F. A. Robinson: The net profit amounts to £59,237. There has been written off on account of depreciation of certain holdings £17,550. Your directors recommend the payment of a dividend of 5 per cent., leaving a balance to be carried forward of £23,764.

The dividend is subject to income-tax at 6s. in the £. The net dividend represents the equivalent of 7 per cent., less tax at 10s. in the £.

The net cash assets after deducting current liabilities amount to £170,462, and the company is thus in a position to take advantage of opportunities for investment in suitable undertakings as soon as conditions permit.

## RUBBER PLANTATIONS INVESTMENT TRUST, LIMITED

### REVENUE PROSPECTS

The thirty-fifth ordinary general meeting of this company was held, on the 22nd instant, in London, Mr H. J. Welch (the chairman) presiding.

The following is an extract from the chairman's address circulated with the accounts:—So far as can be foreseen the annual revenue likely to be received under present conditions will be more than cover annual expenditure. Although the "Trust" has £50,000 to the credit of its dividend equalisation reserve and has increased its "carry forward" much above the normal, the board does not, in the existing very abnormal conditions, feel justified in recommending payment of a dividend.

The Ministry of Food have continued to purchase the entire quantities of tea available for export from India, Ceylon and East Africa. Production has continued on the largest possible scale, but owing to shortage of manures and labour, crops will not reach the record figure attained in 1942.

Although strenuous efforts have been made to increase the output of crude rubber, the new supplies during the past year have not exceeded the quantity estimated. Stocks of crude rubber have therefore been drawn upon considerably, and as natural rubber is still required for all goods subjected to heavy wear and tear, it is vitally necessary that every effort should be made to increase the output. Naturally a cause of anxiety to plantation producers is the future competition of crude rubber with synthetics.

Whilst doubtless there are very difficult times ahead for the rubber plantation industry, I have no doubt it will find means to survive them successfully, and that once again it will take its useful place in the world's economy.

The report was adopted.

## LONDON AND RHODESIAN MINING AND LAND COMPANY, LIMITED

The adjourned ordinary general meeting of this company was held, on the 21st instant, in London, the Right Hon. Viscount Elibank, the chairman, presiding.

The following is an extract from the statement by the chairman circulated with the report and accounts:—There has again been an increase in our gross revenue, which, this year, is approximately £16,000 higher. The net profit is £86,136, which compares favourably with the previous two years; in 1942 the profit was £70,777 and in 1941 £55,715. The financial position shows a considerable improvement.

Our interests in Southern Rhodesia are widely spread, so that the amount which we have already contributed, and are contributing, directly and indirectly in taxation is very considerable. We are growing very anxious about the future and the result which this heavy taxation will have on the postwar position, in regard to capital assets and liquid resources.

The report and accounts were adopted.

# RECORDS and STATISTICS

## INDUSTRY AND TRADE

**Tea Crop Purchases.**—The Combined Food Board has agreed that the Ministry of Food shall be the sole purchaser of the exportable surpluses of tea in 1944 from India, Ceylon and East Africa, following the practice of last year. The purchases will be made by the Ministry on behalf of the Dominions, the Allies and of neutral countries, and through the Combined Food Board allocations will be made to all the countries concerned.

**Building Industry Training.**—The Board of Education has asked education authorities, in view of the importance of an increased supply of well-qualified recruits to the building in-

dustry, to explore the possibility of establishing new junior schools for building and enlarging existing schools, and, wherever wartime difficulties of staff and accommodation can be overcome, to have the arrangements for the new or additional intake ready as soon as possible this year. The transfer to the teaching service of suitable men born on or before June 22, 1910, at present employed in the building and allied trades will be facilitated. Pre-fabricated huts will be made available. The age of entry to the schools is about 13 years, and the courses are of two or three years' duration. Before the war the annual intake was about 300 boys. This figure has been raised to about 4,000

(Continued on page 416)



in the last two years, and it is hoped that it will reach 10,000 when the war is ended.

"The Economist" Sensitive Index.—There was no change in the index during the week ended March 22nd. The complete index (1935 = 100) was 151.2; crops, 123.2; and raw materials, 185.5.

## BRITISH WHOLESALE PRICES

|                                   | Mar. 14, 1944 | Mar. 21, 1944 |
|-----------------------------------|---------------|---------------|
| <b>GRAIN, etc.</b>                |               |               |
| Wheat                             | 51 2½         | 51 2½         |
| No. 1 N.Mt. 495 lb. f.o.b. St. J. | 15 7          | 15 8          |
| Eng. Gaz. av. per cwt. (c)        | 27 8          | 27 9          |
| Barley Eng. Gaz. av. per cwt. (c) | 16 6          | 16 4          |
| Oats (c)                          |               |               |

**JUTE** (per ton)—  
Daisee 2/3 c. and f. Dundee 40/15/0 41/10/0  
(c) Average for weeks ended March 11 and March 18.

## AMERICAN WHOLESALE PRICES

|                             | Mar. 14, 1944 | Mar. 21, 1944 |
|-----------------------------|---------------|---------------|
| <b>GRAINS</b> (per bushel)— |               |               |
| Wheat, Chicago, May         | 171½          | 173           |
| Oats, Chicago, May          | 81½           | 81½           |
| Rye, Chicago, May           | 128½          | 130½          |

**MISCELLANEOUS** (per lb.)—  
Cotton, N.Y., Am. mid., spot 21-66 21-81  
Am. mid., April 20-93 21-10  
Moody's Index of staple commodities, Dec. 31, 1931=100 250-8 251-0

## COST OF LIVING INDEX

July, 1914=100

| First Day of Month | Food | Rent | Clothing | Fuel and Light | Other Items | Total |
|--------------------|------|------|----------|----------------|-------------|-------|
| Sept., 1939.....   | 138  | 162  | 205-210  | 180-185        | 180         | 155   |
| " 1940.....        | 166  | 164  | 295      | 212            | 219         | 187   |
| " 1941.....        | 166  | 164  | 380-385  | 228            | 230         | 199   |
| " 1942.....        | 166  | 164  | 395-400  | 240            | 265         | 200   |
| " 1943.....        | 166  | 164  | 345      | 244            | 291         | 198   |
| Jan., 1943.....    | 164  | 164  | 370      | 244            | 268         | 199   |
| Feb., ".....       | 164  | 164  | 365      | 244            | 268         | 199   |
| Jan., 1944.....    | 168  | 164  | 340-345  | 244            | 291         | 199   |
| Feb., ".....       | 168  | 164  | 340-345  | 252            | 291         | 200   |
| Mar., ".....       | 168  | 168  | ...      | ...            | ...         | 200   |

Source: Ministry of Labour Gazette.

## INDICES OF WHOLESALE TRADE IN TEXTILES IN GREAT BRITAIN\*

(1937=100)

|                | Stocks (end year and month) | Home Trade | Total | % Change from a Year Ago |
|----------------|-----------------------------|------------|-------|--------------------------|
| 1937.....      | 100                         | 100        | 100   | + 1.0                    |
| 1938.....      | 94                          | 94         | 93    | - 7.0                    |
| 1939.....      | 86                          | 105        | 103   | +10.7                    |
| 1940.....      | 93                          | 118        | 116   | +12.6                    |
| 1941.....      | 93                          | 96         | 99    | -14.7                    |
| 1942.....      | 95                          | 104        | ...   | ...                      |
| 1943.....      | 108                         | 96         | ...   | ...                      |
| 1942, Dec..... | 95                          | 81         | 80    | +14.3                    |
| 1943, Jan..... | 113                         | 76         | 74    | - 2.6                    |
| " Dec.....     | 104                         | 78         | 78    | - 2.5                    |
| 1944, Jan..... | 122                         | 66         | 64    | -13.5                    |

Indices calculated by Wholesale Textile Association in collaboration with Bank of England.  
Purchase Tax is not included; figures are therefore comparable throughout.  
\* Publication of Indices of Export Sales suspended in September, 1942.  
Source: Board of Trade Journal.

INVESTMENT  
Stock Exchanges: London

## "FINANCIAL NEWS" INDICES

| 1944         | Total Bargains in S.E. List | Corres. Day 1943 | Security Indices | 30 Ord. shares* | 20 Fixed Int.† |
|--------------|-----------------------------|------------------|------------------|-----------------|----------------|
| Mar. 16..... | 4,583                       | 5,123            | 104.0            | 135.1           |                |
| " 17.....    | 4,628                       | 4,927            | 104.0            | 134.9           |                |
| " 20.....    | 6,126                       | 6,000            | 104.1            | 134.8           |                |
| " 21.....    | 5,023                       | 5,873            | 104.0            | 134.7           |                |
| " 22.....    | 4,448                       | 5,235            | 104.0            | 134.7           |                |

\* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1944: highest, 104.6 (Feb. 18); lowest, 103.0 (Feb. 28). 20 Fixed Int., 1944: highest, 135.4 (Feb. 23); lowest, 134.0 (Jan. 3).

## New York

STANDARD STATISTICS INDICES  
DAILY AVERAGE OF 50 COMMON STOCKS

| 1944       | Average | Transactions | 1944       | Average | Transactions |
|------------|---------|--------------|------------|---------|--------------|
| Mar. 10... | 119.0   | 1,148,000    | Mar. 14... | 120.6   | 1,007,000    |
| " 11...    | 119.3   | 680,000*     | " 15...    | 120.4   | 1,185,000    |
| " 13...    | 119.6   | 1,619,000*   | " 16...    | 121.0   | 1,594,000    |

1943: High, 125.4 (July 14). Low, 99.3 (Jan. 2). \* Two-hour session.

## (WEEKLY AVERAGES) (1935-36=100)

|                     | 1943 | Mar. 1, 1944 | Mar. 8, 1944 | Mar. 15, 1944 |
|---------------------|------|--------------|--------------|---------------|
| Low Jan. 6          |      |              |              |               |
| High July 13        |      |              |              |               |
| 37 Industrials..... | 81.1 | 133.5        | 96.2         | 98.4          |
| 32 Rails.....       | 72.6 | 99.9         | 97.7         | 97.0          |
| 40 Utilities.....   | 67.9 | 89.6         | 88.2         | 88.9          |
| 419 Stocks.....     | 78.5 | 100.9        | 95.0         | 96.8          |
| Av. yield %.....    | 5.36 | 4.35         | 4.78         | 4.67          |

\* Common Stocks. (a) Aug. 25.

## Capital Issues

| Week ending March 25, 1944. | Nominal Capital £ | Conversions £ | New Money £ |
|-----------------------------|-------------------|---------------|-------------|
| To Shareholders only.....   | 85,687            | ...           | 257,061     |
| By Permission to Deal.....  | 141,257           | ...           | 178,605     |

Particulars of Government issues appear on page 417.

Year† Including Conversions Excluding Conversions  
1944..... 218,587,445 208,294,789  
1943..... 419,775,119 411,456,825

## Destination\*

## Nature of Borrowing\*

| Year†     | U.K.        | Brit. Emp. ex U.K. | Foreign Countries | Deb.        | Pref.   | Ord.      |
|-----------|-------------|--------------------|-------------------|-------------|---------|-----------|
| 1944..... | 208,176,539 | 118,250            | Nil               | 207,081,125 | 551,749 | 661,915   |
| 1943..... | 410,669,325 | 787,600            | Nil               | 406,644,083 | 609,837 | 4,202,908 |

\* Conversions Excluded. † Includes Government issues to March 14, 1944, only. Above figures include all new capital in which permission to deal has been granted.

## FINANCE AND BANKING

**THE MONEY MARKET.**—The position in the money market has been exceptionally comfortable this week. This largely reflects preparations for London's Salute the Soldier Week, which are discussed in a note on page 407. The banks have been so well supplied with funds that despite the imminence of heavy calls on their resources, they have been persistent buyers of bills. These purchases have helped the market which obtained a 31 per cent. allotment at last week's Treasury Bill tenders. The Bank return shows an increase of £18,120,000 in Government securities. This movement symbolises the preparatory expansion in the cash basis. Of the expansionist effect of this increase and of a £2,000,000 rise in Other securities, £2,159,000 has been taken up by a further expansion in the note circulation. This, however, has allowed bankers' deposits to rise by £19,865,000 over the week.

**MONEY RATES, LONDON.**—The following rates remained unchanged between Mar. 17th and Mar. 23rd:—

Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days, 1½%; 3 months, 1½%; 4 months, 1½-1¾%; 6 months 1½-1¾%. Treasury Bills: 2 months, 1-1¼%; 3 months, 1-1¼%. Day-to-day money, 1-1½%. Short Loans, 1-1½%. Bank deposit rates, ½%. Discount deposit at call, ½%; at notice, ¾%.

**Exchange Rates.**—The following rates fixed by the Bank of England remained unchanged between Mar. 17th and Mar. 23rd. (Figures in brackets are par of exchange).

**United States.** \$ (4-86½) 4-02½-03½; mail transfers 4-02½-03½. **Canada.** \$ (4-86½) 4-43-47; mail transfers 4-43-47½. **Switzerland.** Francs (25-22½) 17-30-40. **French Empire.** Francs 197½-200½. **Syria.** p. 8-81-85. **Sweden.** Krona (18-159) T.T. 16-85-95. **Dutch West Indies.** Florin (12-11) 7-58-62. **Portugal.** Escudos (110) 99-80-100-20; mail transfers 99-80-100-30. **Panama.** \$ 4-02-04; mail transfers 4-02-04½. **Brazil.** \$ 83-64½ cr. (buying); mail transfers 83-56½. **Uruguay.** 7-6597 p. (buying).

**Fixed Rates for Payment at Bank of England for Clearing Offices.** Spain Pesetas 44-00. **Turkey.** Piastres 520. **Italy.** 71-25 lire.

**Market Rates.**—The following rates remained unchanged between Mar. 17th and Mar. 23rd.

**Egypt.** Piastres (87½) 97½-1. **India.** Rupee (18d. per rupee) 17½-18½. **Baleian Congo.** Francs 176½-1. **China.** National \$3-3½. **Iran.** Rl. 128-130.

**Special Accounts** are in force for Chile, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London. Rate for payment into Argentine special account: 16-08 pesos.

**Forward Rates.**—Forward rates for one month have remained unchanged as follows: **United States.** ½ cent pm-par. **Canada.** ½ cent pm-par. **Switzerland.** 5 cents pm-par. **Sweden.** 3 ore pm-par.

## NEW YORK EXCHANGE RATES

| New York on     | Mar. 15 | Mar. 16 | Mar. 17 | Mar. 18 | Mar. 20 | Mar. 21 | Mar. 22 |
|-----------------|---------|---------|---------|---------|---------|---------|---------|
| <b>Cables:—</b> |         |         |         |         |         |         |         |
| London.....     | 402½    | 402½    | 402½    | 402½    | 402½    | 402½    | 402½    |
| Montreal.....   | 89-430  | 89-375  | 89-310  | 89-430  | 89-310  | 89-310  | 89-310  |
| Zurich.....     | 28-80   | 28-80   | 27-80   | 27-40   | 27-00   | 27-00   | 27-00   |
| B. Aires.....   | 24-85*  | 24-85*  | 24-85*  | 24-90*  | 24-95*  | 24-95*  | 24-95*  |
| Rio.....        | 5-16    | 5-16    | 5-16    | 5-16    | 5-16    | 5-16    | 5-16    |
| Lisbon.....     | 4-10    | 4-10    | 4-10    | 4-10    | 4-10    | 4-10    | 4-10    |
| Barcelona.....  | 9-20    | 9-20    | 9-20    | 9-20    | 9-20    | 9-20    | 9-20    |
| Stockholm.....  | 23-86   | 23-86   | 23-86   | 23-86   | 23-86   | 23-86   | 23-86   |

\* Official buying rate 29-78.

† Free rate.

§ Bid.

## GOVERNMENT RETURNS

For the week ended Mar. 18, 1944, total ordinary revenue was £54,480,000, against ordinary expenditure of £124,507,000, and issues to sinking funds of £170,000. Thus, including sinking fund allocations of £14,961,015, the deficit accrued since April 1st is £2,682,114,000 against £2,720,903,000 for the corresponding period a year ago.

## ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

| Revenue                                    | Estimate 1943-44 | April 1 to Mar. 20, 1943 | April 1 to Mar. 18, 1944 | Week ended Mar. 18, 1943 | Week ended Mar. 18, 1944 |
|--------------------------------------------|------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| <b>ORDINARY REVENUE</b>                    |                  |                          |                          |                          |                          |
| Income Tax.....                            | 117,500          | 960,624                  | 1,133,180                | 24,628                   | 20,700                   |
| Sur-tax.....                               | 80,000           | 71,038                   | 71,872                   | 2,580                    | 2,780                    |
| Estate, etc.....                           | 100,000          | 90,066                   | 94,056                   | 1,915                    | 2,238                    |
| Duties.....                                | 17,000           | 13,580                   | 16,440                   | 400                      | ...                      |
| Stamps.....                                | 500,000          | 29,725                   | 30,707                   | 1,900                    | 412                      |
| N.D.C.....                                 | 500,000          | 337,877                  | 451,895                  | 7,020                    | 7,994                    |
| E.P.T.....                                 | 1,000            | 910                      | 878                      | 60                       | 10                       |
| Other Ind. Rev.....                        | 187,300          | 150,382                  | 179,902                  | 38,503                   | 34,134                   |
| <b>Total Ind. Rev.</b>                     | 187,300          | 150,382                  | 179,902                  | 38,503                   | 34,134                   |
| <b>EXPENDITURE</b>                         |                  |                          |                          |                          |                          |
| Customs.....                               | 525,320          | 447,642                  | 540,672                  | 11,845                   | 14,676                   |
| Excise.....                                | 450,180          | 407,400                  | 458,400                  | 2,600                    | 3,500                    |
| <b>Total Customs and Excise.....</b>       | 975,500          | 855,042                  | 999,072                  | 14,445                   | 18,276                   |
| Motor Duties.....                          | 25,000           | 28,224                   | 27,294                   | ...                      | ...                      |
| Canadian Govt. Contribution.....           | ...              | 224,719                  | ...                      | ...                      | ...                      |
| P.O. (Net Receipts).....                   | 400              | 9,977                    | ...                      | Dr. 23                   | ...                      |
| Wireless Licences.....                     | 4,700            | 4,200                    | 4,340                    | ...                      | ...                      |
| Crown Lands.....                           | 800              | 950                      | 980                      | ...                      | ...                      |
| Receipts from Sundry Loans.....            | 4,100            | 4,061                    | 6,449                    | 682                      | ...                      |
| Miscell. Receipts.....                     | 24,000           | 88,010                   | 73,385                   | 907                      | 2,070                    |
| <b>Total Ord. Rev.</b>                     | 2907500          | 2719013                  | 2910548                  | 54,513                   | 54,480                   |
| <b>SELF-BALANCING P.O. &amp; Brdcastg.</b> | 110,632          | 102,523                  | 107,100                  | 1,523                    | 1,450                    |
| <b>Total.....</b>                          | 3018132          | 2821536                  | 3017648                  | 56,036                   | 55,930                   |

| Expenditure                                | Estimate 1943-44 | April 1 to Mar. 20, 1943 | April 1 to Mar. 18, 1944 | Week ended Mar. 18, 1943 | Week ended Mar. 18, 1944 |
|--------------------------------------------|------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| <b>ORDINARY EXPENDITURE</b>                |                  |                          |                          |                          |                          |
| Ex. & Man. of Nat. Debt.....               | 375,000          | 308,681                  | 361,929                  | 3,528                    | 2,383                    |
| Payments to N. Ireland.....                | 9,500            | 8,080                    | 7,882                    | ...                      | ...                      |
| Other Cons. Fund Services.....             | 7,500            | 7,305                    | 7,007                    | 117                      | 69                       |
| <b>Total.....</b>                          | 392,000          | 324,067                  | 376,818                  | 3,645                    | 2,452                    |
| Supply Services.....                       | 547,027          | 510,178                  | 520,884                  | 12,240                   | 12,205                   |
| <b>Total Ord. Exp.</b>                     | 586,227          | 542,584                  | 557,702                  | 12,605                   | 12,450                   |
| <b>SELF-BALANCING P.O. &amp; Brdcastg.</b> | 110,632          | 102,523                  | 107,100                  | 1,523                    | 1,450                    |
| <b>Total.....</b>                          | 597,287          | 552,870                  | 568,480                  | 12,758                   | 12,597                   |

A change has been made in the method of showing an excess of Post Office Expenditure over Post Office Revenue. Such excess is now included as ordinary expenditure (under "Total Supply Services") instead of being shown, as up to July 24 inclusive, as a deduction from ordinary revenue.

After increasing Exchequer balances by £19,448 to £2,779,946, the other operations for the week (no longer shown separately) raised the gross National Debt by £72,155,120 to £19,525 millions.

## NET ISSUES (£ thousands)

|                                |       |
|--------------------------------|-------|
| War Damage Act.....            | 1,779 |
| P.O. and Telegraph.....        | 150   |
| Overseas Trade Guarantees..... | 9     |
| <b>Total.....</b>              | 1,938 |

## FLOATING DEBT (£ millions)

| (£ millions) |                |        |                         |                 |                     |
|--------------|----------------|--------|-------------------------|-----------------|---------------------|
| Date         | Treasury Bills |        | Ways and Means Advances |                 | Total Floating Debt |
|              | Tender         | Tap    | Public Depts.           | Bank of England |                     |
| 1943         |                |        |                         |                 |                     |
| Mar. 20      | 905.0          |        |                         | Not available   |                     |
| Nov. 20      | 1210.0         |        |                         |                 |                     |
| " 27         | 1210.0         | 1868.9 | 363.6                   | " 27.0          | 1291.0              |
| Dec. 4       | 1210.0         |        |                         | Not available   | 4760.5              |
| " 11         | 1210.0         |        |                         | " "             |                     |
| " 18         | 1210.0         |        |                         | " "             |                     |
| " 25         | 1210.0         |        |                         | " "             |                     |
| " 31         |                | 3115.2 | 367.0                   | " 65.2          | 1401.0              |
| 1944         |                |        |                         |                 | 4948.4              |
| Jan. 8       | 1210.0         |        |                         | Not available   |                     |
| " 15         | 1200.0         |        |                         | " "             |                     |
| " 22         | 1190.0         |        |                         | " "             |                     |
| " 29         | 1180.0         | 1936.2 | 290.6                   | " ...           | 1390.0              |
| Feb. 5       | 1170.0         |        |                         | Not available   | 4796.8              |
| " 12         | 1170.0         |        |                         | " "             |                     |
| " 19         | 1170.0         |        |                         | " "             |                     |
| " 26         | 1170.0         | 1946.9 | 340.3                   | " 32.3          | 1376.0              |
| Mar. 4       | 1170.0         |        |                         | Not available   | 4865.5              |
| " 11         | 1170.0         |        |                         | " "             |                     |
| " 18         | 1170.0         |        |                         | " "             |                     |

## TREASURY BILLS (£ millions)

| (£ millions)   |         |             |          |                             |                                |    |
|----------------|---------|-------------|----------|-----------------------------|--------------------------------|----|
| Date of Tender | Amount  |             |          | Average Rate of Allotment % | Per Cent Allotted at Min. Rate |    |
|                | Offered | Applied for | Allotted |                             |                                |    |
| 1943           |         |             |          |                             |                                |    |
| Mar. 19        | 75.0    | 169.9       | 75.0     | s. d.                       |                                | 30 |
| Nov. 26        | 90.0    | 197.1       | 90.0     | 20                          | 0.58                           | 30 |
| Dec. 3         | 90.0    | 201.0       | 90.0     | 20                          | 2.93                           | 30 |
| " 10           | 90.0    | 197.2       | 90.0     | 20                          | 2.19                           | 23 |
| " 17           | 90.0    | 198.2       | 90.0     | 20                          | 2.54                           | 28 |
| " 24           | 90.0    | 198.2       | 90.0     | 20                          | 1.68                           | 17 |
| " 31           | 90.0    | 183.2       | 90.0     | 20                          | 2.10                           | 26 |
|                |         | 217.0       | 90.0     | 19                          | 10.83                          | 41 |
| 1944           |         |             |          |                             |                                |    |
| Jan. 7         | 90.0    | 206.4       | 90.0     | 20                          | 2.76                           | 26 |
| " 14           | 90.0    | 202.5       | 90.0     | 20                          | 2.50                           | 26 |
| " 21           | 90.0    | 202.0       | 90.0     | 20                          | 2.54                           | 27 |
| " 28           | 90.0    | 193.2       | 90.0     | 20                          | 1.48                           | 32 |
| Feb. 4         | 90.0    | 203.3       | 90.0     | 20                          | 0.86                           | 22 |
| " 11           | 90.0    | 206.5       | 90.0     | 20                          | 0.81                           | 22 |
| " 18           | 90.0    | 189.4       | 90.0     | 20                          | 1.12                           | 27 |
| Mar. 3         | 90.0    | 194.0       | 90.0     | 19                          | 1.28                           | 31 |
| " 10           | 90.0    | 201.7       | 90.0     | 19                          | 11.85                          | 23 |
| " 17           | 90.0    | 190.1       | 90.0     | 20                          | 0.34                           | 31 |
| " 24           | 90.0    | 177.2       | 90.0     | 19                          | 11.84                          | 31 |

## OVERSEAS BANK RETURNS

U.S. FEDERAL RESERVE  
Million \$'s

|                                             | Mar. 18, 1943 | Mar. 2, 1944 | Mar. 9, 1944 | Mar. 16, 1944 |
|---------------------------------------------|---------------|--------------|--------------|---------------|
| 12 U.S.F.R. BANKS                           |               |              |              |               |
| RESOURCES:                                  |               |              |              |               |
| Gold certifs. on hand and due from Treasury | 20,407        | 19,903       | 19,258       | 19,235        |
| Total reserves                              | 20,636        | 19,894       | 19,833       | 19,827        |
| Total cash reserves                         | 391           | 349          | 329          | 322           |
| Total U.S. Govt. sec.                       | 6,266         | 11,624       | 12,029       | 12,110        |
| Total loans and sec.                        | 6,290         | 11,671       | 12,091       | 12,186        |
| Total resources                             | 29,244        | 33,472       | 33,663       | 34,277        |
| LIABILITIES                                 |               |              |              |               |
| F.R. notes in circ.                         | 12,651        | 17,339       | 17,443       | 17,491        |
| Excess mr. bank res.                        | 2,130         | 1,200        | 1,000        | 1,300         |
| Mr. bank res. dep.                          | 13,516        | 12,380       | 12,383       | 12,705        |
| Govt. deposits                              | 14,651        | 14,334       | 14,557       | 14,703        |
| Total liabilities                           | 29,244        | 33,472       | 33,663       | 34,277        |
| Reserve ratio                               | 76.3%         | 62.8%        | 62.0%        | 61.6%         |
| BANK AND TREASURY RESOURCES:                |               |              |              |               |
| Monetary gold stock                         | 22,610        | 21,712       | 21,670       | 21,670        |
| Treasury & bank currency                    | 3,979         | 4,091        | 4,090        | 4,089         |
| LIABILITIES                                 |               |              |              |               |
| Money in circulation                        | 16,115        | 20,823       | 20,963       | 21,006        |
| Treasury cash and dep.                      | 2,230         | 2,490        | 2,609        | 2,419         |

## AUSTRALIAN COMMONWEALTH BANK—Million £A's

|                           | Jan. 25, 1943 | Jan. 10, 1944 | Jan. 17, 1944 | Jan. 24, 1944 |
|---------------------------|---------------|---------------|---------------|---------------|
| ASSETS                    |               |               |               |               |
| Gold and English ster.    | 31.39         | 41.79         | 41.79         | 41.79         |
| Other coin, bullion, etc. | 11.36         | 10.55         | 11.31         | 10.85         |
| Call money, London        | 45.89         | 52.85         | 50.44         | 50.61         |
| Secrts and Treas. bills   | 164.86        | 244.41        | 249.95        | 245.85        |
| Discounts and advances    | 21.92         | 18.72         | 22.85         | 24.85         |
| LIABILITIES               |               |               |               |               |
| Notes issued              | 124.11        | 164.26        | 164.26        | 163.26        |
| Deposits, etc.            | 155.32        | 176.05        | 179.97        | 174.93        |

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

|                        | Jan. 18, 1943 | Jan. 3, 1944 | Jan. 10, 1944 | Jan. 17, 1944 |
|------------------------|---------------|--------------|---------------|---------------|
| ASSETS                 |               |              |               |               |
| Gold and stg. exch.    | 30.25         | 37.71        | 37.77         | 38.80         |
| Advances to State      | 32.06         | 41.48        | 41.75         | 41.32         |
| Investments            | 4.46          | 10.32        | 10.32         | 10.32         |
| LIABILITIES            |               |              |               |               |
| Bank notes             | 30.10         | 37.54        | 37.08         | 36.67         |
| Demands liab.: State   | 12.62         | 14.85        | 18.36         | 14.09         |
| Bankers and others     | 22.89         | 33.90        | 33.14         | 38.32         |
| Reserve to sight liab. | 46.1          | 43.7         | 42.6          | 43.5          |

## RESERVE BANK OF INDIA

## Million rupees

|                       | Mar. 5, 1943 | Feb. 11, 1944 | Feb. 18, 1944 | Feb. 25, 1944 | Mar. 3, 1944 |
|-----------------------|--------------|---------------|---------------|---------------|--------------|
| ASSETS                |              |               |               |               |              |
| Gold coin & bullion   | 444          | 444           | 444           | 444           | 444          |
| Rupee coin            | 123          | 137           | 135           | 138           | 130          |
| Balances abroad       | 916          | 1,176         | 1,264         | 1,348         | 1,514        |
| Sterling securities   | 3,957        | 7,638         | 7,638         | 7,638         | 7,688        |
| Ind. Govt. rup. sec.  | 1,825        | 583           | 583           | 583           | 583          |
| Investments           | 63           | 82            | 82            | 85            | 85           |
| LIABILITIES           |              |               |               |               |              |
| Notes in circ.: India | 6,254        | 8,706         | 8,691         | 8,676         | 8,740        |
| Deposits: Govt.       | 324          | 518           | 540           | 707           | 786          |
| Bankers               | 529          | 568           | 597           | 581           | 628          |
| Reserve ratio         | 69.3%        | 91.8%         | 91.9%         | 91.8%         | 92.0%        |

## CENTRAL BANK OF ARGENTINA

## Million paper pesos

|                          | Jan. 31, 1943 | Dec. 31, 1943 | Jan. 15, 1944 | Jan. 31, 1944 |
|--------------------------|---------------|---------------|---------------|---------------|
| ASSETS                   |               |               |               |               |
| Gold at home             | 1,076         | 1,091         | 1,095         | 1,102         |
| Other gold and for exch. | 1,129         | 2,109         | 2,156         | 2,216         |
| Non-int. Govt. bonds     | 113           | 101           | 101           | 100           |
| Treasury bonds           | 392           | 791           | 786           | 785           |
| LIABILITIES              |               |               |               |               |
| Notes in circulation     | 1,594         | 1,886         | 1,863         | 1,904         |
| Deposits: Government     | 185           | 448           | 448           | 480           |
| Bankers                  | 815           | 1,116         | 1,184         | 1,190         |
| Certs. of participation  | 26            | 444           | 444           | 423           |
| Reserve ratio            | 80.5%         | 87.5%         | 87.9%         | 87.6%         |

## BANK OF PORTUGAL

## Million escudos

|                      | Jan. 6, 1943 | Oct. 20, 1943 | Nov. 30, 1943 | Dec. 29, 1943 |
|----------------------|--------------|---------------|---------------|---------------|
| ASSETS               |              |               |               |               |
| Gold                 | 1390.7       | 1398.2        | 1398.4        | 1398.4        |
| Balances abroad      | 3404.5       | 4129.5        | 4270.2        | 4388.9        |
| Discounts            | 221.9        | 232.9         | 229.5         | 226.8         |
| Securities           | 399.1        | 398.5         | 398.5         | 398.5         |
| LIABILITIES          |              |               |               |               |
| Notes in circulation | 5454.5       | 6506.8        | 6732.3        | 6816.9        |
| Deposits: Government | 1938.4       | 2284.7        | 2281.2        | 2281.7        |
| Bankers              | 4297.7       | 4758.5        | 4973.6        | 5297.5        |
| Others               | 381.1        | 445.0         | 417.0         | 347.5         |
| Foreign commitments  | 235.1        | 257.6         | 276.9         | 247.2         |

## BANK OF CANADA

## Million Can. \$'s

|                      | Feb. 24, 1943 | Jan. 26, 1944 | Feb. 2, 1944 | Feb. 9, 1944 |
|----------------------|---------------|---------------|--------------|--------------|
| ASSETS               |               |               |              |              |
| Reserve: Gold        | 0.3           | 0.44          | 0.44         | 0.4          |
| Securities           | 997.9         | 1284.87       | 1283.76      | 1278         |
| LIABILITIES          |               |               |              |              |
| Note circulation     | 689.4         | 861.15        | 862.24       | 863          |
| Deposits: Dom. Govt. | 23.7          | 46.12         | 26.90        | 40           |
| Chartered banks      | 268.9         | 349.36        | 352.31       | 338          |

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

## SWISS NATIONAL BANK

## Million Swiss Frs.

|                      | May 15, 1943 | Feb. 7, 1944 | Feb. 15, 1944 | Feb. 23, 1944 |
|----------------------|--------------|--------------|---------------|---------------|
| ASSETS               |              |              |               |               |
| Gold                 | 3715.2       | 4222.5       | 4226.7        | 4233          |
| Foreign exchange     | 66.1         | 78.4         | 85.5          | 93            |
| Discounts, etc.      | 89.5         | 100.5        | 100.4         | 107           |
| Advances             | 15.6         | 14.6         | 14.2          | 14            |
| Securities           | 64.8         | 64.7         | 64.7          | 64            |
| LIABILITIES          |              |              |               |               |
| Notes in circulation | 2526.3       | 2864.8       | 2829.0        | 2837          |
| Other sight liab.    | 232.6        | 244.3        | 243.0         | 248           |

## CENTRAL BANK OF IRELAND

## Million £'s

|                      | Feb. 19, 1944 | Feb. 26, 1944 | Mar. 4, 1944 | Mar. 11, 1944 |
|----------------------|---------------|---------------|--------------|---------------|
| ASSETS               |               |               |              |               |
| Gold                 | 2.65          | 2.65          | 2.65         | 2.65          |
| British Govt. sec.   | 22.91         | 22.91         | 22.91        | 22.91         |
| Sterling balances    | 1.58          | 1.60          | 1.93         | 2.4           |
| LIABILITIES          |               |               |              |               |
| Notes in circulation | 27.61         | 27.65         | 27.96        | 28.4          |

## SOUTH AFRICAN RESERVE BANK

## Million £'s

|                          | Jan. 15, 1943 | Dec. 31, 1943 | Jan. 7, 1944 | Jan. 14, 1944 |
|--------------------------|---------------|---------------|--------------|---------------|
| ASSETS                   |               |               |              |               |
| Gold coin and bullion    | 71.96         | 85.62         | 85.85        | 86.8          |
| Bills discounted         | 11.42         | 13.35         | 13.17        | 15.6          |
| Invest. and other assets | 66.75         | 92.43         | 90.95        | 92.6          |
| LIABILITIES              |               |               |              |               |
| Notes in circulation     | 36.74         | 51.02         | 49.24        | 47.8          |
| Deposits: Government     | 3.77          | 5.38          | 4.57         | 8.2           |
| Bankers                  | 100.71        | 124.92        | 126.11       | 129.9         |
| Others                   | 6.14          | 6.33          | 6.38         | 5.2           |
| Reserve ratio            | 49.1%         | 45.9%         | 46.1%        | 45.7%         |

## COMPANY RESULTS (March 8, 1944, to March 22, 1944)

| Company                              | Year Ended | Total Profit | Deprecia- tion, etc. | Net Profit after Deb. Interest | Available for Distribution | Appropriation |           |        |                  | + or - in Carry Forward | Preceding Year |            |           |  |
|--------------------------------------|------------|--------------|----------------------|--------------------------------|----------------------------|---------------|-----------|--------|------------------|-------------------------|----------------|------------|-----------|--|
|                                      |            |              |                      |                                |                            | Prof. Div.    | Ord. Div. | Rate   | To Free Reserves |                         | Total Profit   | Net Profit | Ord. Div. |  |
| Breweries, &c.                       |            |              |                      |                                |                            |               |           |        |                  |                         |                |            |           |  |
| Bentley Brewery Co.                  | Dec. 31    | 590,610      | ...                  | Dr. 37,403                     | 168,481                    | 21,000        | 73,601    | 25     | £                | £                       | 475,613        | 99,819     | 25        |  |
| Courage & Co.                        | Dec. 31    | 326,455      | ...                  | 158,931                        | 260,263                    | 25,000        | 100,000   | 15     | 25,247           | + 132,004               | 432,783        | 227,795    | 15        |  |
| Meux's Brewery Co.                   | Dec. 31    | 329,611      | 23,281               | 64,364                         | 195,889                    | 13,513        | 51,888    | 10     | ...              | + 3,684                 | 432,783        | 227,795    | 10        |  |
| Octagon Brewery Limited              | Dec. 31    | 24,121       | ...                  | 14,298                         | 25,561                     | 2,000         | 9,450     | 13½    | 3,000            | + 1,037                 | 283,312        | 57,656     | 8         |  |
| Coal, Iron and Steel                 |            |              |                      |                                |                            |               |           |        |                  |                         |                |            |           |  |
| Bairds & Dalmenington                | Dec. 31    | 230,791      | ...                  | 230,791                        | 396,300                    | ...           | 130,499   | 16     | 100,000          | + 292                   | 227,769        | 227,769    | 16        |  |
| Baker (John) & Bessemer              | Dec. 31    | 84,734       | ...                  | 23,685                         | 47,098                     | 7,820         | 12,398    | 10     | ...              | + 3,467                 | 82,414         | 23,119     | 10        |  |
| Baldwins Limited                     | Dec. 31    | 383,659      | 175,000              | 202,509                        | 265,940                    | 51,180        | 124,737   | 10     | ...              | + 25,592                | 330,938        | 185,075    | 10        |  |
| Donnan, Long & Co.                   | Sept. 30   | 1,106,938    | 275,000              | 604,830                        | 660,576                    | 238,803       | 208,620   | 16 & 8 | 150,000          | + 7,425                 | 1,058,397      | 515,830    | 16 & 8    |  |
| Guest, Keen, Baldwins.               | Dec. 31    | 684,141      | 375,000              | 155,964                        | 246,256                    | 39,053        | 110,250   | 6      | ...              | + 6,661                 | 661,043        | 221,220    | 6         |  |
| Lloyd (Richard) Limited              | Dec. 31    | 18,398       | ...                  | 15,137                         | 25,922                     | 1,089         | 7,500     | 20     | 10,000           | + 3,452                 | 15,820         | 14,970     | 20        |  |
| Rivet, Bolt & Nut Co.                | Dec. 31    | 60,385       | 15,723               | 39,661                         | 50,609                     | ...           | 25,781    | 10     | 10,000           | + 3,880                 | 58,739         | 38,663     | 10        |  |
| Electric Lighting and Power          |            |              |                      |                                |                            |               |           |        |                  |                         |                |            |           |  |
| British Power & Light Corporation    | Dec. 31    | 344,694      | ...                  | 126,983                        | 272,446                    | 43,500        | 71,050    | 7      | ...              | + 12,433                | 356,564        | 141,124    | 7         |  |
| Lancashire Electric Light, &c.       | Dec. 31    | 444,754      | ...                  | 170,202                        | 185,617                    | 61,990        | 108,750   | 7½     | ...              | + 538                   | 457,694        | 172,047    | 7½        |  |
| Midland Counties Electric            | Dec. 31    | 360,111      | ...                  | 267,780                        | 292,365                    | 81,250        | 120,000   | 8      | 66,000           | + 530                   | 329,832        | 272,841    | 8         |  |
| Financial, Land, &c.                 |            |              |                      |                                |                            |               |           |        |                  |                         |                |            |           |  |
| Artizans' & General Dwellings        | Dec. 31    | 427,037      | ...                  | 90,822                         | 164,603                    | 26,562        | 52,760    | 6      | ...              | + 11,500                | 416,785        | 21,023     | 6         |  |
| Blantyre & East Africa               | Sept. 30   | 50,376       | 2,774                | 29,667                         | 43,464                     | 459           | 12,000    | 10     | 10,000           | + 7,208                 | 49,686         | 18,526     | 10        |  |
| City Offices Co.                     | Dec. 31    | 34,059       | ...                  | Dr. 1,283                      | 388                        | 649           | ...       | ...    | ...              | + 1,937                 | 34,439         | Dr. 1,189  | ...       |  |
| Java Investment, Loan, &c.           | Dec. 31    | 16,026       | ...                  | 7,608                          | 21,667                     | 5,000         | ...       | ...    | ...              | + 2,608                 | 14,428         | 6,431      | 2½        |  |
| Lamson Investments                   | Dec. 31    | 143,011      | ...                  | 9,904                          | 114,541                    | 25,000        | 67,500    | 2½     | ...              | + 1,404                 | 119,985        | 93,641     | 2½        |  |
| Law Land Co.                         | Dec. 31    | 279,469      | ...                  | 32,087                         | 37,682                     | 15,750        | 14,000    | 4      | ...              | + 2,337                 | 260,836        | 31,600     | 4         |  |
| Pataling Royalties                   | Dec. 31    | 595          | ...                  | 129                            | 5,034                      | 4,500         | ...       | ...    | ...              | + 1,871                 | 638            | 70         | 50        |  |
| Properties Selection & Invest. Trust | Sept. 30   | 22,081       | ...                  | 2,225                          | 3,597                      | ...           | ...       | ...    | ...              | + 955                   | 19,665         | 4,602      | ...       |  |
| Property & Reversionary Investment   | Dec. 31    | 52,106       | ...                  | 6,605                          | 19,042                     | 3,750         | 2,180     | 5      | 1,000            | + 2,855                 | 48,657         | 1,865      | ...       |  |
| Sackville Estates                    | Dec. 31    | 23,570       | ...                  | 4,533                          | 18,448                     | ...           | 4,500     | 3      | ...              | + 33                    | 19,936         | 3,845      | 2½        |  |
| Hotels, Restaurants, &c.             |            |              |                      |                                |                            |               |           |        |                  |                         |                |            |           |  |
| Carlton Hotel Limited                | Aug. 31    | 78,107       | ...                  | 16,014                         | 23,744                     | ...           | ...       | ...    | ...              | + 16,014                | 42,219         | 4,171      | ...       |  |
| Holborn & Frascati                   | Dec. 31    | 41,835       | ...                  | 19,247                         | 30,117                     | 3,750         | 5,800     | 5      | 10,000           | + 303                   | 54,158         | 29,196     | ...       |  |
| Rubber                               |            |              |                      |                                |                            |               |           |        |                  |                         |                |            |           |  |
| Beh Lias Rubber Estates              | Oct. 31    | 9,996        | ...                  | 1,859                          | Dr. 5,409                  | ...           | ...       | ...    | ...              | + 1,859                 | 31,077         | Dr. 93,615 | ...       |  |
| (Java) Estates                       | Dec. 31    | 136          | ...                  | Dr. 2,669                      | Dr. 7,835                  | ...           | ...       | ...    | ...              | + 2,669                 | 133            | Dr. 9,971  | ...       |  |
| Plantations                          | Dec. 31    | 1,529        | ...                  | Dr. 16,843                     | 14,596                     | 700           | ...       | ...    | ...              | + 17,343                | 986            | Dr. 18,154 | ...       |  |
| Total Rubber                         | Dec. 31    | 4,305        | ...                  | 60,837                         | 60,837                     | ...           | ...       | ...    | ...              | + 1,832                 | 2,664          | 715        | ...       |  |
| (Java) Rubber                        | Dec. 31    | 95           | ...                  | Dr. 742                        | 631                        | ...           | ...       | ...    | ...              | + 742                   | 88             | Dr. 1,223  | ...       |  |
| Cust. Fongon Rubber                  | Aug. 31    | 3,578        | ...                  | 107                            | 8,725                      | ...           | ...       | ...    | ...              | + 107                   | 13,763         | Dr. 8,535  | ...       |  |
| Excl. Selor (Malaya) Rubber          | Dec. 31    | 180          | ...                  | Dr. 4                          | 1,150                      | ...           | ...       | ...    | ...              | + 4                     | 236            | Dr. 270    | ...       |  |
| states                               | Sept. 30   | 245          | ...                  | 7,887                          | 4,428                      | ...           | ...       | ...    | ...              | + 7,887                 | 3,912          | 2,368      | ...       |  |
| M.S. Rubber                          | Dec. 31    | 120          | ...                  | Dr. 267                        | 3,314                      | ...           | ...       | ...    | ...              | + 267                   | 152            | Dr. 770    | ...       |  |
| Shops and Stores                     |            |              |                      |                                |                            |               |           |        |                  |                         |                |            |           |  |
| Wm. Hardy & Willis                   | Dec. 31    | 214,759      | ...                  | 201,159                        | 304,023                    | 140,000       | 59,375    | 25½    | ...              | + 1,784                 | 211,395        | 197,795    | 25½       |  |
| Garage (A. W.)                       | Jan. 31    | 96,265       | ...                  | 15,264                         | 108,482                    | 4,812         | 18,750    | 7½     | ...              | + 15,327                | 112,894        | 28,072     | 7½        |  |
| Lennards Limited                     | Dec. 25    | 70,868       | 8,221                | 15,648                         | 40,769                     | 5,125         | 7,500     | 25     | 7,500            | + 827                   | 81,264         | 20,236     | 25        |  |
| Mappin & Webb                        | Dec. 31    | 325,834      | ...                  | 50,601                         | 124,710                    | 22,500        | 12,500    | 12     | ...              | + 15,301                | 185,729        | 47,024     | 12        |  |
| Morris & Jones                       | Dec. 31    | 31,347       | ...                  | 30,347                         | 52,752                     | 10,500        | 9,687     | 7      | 10,000           | + 3,547                 | 23,186         | 21,386     | 7         |  |
| Morris (J. R.) Stores                | Feb. 14    | 25,331       | 929                  | 10,455                         | 19,467                     | 1,000         | 7,000     | 8      | ...              | + 2,332                 | 28,730         | 10,643     | 8         |  |
| Robinson (Peter) Limited             | Dec. 31    | 184,679      | 12,020               | 27,285                         | 70,575                     | ...           | ...       | ...    | ...              | + 27,285                | 167,502        | 12,845     | ...       |  |
| Sears (J.) & Co. (Trust Form Boot)   | Dec. 31    | 235,068      | ...                  | 157,266                        | 295,755                    | 111,642       | 34,765    | 12½    | 10,000           | + 859                   | 235,129        | 15,611     | 12½       |  |
| Sears & Edgar                        | Jan. 31    | 71,577       | 6,283                | 50,153                         | 137,449                    | ...           | 50,000    | 4      | ...              | + 153                   | 88,685         | 51,013     | 4         |  |
| Textiles                             |            |              |                      |                                |                            |               |           |        |                  |                         |                |            |           |  |
| Barns-Wear Limited                   | Dec. 14    | 80,190       | ...                  | 16,492                         | 26,740                     | 4,125         | 12,403    | 15     | ...              | + 36                    | 95,910         | 20,735     | 15        |  |
| Bradford Dyers' Association          | Dec. 31    | 434,432      | ...                  | 171,023                        | 190,586                    | 63,730        | 45,176    | 4      | 50,000           | + 12,117                | 443,882        | 170,717    | ...       |  |
| Flaming, Reid & Co.                  | Dec. 31    | 104,095      | ...                  | 17,809                         | 66,576                     | 5,250         | 7,312     | 7      | ...              | + 20,253                | 208,422        | 92,036     | 7         |  |
| Hath (G. H.) & Co.                   | Dec. 31    | 48,408       | 13,814               | 28,044                         | 54,669                     | 9,000         | 18,750    | 12½    | ...              | + 294                   | 56,372         | 39,534     | 12½       |  |
| Hill (Geo. H.) & Co.                 | Dec. 31    | 22,085       | 3,000                | 5,709                          | 13,355                     | ...           | 4,531     | 7½     | ...              | + 1,178                 | 36,057         | 4,486      | 7½        |  |
| Holmes (William) & Co.               | Dec. 31    | 267,809      | ...                  | 55,214                         | 76,963                     | 2,250         | 38,100    | 6      | 20,000           | + 5,136                 | 279,455        | 44,984     | 6         |  |
| Jackson & Streple                    | Dec. 29    | 28,279       | 1,885                | 13,595                         | 23,163                     | 7,875         | 22½       | 5,000  | ...              | + 720                   | 25,389         | 14,984     | ...       |  |
| Woolcombers Limited                  | Dec. 31    | 133,713      | ...                  | 69,959                         | 115,119                    | 15,750        | 65,000    | 16½    | ...              | + 10,791                | 110,428        | 78,331     | 16½       |  |
| Trusts                               |            |              |                      |                                |                            |               |           |        |                  |                         |                |            |           |  |
| British Assets Trust                 | Jan. 15    | 351,940      | ...                  | 117,007                        | 170,443                    | 65,494        | 36,899    | 15     | 11,145           | + 3,469                 | 343,691        | 113,685    | 15        |  |
| English & Scottish Investors         | Jan. 31    | 49,602       | ...                  | 20,145                         | 39,895                     | 12,000        | 6,400     | 4      | ...              | + 1,746                 | 47,022         | 18,673     | 4         |  |
| General & Commercial Investment      | Feb. 29    | 27,413       | ...                  | 15,029                         | 19,201                     | 7,970         | 5,679     | 7      | ...              | + 1,480                 | 26,165         | 13,538     | 7         |  |
| London & Clydesdale Trust            | Feb. 1     | 92,364       | ...                  | 33,600                         | 101,808                    | 11,719        | 10,938    | 7      | ...              | + 10,943                | 90,027         | 33,003     | 7         |  |
| Merchants Investment & General       | Jan. 31    | 227,170      | ...                  | 153,842                        | 274,665                    | 44,884        | 89,687    | 10     | 15,000           | + 4,311                 | 252,122        | 145,856    | 10        |  |
| Merchants Trust Limited              | Jan. 31    | 156,896      | ...                  | 58,023                         | 136,581                    | 32,500        | 24,121    | 5½     | ...              | + 1,402                 | 158,227        | 26,302     | 5½        |  |
| Premier Investment Co.               | Jan. 31    | 136,179      | ...                  | 31,357                         | 31,357                     | 23,063        | 7,687     | 2½     | ...              | + 607                   | 137,151        | 26,302     | 2½        |  |
| Scottish Eastern Investment Trust    | Jan. 31    | 94,939       | ...                  | 30,143                         | 63,341                     | 11,713        | 11,267    | 6      | 5,000            | + 2,163                 | 92,226         | 27,927     | 6         |  |
| Scottish Northern Investment Trust   | Feb. 5     | 94,972       | ...                  | 60,714                         | 90,292                     | 19,125        | 37,500    | 12½    | ...              | + 4,039                 | 92,123         | 59,368     | 12½       |  |
| Union Commercial Investment          | Jan. 31    | 45,139       | ...                  | 12,874                         | 14,212                     | 11,625        | 2,325     | 1½     | ...              | + 1,076                 | 46,817         | 11,616     | 1½        |  |
| United States Debenture Corporation  | Jan. 31    | 245,430      | ...                  | 167,350                        | 167,350                    | 57,750        | 100,000   | 10     | 9,600            | ...                     | 237,347        | 166,461    | 10        |  |
| Other Companies                      |            |              |                      |                                |                            |               |           |        |                  |                         |                |            |           |  |
| AntiAttrition Metal                  | July 31    | 72,708       | ...                  | 12,562                         | 15,146                     | ...           | 13,125    | 15     | ...              | + 563                   | 29,098         | 5,030      | ...       |  |
| Borax Consolidated                   | Sept. 30   | 679,760      | ...                  | 118,783                        | 379,782                    | 40,000        | 48,750    | 7½     | 30,000           | + 33                    | 631,942        | 122,658    | 7½        |  |
| British Pepper & Spice Co.           | Dec. 31    | 19,613       | ...                  | 9,412                          | 13,066                     | ...           | 8,000     | 10     | ...              | + 1,412                 | 24,380         | 7,069      | 10        |  |
| British Thomson-Houston Co.          | Dec. 31    | 580,362      | 226,435              | 266,697                        | 520,868                    | 52,500        | 70,000    | 7      | 150,000          | + 5,803                 | 562,883        | 259,258    | 7         |  |
| Brown & Wade                         | Sept. 30   | 237,533      | 20,305               | 22,576                         | 54,042                     | 3,450         | 16,875    | 22½    | ...              | + 2,251                 | 214,839        | 38,163     | 22½       |  |
| Churchill & Sim.                     | Dec. 31    | 40,238       | ...                  | 27,553                         | 31,786                     | 16,500        | 5,000     | 5      | 5,000            | + 1,053                 | 32,003         | 27,276     | 5         |  |
| Consolidated Signal Co.              | Sept. 30   | 20,532       | ...                  | 27,200                         | 28,963                     | 6,426         | 20,700    | 27½    | ...              | + 94                    | 24,624         | 24,302     | 27½       |  |
| Copestake, Crampton & Co.            | Dec. 31    | 54,155       | 1,644                | 14,138                         | 20,946                     | ...           | 12,500    | 5      | ...              | + 1,638                 | 98,407         | 12,500     | 5         |  |
| Doulton & Co.                        | Dec. 31    | 116,670      | 30,342               | 58,402                         | 133,414                    | 17,500        | 25,000    | ...    | ...              | + 15,902                | 147,282        | 42,804     | ...       |  |
| Engineering Components               | Dec. 31    | 26,771       | ...                  | 22,100                         | 34,376                     | ...           | 15,625    | 25     | ...              | + 4,225                 | 24,902         | 20,533     | 25        |  |
| Hessons Telephones                   | Dec. 31    | 363,176      | 30,000               | 112,837                        | 143,905                    | 13,998        | 75,007    | 20½    | 20,000           | + 3,261                 | 330,905        | 110,960    | 20½       |  |
| France (Wm.), Fenwick & Co.          | Dec. 31    | 158,488      | 23,537               | 41,604                         | 58,116                     | 4,125         | 37,500    | 10     | ...              | + 21                    | 193,427        | 32,912     | 10        |  |
| Gallaher Limited                     | Oct. 31    | 893,343      | ...                  | 368,380                        | 560,521                    | 32,500        | 234,788   | 27½    | 100,000          | + 1,092                 | 872,464        | 388,334    | 27½       |  |
| Guthrie (William) & Co.              | Dec. 31    | 1,896        | ...                  | 7,786                          | 12,122                     | ...           | 6,875     | 5      | ...              | + 911                   | 16,532         | 5,706      | 5         |  |
| Supply & Co.                         | Dec. 31    | 452,659      | ...                  | 8,707                          | 8,949                      | 4,000         | 1,500     | 6      | 1,000            | + 2,207                 | 24,661         | 5,511      | 6         |  |
| Ice Limited                          | Dec. 31    | 259,914      | ...                  | 102,133                        | 122,818                    | 16,500        | 80,000    | 20     | ...              | + 5,603                 | 328,850        | 72,601     | 20        |  |
| Oil Co.                              | Dec. 31    | 80,733       | 15,000               | 149,335                        | 245,406                    | 9,100         | 97,713    | 30     | 40,000           | + 2,522                 | 262,296        | 150,419    | 30        |  |
| Oil Combustion                       | Sept. 30   | 216,249      | ...                  | 86,390                         | 119,069                    | 4,500         | 52,755    | 30     | 5,000            | + 1,012                 | 80,199         | 48,922     | 30        |  |
| Paint & Compositions                 | Dec. 31    | 274,147      | 5,216                | 162,142                        | 183,765                    | 12,000        | 106,900   | 20     | 40,000           | + 29,135                | 226,553        | 60,298     | 20        |  |
| Newspapers                           | Dec. 31    | 1,114,445    | ...                  | 471,173                        | 717,181                    | 255,000       | 100,000   | 8      | 100,000          | + 16,173                | 1,053,839      | 160,522    | 8         |  |
| London Paragon Supply                | Jan. 31    | 98,359       | ...                  | 91,586                         | 159,422                    | 36,000        | 50,020    | 10     | ...              | + 5,566                 | 96,263         | 49,087     | 10        |  |
| Landon Brick Co.                     | Dec. 31    | 235,660      | ...                  | 232,530                        | 338,500                    | 32,000        | 200,000   | 10     | ...              | + 530                   | 262,710        | 234,800    | 10        |  |
| Nathan (Joseph) & Co.                | Sept. 30   | 176,560      | ...                  | 84,298                         | 111,948                    | 51,000        | 7,963     | 10½    | 20,000           | + 5,335                 | 174,773        | 82,942     | 10½       |  |
| Natural Gas & Oil Engine             | Dec. 31    | 67,263       | ...                  | 65,263                         | 96,719                     | 12,000        | 30,000    | 5      | 22,175           | + 2,088                 | 59,103         | 58,103     | 5         |  |
| Peel, Fegan & Co.                    | Dec. 31    | 282,908      | ...                  | 63,778                         | 96,061                     | 27,500        | 25,000    | 5½     | ...              | + 11,278                | 295,185        | 50,555     |           |  |



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ESTABLISHED 1843

Vol. CXLVI No. 5249

REGISTERED AS  
A NEWSPAPER

APRIL 1, 1944

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

ONE  
SHILLING

Permanent Defence Policy - 421

Zionism in America - 432

Deadlock in Palestine? - 422

Canadian Army Policy - 434

Civil Aviation - 424

Steel Shares - 438

NOTES OF THE WEEK - 426

THE BUSINESS WORLD

Eastern Sedan?; Balkan Politics; Equal Pay; Telling the World; Another Coal Crisis; Demobilisation; Ex-Service Industries; Plain Speaking; Salute the Soldier; Germany's Balkan Losses; Second Thoughts on Trade; New Views; Treating the Offender; The Health of Luton; Right of Asylum; France's Future; To Adjust or to Cure; Shorter Notes.

BUSINESS NOTES - 439

Mr Churchill on Housing; Opposition to Progress; Railway Revenue and Costs; Road Haulage Criticised; Water Supplies; Bombay Bullion Boom; Gold Price Raised; Persian Silver Sale; Ultimatum to Alberta?; The Banks' Salute; Vickers Limited; Shipbuilders' Wages; Whaling Agreement; Unit Trust Constitution; US National Income; US Manpower; Census of Production; Company Result.

AMERICAN SURVEY - 432

Zionism in America; Front in the Orient.

THE WORLD OVERSEAS - 434

Canadian Army Policy; Destitute Greece; Feeding Switzerland; Germany at War.

COMPANY MEETINGS - 445

RECORDS AND STATISTICS - 452

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## Permanent Defence Policy

WHILE the House of Commons has been surprising itself by defeating the Government, the House of Lords has been debating post-war defence policy. The discussion was started by Lord Chatfield, whose concern was chiefly with the constitutional machinery by which defence policy is governed. Perhaps this was a pity, for there are issues in the content of a permanent defence policy which much more badly need discussion than the machinery, important though it doubtless is. If the public and Parliament are ready to accept and act upon a consistent long-term policy, there will be such a policy, if not, it cannot be created by devices of constitutional machinery such as Lord Chatfield's suggested National Defence Council.

It will be more difficult after the forthcoming armistice than it was after the last to believe that war has been banished from the earth; and we have had a terrifying lesson in the speed with which the defeated enemy came and in the difficulty of overtaking him if he is to secure a start. Though the determination to a system of international security is no less than last time; it is rather more wary, and disarmament victors in this war will be regarded as the last, not the first, in its attainment. For all these reasons perhaps most simply of all because we have all been badly frightened—it may be taken for granted that a vigorous and more consistently planned defence

policy will be desired after this war than after the last.

The question is one of ways and means. In some current discussion, a great deal of nonsense is talked about the possible size of British peacetime armaments. A few figures provide a useful corrective. In the summer of 1939, after an intensive recruiting campaign that had extended over many months, and in the face of an obviously threatening international situation, there were less than 600,000 men in Great Britain serving full time in all three services put together. This figure may be regarded as the limit of what can be achieved by voluntary recruitment for long-term service. Pay and conditions of service could, of course, be improved, but the probability is that not very many recruits would be added by any practicable increase. Moreover, the field for recruitment is shrinking as the birthrate falls; and if there is to be conscription, the number of voluntary enlistments can be expected to fall. The principle of conscription has received widespread support in all parties and there is a fair chance of its adoption as a permanent policy. But nothing that has been said justifies the assumption that men will be conscripted for more than twelve months' service. The average number of male births in Great Britain in the five years 1925-29—the men who will be from 20 to 25 years old in 1950—was 394,000 a year. In the five years 1930-34 the figure

was 361,000; in 1935-39 it was 359,000; and in the four years 1940-43 it was 374,000. When deaths and medical deficiencies are allowed for, the "yield" of a year's class will be barely 300,000 men. Volunteers and conscripts together, it is unlikely that British defence policy can be built upon more than 750,000 to 800,000 men in all three services at any one time, except in war.

Since armed forces are not maintained as instruments of social education or of processional elegance but of national power, the basic problem of British defence policy will be to create the most effective possible striking force out of this limited body of men. The conditions of the problem would seem to suggest two fundamental principles. The first is that there should be the greatest possible degree of mechanisation. This applies, of course, most strongly to ground troops, but it also has its application to the Air Force and even to the Navy. The reasons for the prescription are fairly obvious. It is not merely that mechanised troops (always provided they are not "so mobile that they cannot move") have a higher striking power—that is now an accepted doctrine that no country would challenge, even apart from any manpower limitations. But also, if the British forces are limited to 750,000 men in peacetime, they must be so organised that they can be rapidly expanded in wartime. Even in peacetime, the Services should have not merely a rifle for every man who would rejoin in wartime—that in itself would be more than existed either in 1914 or in 1939—but also a high proportion of the automatic weapons, the artillery, the tanks, the vehicles, the landing craft, the fighters, the bombers, the transports, the destroyers and the escort vessels that would be needed in time of war. The peacetime services should not merely be mechanised, they should be over-mechanised, and kept up to date in every technical respect.

The second consequence that the layman would, with some assurance, draw from the conditions of the problem is that there should be not three services but one. Many of the keenest minds among the younger men in the services—regulars as well as temporaries—have been brought to this conclusion in the present war, and Lord Cork showed in the Lords debate that at least one senior officer of the most exclusive of the three services is of the same mind. The decisive argument against amalgamation during the war has been, of course, the lack of time. But there will be plenty of time in peace, and it should be part of the deliberate policy of the country to move towards an amalgamation of the higher commands—that is, of all officers of flag, field or air rank—of all three services. Strategy, like war and peace, is indivisible. There is rather less difference between a naval and a military gunner than there is between a navigator and an engineer.

The double principles of mechanisation and expansibility have certain natural consequences in the field of industry. If the forces are to have equipment for much more than their peacetime establishment, and if the standard of equipment per man is to be much higher than

ever before, it follows that the peacetime munitions industry will necessarily be larger than it has been in the past. But even so, the placing of orders should be designed to make possible a rapid expansion in time of war. The policy, beloved of service departments, of concentrating orders on a small group of specialist contractors, is obviously wrong. The object should be to spread the "know-how" as widely as possible. In the particular cases of tanks and aircraft—and perhaps in others as well—some permanent version of the shadow factory scheme will have to be worked out.

Behind industry is the supply of materials and components, and here again there need to be some applications of deliberate forethought. This island can never hope to be self-sufficient either in war or in peace. If it were ever successfully blockaded—that is, if a time were to come when a certain minimum of traffic could not be carried over the most essential route, that of the North Atlantic—it would have to sue for peace. A self-sufficient policy is an utterly unrealistic one. Even too close an approach towards self-sufficiency would be a mistake, since it would lock up more of the manpower which is already the scarcest resource. We cannot insure against the closing of all the sea routes to this island. But we can insure against the closing of some of them and against the restriction or temporary interruption of the others.

The policy should therefore be a policy of limited insurance. The best insurance, of course, is ships, both fighting ships and carrying ships. The second line of defence—strangely neglected in the past—should be the storage in this country of vital materials and foodstuffs, which, as Lord Keynes has pointed out, could serve an economic as well as a strategic purpose. But even beyond this there are certain essential materials and components of which it is desirable that there should be at all times a certain minimum production in this country. The list need not be long—machine tools, aircraft and aero engines, motor cars, alloy steels, aluminium, refined petroleum, synthetic rubber and certain other chemicals—there are doubtless a few other items that should be added. Nor need the domestic production be very large—enough to secure that there are people in the country with the "know-how" and with the ability to expand. Nor, finally, need the assistance be given by the clumsy method of a protective tariff; subsidies, where necessary, will be much more effective. But some sort of industrial insurance policy is clearly needed.

This is, of course, no more than a sketch of the chapter headings of a permanent defence policy. The financial cost cannot be forgotten, and it would be heavy. But there are few costs too heavy to bear if they succeed in delivering the country from the dreadful dilemmas of 1938, 1939 and 1940. The link between defence expenditure and national safety is an effective foreign policy, and that is another story. But if a defence policy does not of itself lead to a foreign policy, it is an essential prerequisite.

## Deadlock in Palestine?

ACCORDING to the White Paper on Palestine, issued in 1939, free Jewish immigration to Palestine was to cease on March 31, 1944, and was thereafter to be subject to the Arabs' consent. This week has thus become the focus of very strong emotional reactions throughout the Jewish world. In a widespread campaign to induce the American Government to intervene and secure the abolition of the White Paper, American Jewry has kept the date March 31, 1944, very much to the fore. In Palestine itself, there has been an outburst of Jewish terrorism. Several British policemen have lost their lives, and this week may well bring more violence and bloodshed. Actually March 31st no longer has any immediate significance, for the time limit has been extended. Of the 75,000 Jews who were to be admitted between 1939 and 1944, 30,000 have still to reach Palestine, and last

November Colonel Stanley announced in the Commons that immigration would continue after March 31st until the full quota fixed in 1939 has been reached. However, the question is only postponed. Unless some new approach is adopted towards the Palestine problem, another March 31st will come and bring with it all the irreconcilable policies and plans and actions which would have made the 1939 White Paper unworkable already, had not the war postponed the issue.

The problem has not changed since 1939. Now, as then, the Arabs of Palestine want independence in a state which will not, sooner or later, include a Jewish majority. Now, as then, the Jews refuse the status of a permanent minority and seek by means of immigration, land purchase and economic development to become the dominant group. The attempts made between 1936 and 1939 to work out

a solution on the basis of partition proved technically exceedingly difficult and were rejected by both parties. In 1939 the British Government came to the conclusion that until the Arab fear of a Jewish majority was banished, there could be neither peace nor progress towards self-government. The White Paper accordingly limited immigration and proposed a ten-year transition period during which Jews and Arabs, in proportion to their numerical strength, would be more and more fully associated with the government of the country. At the end of ten years, the British would hand over the government to the Palestinians, Arab and Jew, in the hopes that their ten years' experience would have taught them to work together. Nothing in the reception of the plan suggested that this would be the case. The Arabs were only partially satisfied. The Jews were naturally uncompromising in their refusal to accept what seemed to them the status of an "oriental ghetto." All over the world, Zionists prepared to oppose the plan. In Palestine, the Jews took a leaf out of the Arab book and began to organise themselves for resistance. By 1943, two para-military movements, the *Haggana* and the *Irgun*, counted thousands of volunteers and, by means of smuggling and illicit purchases, had become very well armed.

The war years have in many ways intensified the political divisions between the Jews and Arabs of Palestine. On the Arab side, the desire for independence has grown more insistent. Syria and Lebanon are now within sight of full freedom. The Palestine Arabs feel that, were it not for the Jewish problem, they too would be almost quit of the Mandate and ready to stand on a footing of equality with the neighbouring Arab states. At the same time, the desire of Jewry to establish some territory under its own complete control has grown more desperate as a result of the ghastly pogroms in Europe. It is not so much as a national state or a homeland but as a secure refuge against murderous anti-semitism that Palestine bulks largest among Jews and among their liberal supporters everywhere. Many of them are pessimistic about any decline in anti-semitism after the war and they wish Palestine to be ready as a potential refuge for Jewry's scattered millions. The emotional importance attached to Palestine is thus sharper to-day than in 1939. The deadlock is more complete and the psychological background more grim.

If these were all the changes brought by the war, the problem of Palestine would be more insoluble now than in 1939. Happily the changes in the Middle East have not all made for further deadlock. Two factors, one political and one economic, can perhaps become the starting-point of a new approach. The first is the great increase of support for the idea of an Arab confederation. The more ambitious schemes for the unity of all the Moslem states in the Middle East are likely to come to grief on the rivalry between the more powerful Moslem nations, but a limited scheme for restoring the unity of old Syria by bringing together Syria, Lebanon, Palestine and Transjordan has gained the unofficial support of the Iraq Govern-

ment and has won approval in all the Arab states. It has also become the basis of plans drawn up by a group of Jews and Arabs under the leadership of Dr Magnes. The significance of Arab federation for the Palestine problem lies in the fact that by closely associating the Arabs of Palestine with an Arab community of some 5,000,000, it meets their fear of being outnumbered by the growing Jewish community. It makes it possible to envisage the continuation of Jewish immigration and settlement, which in some form or other all Jews agree to be the irreducible minimum on which agreement can be based.

The actual form of association could take various forms. The most satisfactory would probably be the reconstruction of Palestine as a plural community or bi-national state within the larger federation. The Arab and Jewish populations could be grouped on Swiss lines in Arab and Jewish cantons, with wide measures of local self-government but with a number of common interests reserved for a central government in the federal capital of Jerusalem—which would be a canton in itself. General economic policy, defence and foreign affairs would be controlled by the federal government of reconstituted Greater Syria. Under such a scheme the Jewish population could first be allowed to increase until it equalled the Arab population in Palestine and could then increase with any further rise in the Arab population. At present there are roughly a million Arabs to half a million Jews. An immediate addition of half a million Jews would be possible, and since the Arabs increased by nearly half a million between 1919 and 1942, the maintenance of the same rate of increase would ensure a steady growth of the Jewish community in the future. It is true that this proposal does not meet the full Zionist demand for unrestricted immigration, but no solution acceptable to the Arabs can ever meet the Zionist case, which aims quite unequivocally at the transformation of the whole of Palestine into a Jewish Commonwealth.

It may be that the Jews cannot be persuaded to accept the cantonal scheme. The difficulty does not come from the local communities, where co-operation between Jew and Arab goes on day by day in an effective and unsensational manner. The difficulty arises at the highest level. Most Jewish leaders are unwilling to abandon the demand for unrestricted immigration and Jewish control of immigration and land policy. If their opposition cannot be overcome, the only possible—though very unsatisfactory—solution would be a return to partition. The Arabs of Palestine would join the Arabs of Syria and Transjordan in a federated Greater Syria, while a separate Jewish state would be made from the areas of predominantly Jewish settlement in Palestine together with such undeveloped areas as the Negeb. In their own state, the Jews would naturally have full control over immigration policy, and it would be limited only by the economic capacity of the community to absorb more immigrants. But this solution would neither be easy to bring about nor likely to be acceptable to either party.



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The question of economic capacity is crucial to any solution—whether by federation or by partition—of the Palestine problem. The Jews claim that millions more immigrants could be brought in if only they were allowed to carry out their development schemes. The transformation they have brought about in Palestine is indeed remarkable, but on the pre-war basis of their economy, it cannot be absolutely proved that the country was capable of absorbing millions more. Imports already greatly exceed exports, and the question of expanding economic capacity turns on the question of markets. There might have been a large local market, but Arab living standards were not rising to keep pace with the new development, either in Palestine itself or in the neighbouring Arab states. And by adopting such measures as a partial boycott of Arab labour, the Jewish community lost the chance of countering political suspicion by genuine economic collaboration.

The war has changed the economic background of the Middle East and opened up new and hopeful possibilities of development. Economically as well as politically, regionalism is the only way out of the Palestine deadlock. The various conferences organised by the Middle East Supply Centre, in particular, the agricultural conference held a few weeks ago in Cairo, show that Jews and Arabs can come together to discuss schemes of regional development. If joint plans are elaborated for raising the living standards of Jew and Arab alike, much of the friction and distrust can disappear. For example, American economists have devised a plan for developing the resources of the Jordan Valley which would concern every state member of a Syrian confederation. Another range of possibilities is presented by wartime experiments in "agricultural industry"—the production of chemicals, plastics and rubber from industrial crops. If all the states were concerned in such schemes, if the living standards of Arab and Jew were rising together, if a new technical and professional class were growing up in each community and were working together in regional development schemes, there can be no doubt that there would be freer air to breathe throughout the Middle East, and the desperate sense of struggling for survival in a shrinking *lebensraum* would give place to new possibilities of toleration and economic and political co-operation.

## Civil Aviation

THE public discussions of the last few months on the subject of civil aviation have not succeeded in producing very much clarification of the matter. On the contrary, the general impression of confusion has been heightened, not least by the two recent and most inconclusive debates in the House of Commons. The ordinary layman has the greatest difficulty in discovering what all the argument is about. The trouble is that there are several different arguments going on at once, all of them complex and interconnected and all of them using terms that are very ill-defined. Very broadly speaking, the arguments can be sorted out into two main categories. First, the assumption is very generally made that there should be an attempt to negotiate an international air convention; as part of the general peace settlement. Such a convention would presumably set up international standards for safety regulations, traffic rules, meteorological services and other aids to flying. But beyond that the convention should also attempt to determine some general principles on the admission of foreign civil aircraft. The position between the two wars was that every nation had absolute sovereignty over its own air. Foreign aircraft had no rights to land, or even to fly over, a country except such as they could secure by direct bilateral bargaining. The proposed convention would substitute for this anarchy some system of general rights. The argument is, what system? Secondly, within each country there is a purely domestic argument about the management of civil aviation. The answer to the first question will

These, then, are the new opportunities for statesmanship in the Palestinian dispute; but it is certain that the Jews and Arabs, if left to themselves, will not discover them. The extremists on both sides are better organised, and in their thunderings the still small voice of the moderates cannot make itself heard. The only way in which a solution on the lines of federation or a workable partition will be reached is through the decision and action of the British Government. At the moment a great uncertainty prevails. The Foreign Office has vaguely blessed the idea of Arab federation. Both in Palestine and Transjordan, the impression prevails that in some form or another the White Paper of 1939 will be modified, but how and in what direction no one knows, and between the policy of the Foreign Office (if it has one) and of the Colonial Office (which probably has none) there is a great gulf fixed. It is a depressing and indeed frightening prospect. The Middle East is vital to British interests. It is a hub of Empire communications. It contains most of Britain's oil supplies. It is, moreover, an area in which British influence and prestige are great and could be far greater. But the situation must deteriorate past curing if Palestine is to be allowed to slip into a state of perpetual civil war. The duty of the British Government now is to state its policy on the association of Palestine with a Syrian federation, on regional economic development in the Middle East and finally on its own plans to safeguard the military security of the whole area by entering into treaty relations with Greater Syria on the lines of the Iraq and Egyptian Treaties. There is a strong likelihood that France could be associated with such a policy—General de Gaulle has already outlined a very similar approach—and American opinion would be compelled to abandon its attitude of condemnation and political irresponsibility if the British Government put forward specific proposals to secure America's military and economic co-operation. The White Paper of 1939 was unworkable because it considered only Palestine—a framework too narrow to provide a solution. But the procedure of announcing a policy was correct. What is needed now is a new White Paper, conceived on regional lines, incorporating all the experience gained in the course of the war and backed by Great Britain's full determination to spare no military and economic effort to make it work.

determine where British civil aviation will have the right to fly. But what is "British civil aviation"? Is it the "chosen instrument" of British Overseas Airways Corporation alone? Does it include the railway and shipping interests? Or is it a free-for-all competition? And by what Government department should civil aviation be supervised—by the Air Ministry as at present, or by an expanded Ministry of Transport, or by an entirely separate Ministry of its own? It is these latter questions that have aroused most Parliamentary interest. But the present article is chiefly concerned with the very complex matters coming under the first head.

There are eight possible main varieties of conditions under which international civil aviation could be conducted after the war. Arranged in what would be a descending order of preference to a philosopher (or idealist, which in the present connotation is the same thing), they are as follows:—

1. *Internationalisation*. This would presumably require that all civil aviation other than purely domestic should be in the hands of an internationally owned and internationally controlled monopoly or possibly a series of monopolies for different regions of the world.

2. *Freedom of the Air*. The phrase has been much abused, but taken literally it would mean that any operator of any nationality could fly, and carry payloads, from anywhere to anywhere, subject only to licensing on the ground of safety, reliability, etc. Specifically, British air lines could engage in American domestic traffic, and American lines

could fly anywhere within the British Empire. It is worth pointing out that this is the principle that has always been applied by the United Kingdom (though by few other countries) to shipping, and that it was also British policy—as a matter of practice, though not perhaps of right—in respect of aviation before the war. There was a foreign air line which carried passengers between two points in the United Kingdom itself, and many in the Empire.

3. *Freedom of International Air without Reservation of Cabotage*. If full freedom of the air, as defined above, goes too far, the next step is "freedom of the international air." This would appear to mean that the aircraft of any nation would have the right to engage in traffic between one or more nations and to land and take off as necessary for that purpose. Thus not only British and American, but also Dutch and Russian, airlines would have the right to fly the North Atlantic route and to land both in England and in the United States to pick up or set down passengers or freight. "Cabotage" is a shipping term meaning coastal traffic; by extension to aviation it means traffic between two airports of the same country. Thus if there were freedom of the international air without reservation of cabotage, British air lines would not only have the right to fly across the United States on their way to Australia, but to land in several American cities and take passengers, say, from New York to San Francisco, always provided that the internal service was part of an international service.

4. *Freedom of the International Air with Reservation of Cabotage*. This would be a slight but important variation of the preceding case. Still taking a British line to Australia as an example, it would have the right to set down payload at an American port provided it came from abroad, or pick it up provided it were going to abroad, but not to carry it between two American points. It would probably be held that the setting down must take place at the first port touched, and the taking up at the last—that is, that the only payload that could be carried in British aircraft from New York to San Francisco should be through traffic. (There would, of course, be nothing to prevent wider rights being secured by specific agreement.)

5. *Right of Innocent Passage*. This would mean that the aircraft of any country should have the right to fly over other countries on lawful occasions. This would carry with it the right to benefit from directional beams, etc., and the right to land in emergencies. It might also include the right to land for refuelling. But there would be no general right to put down or take up payload; this would have to be secured in each case by direct negotiation. This Right of Innocent Passage may seem small enough, but it did not exist in the inter-war years, and the development of British imperial air routes was severely hampered by the refusal of Italy, for example, to permit it.

6. *Division of Traffic*. If all the above systems failed to secure agreement, it might be possible to persuade the nations to agree to the general principle that a proposal of one country to fly a service to another should not be refused by the second provided that the traffic were shared between the two countries either equally or in some other equitable proportion. This would confine the operation of a route to the countries touched by it—for example, Russia could not fly the North Atlantic route, or America the London-Paris route.

7. *Spheres of Influence*. All else failing, the major countries would agree among themselves not to enter certain areas. For example, Great Britain might agree not to run services in South America in return for an American undertaking not to enter the Indian Ocean.

8. *Complete Sovereignty*. Finally, there is the present situation, in which each nation is sovereign and there are no general principles governing the bargaining that has to precede the establishment of every service.

Not all of these plans are mutually exclusive. For example, an international monopoly in Europe could be combined with Freedom of the International Air or with the Right of Innocent Passage in other parts of the world. Alternatively, the big countries could apply the principle of Division of Traffic to the major routes, while engaging in competition under the Freedom of the International Air elsewhere.

The above arrangement would, to repeat, seem to a philosopher to be one of descending order of preference. It would follow that, as a theoretical matter, the higher up the list the international agreement can be pushed

the better. But that does not mean that the higher solutions are very likely to be reached. It should be remembered that it is the last that represents the present state of international law and that, apart from enemy countries, any general restriction of existing sovereignty would require the agreement of all parties, not only the agreement (as is sometimes assumed) of the major powers only.

Agreement even among the major powers may not be very easy to secure. Internationalisation would find favour neither in America nor in Russia nor with a majority of at least the present House of Commons. Freedom of the Air, though it has been British policy hitherto, is most unlikely to be acceptable. Even if completely free entry of American air lines into the British Empire would be tolerated, it is certain that British competition for domestic American traffic would not. It is almost certain that cabotage would be reserved by most countries. The region of practicability is reached with solution No. 4 (Freedom of the International Air with reservation of Cabotage) and No. 5 (Right of Innocent Passage). The latter may be regarded as the minimum that ought to be secured by international convention, and the former as the maximum that is likely to be secured. Between them and their different variants lies the field for fruitful negotiation.

American desires are rather hard to disentangle, the more so since so many American spokesmen seem to think that it will be possible to secure more favourable terms for American airlines in other countries than will be granted by the United States to foreign operators. This underlies, for example, the well-known demand to be allowed to use bases that have been constructed with American money. In its most extreme form, this would entitle American civil aviation to fly almost anywhere in the world, without any reciprocal privileges being given. There is no justification for this in the philosophy of Lend-Lease. The proper question to ask of American spokesmen is not what they want in other countries but what they are prepared to grant in the United States, because that will govern the general system to which their agreement could be secured. President Roosevelt has said that he and Mr Churchill were in general agreement on what sounded like the Right of Innocent Passage. It is possible that America could be brought to agree to the Freedom of the International Air provided that cabotage were reserved.

Russian intentions, as usual, are inscrutable. But it may be taken for granted that the Soviets will wish to reserve the whole of their domestic traffic to themselves, and it may even be doubted whether they would be willing to agree to the Right of Innocent Passage over the whole of their territory.

For Britain, a further set of questions has to be decided before an attitude can be defined. In preceding paragraphs, mention has been made of nations or countries. But what, for this purpose, is a country? It might be held to be any one of the following:—

- (a) An area under one Government, not including its dependent colonies unless they are contiguous.
- (b) A metropolitan area and its dependent colonies wherever situated.
- (c) Any number of countries under a single allegiance (e.g., the whole British Commonwealth of Nations).

And when a country has been defined, is it to be free to make bargains, going beyond the general international system, with such other countries as it likes? For example, suppose that the international convention prescribes the Right of Innocent Passage, and that landing rights are therefore a matter of specific bargaining. Which of the following principles are to apply to the subsequent bargaining:—

- (i) Any privilege accorded to one country must be accorded to all. This would be the exact equivalent of the most-favoured-nation clause in commercial treaties. It would clearly be unworkable if applied to aviation in a general way. But it might be held that any country which accorded rights of cabotage to another should extend them to all.
- (ii) Contiguous countries can enter into agreements which need not be generalised.

- (iii) Countries standing in certain political relationships to each other (e.g., the Dominions of the British Crown) can make agreements which need not be generalised.
- (iv) All bargaining to be free of any obligation to generalise.

Clearly, British policy must depend on a determination of these points. Some American spokesmen, including official ones, have appeared to propose a combination of (a) and (i), which would restrict British cabotage to the United Kingdom itself and admit American competition on the Empire routes. This is most unlikely to be acceptable to the British Government, which would prefer that the whole Commonwealth of Nations—or at least the greater part of it—should be treated as a unit, either by being so defined at the start—that is, (c)—or else as a result of specific inter-imperial agreements—that is, a combination of (b) or (c) with (iii) or (iv).

The attitude that the British Government would adopt

## NOTES OF THE WEEK

### Eastern Sedan?

The events of the last fortnight on the Russian front may well go down in history as the "Eastern Sedan." In quick succession the Russians have crossed three rivers, each of which was regarded as a strong defence line—the Bug, the Dniester and the Pruth. The crossings were not followed by the usual slow and elaborate operations to establish and consolidate bridgeheads. Instead Marshal Konyev's armies have driven forward with amazing speed to Jassy. On Marshal Konyev's right, Marshal Zhukov's forces have crossed the upper reaches of the Dniester and the Pruth, and, capturing Kolomyja, they have approached



the Jablonica Pass, which leads across the Carpathians into Slovakia. In their advance, the Russians have bypassed and left behind German pockets in the Kamenetz Podolsk area, just as the German armies used to by-pass and to leave behind similar pockets in the days of Blitzkrieg. With the fall of Kolomyja, contact between the German armies in Poland and those in Roumania and around Odessa has been definitely cut. From now on the Polish and the Roumanian fronts are two separate theatres of war for the Germans, but not for the Russians. How the Russian High Command will exploit this major strategic advantage cannot yet be forecast with any certainty. There is clearly room for a number of alternative operations. The Russians may either envelop and unhinge the Southern German front, or they may outflank the Polish front from

on the wider questions of organisation is likely to turn very largely on this question. If the Commonwealth is treated as a unit and the reservation of cabotage means the reservation to British aircraft of all traffic that both begins and ends at British ports, then there will probably be a willingness to go as far as any other country towards the Freedom of the International Air—combined perhaps with some division of traffic on the major routes in the early years. But if the United Kingdom is treated as a unit in itself, the British Government's policy—like that, it may be suspected, of other small countries—will favour the utmost freedom of bargaining. Perhaps the best of all possible solutions from the British point of view would be the Freedom of the International Air, with the Commonwealth treated as a unit, and with a mutual sharing of imperial cabotage rights with the French and Dutch Empires. But by the same token, such an arrangement is unlikely to be acceptable to the Americans.

the south along the Lwow-Cracow road, which leads straight into Upper Silesia. An advance into Roumania would allow them to benefit from all the confusion that Marshal Konyev's sudden break-through must have caused there. An advance across Poland might possibly be more difficult, but its success would bring more decisive strategic results. For the time being it looks as if the armies of the two Russian Marshals are concentrated in the southward direction. But fierce fighting in the streets or on the outskirts of three important Polish towns—Tarnopol, Brody and Kovel—may foreshadow the resumption of the westward drive. A simultaneous drive across Poland and Roumania might, of course, involve grave risks, as the Germans learned when, in the summer of 1942, they struck simultaneously towards the Caucasus and the Volga. The prospects of a double Russian offensive depend on the degree of disorganisation in the German rear. So far the German defence in Poland has been conspicuously stiffer than in Roumania. Another possibility is that Marshal Zhukov may try to force the Carpathians between Kolomyja and Stanislawow, and strike into the heart of Hungary. The difficulties need hardly be stressed. But Marshal Zhukov could count here upon the assistance of guerilla fighting. He is only thirty miles from Sub-Carpathian Ruthenia, where pro-Soviet feelings are traditionally strong and where the terrain is very favourable for partisan warfare.

### Balkan Politics

While the military consequences of the new, swift Russian advance are still undecided, the political crisis in the Balkans seems to have come to a temporary lull. Antonescu, Roumania's Conducator, has come back unscathed from the Fuehrer's headquarters. No re-shuffle of his Government has so far been foreshadowed, although Mikhail Antonescu, the Conducator's brother and deputy Prime Minister, seems to be regarded with some suspicion by the Germans. A call-up of fifteen classes has been announced in Roumania, and defences are being improvised around Bucharest and Ploesti, but these measures of defence have probably come too late to save Roumania. The main German effort continues to be concentrated on Hungary and Transylvania. It is now pretty clear that last week's political crisis reflected a split in Hungary's ruling group. One section had apparently made up its mind to break away from the Third Reich. Another section decided to follow Hitler into defeat. While no fewer than five Ministers of Kallay's Government joined Sztojay's Cabinet, Kallay himself has sought asylum in the Turkish Legation at Budapest. This gesture was followed by the resignation of Hungarian diplomats in Sweden, Turkey, Switzerland and Finland. Admiral Horthy himself seems to have wavered for a while between the two factions. Finally, he reconciled himself to the *fait accompli* of German occupation and gave his blessing to the new Government and to the massacres of Jews and the persecution of the Left that have already started. There seems to be a similar split

in Bulgaria's ruling group. It would not be surprising if the adherents of a separate peace proved luckier in Sofia than in Budapest. Bulgaria can still count on the good offices of the Soviet Union, with whom it is not at war, and the journey to Moscow of M. Lavrentev, the Russian Ambassador to Bulgaria, may possibly be connected with more serious peace feelers than those that have come from the Balkan countries so far. The Bulgarian satellite is now in the outer orbit of the Nazi solar system. Whether it will break out depends on the speed of the Russian advance into the Balkans.

### Equal Pay

The Government's defeat in the House of Commons on Tuesday came on an amendment moved by Mrs Cazalet Keir providing that, in approving salary scales for teachers, the Minister should not differentiate between men and women solely on the grounds of sex. The voting was 117 votes to 116—a majority of one vote against the Government. In addition to this small majority it was clear that many members were in favour of the principle even though they did not vote against the Minister. It was equally clear that though the amendment was supported by the Labour Party and by Liberal and Independent members, it would not have been carried without the organised efforts of the Tory Reform Committee. The case which Mr Butler put against the amendment rested on two separate arguments. The first was that the amendment would destroy the form of machinery on which the determination of teachers' salaries had depended for so long, and that a decision by the House should not be forced upon the existing machinery of the Burnham Committees. The second argument was that the principle of equal pay was of such wide application, reaching far beyond the payment of teachers alone, that it could not be built into the provisions of the Bill before it had been decided as a matter of national principle. In the first argument, few members were able to find much satisfaction. Mere machinery cannot be of first importance, however valuable it may have proved itself and however great the technical difficulties of change and reform. The second of Mr Butler's arguments contained a great deal more of practical validity. As Mr Greenwood put it, speaking after the division, Mr Butler as Minister of Education was not the person to decide a matter of policy which would affect all state servants. The critics would doubtless reply that a beginning must be made somewhere and that a better case could hardly be found than the teaching profession. The consequences of the Government's defeat were made clear by the Prime Minister on Wednesday. Mr Churchill is evidently in no mood to bow to the wishes of Parliament even on an educational question, and, as is his undoubted constitutional right, he is going to compel the House to reverse itself. The whole clause in dispute was on Thursday (after *The Economist* went to press) to be removed from the Bill, in order that it might be reinserted in its original form on the report stage. Both steps will be treated as matters of confidence, and failure to accord the Government not merely a majority, but an "adequate" majority, would entail "the usual constitutional consequences." This will decide the matter. The advocates of equal pay will not get their principle written into the Bill. But they will have succeeded in putting it on the urgent list for public discussion and Government decision.

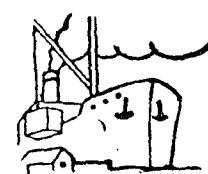
Such a discussion could not in any case be long deferred. The general principle has been one on which there has been a concentration of popular interest and of growing agreement. Just as the last war led to the extension of equal civil and legal rights to women, so this war has brought a demand for equal economic rights. The principle that any discrimination in pay between men and women is permissible only if it is based on the quality or quantity of the work done and not on the sex of the worker is one which seems to most people nowadays to be one of common sense and plain justice. The citadel of the anti-feminists is a sorry and crumbling edifice at this stage of the war, and there are few who would deny the validity of the principle. The only major differences which remain are between those who see more or less difficulty in its practical application. It may be, for example, that in some occupations a forced payment of women at equal rates would operate against their employment. The prospect of keeping an employee

permanently in his job is obviously greater with a boy than with a marriageable girl. Insistence on a rigid application of the principle of equal pay might therefore lead to unemployment among women or to the closing to them of avenues now open. Another objection is that some institutions which contribute materially to the welfare of the nation (not to mention a number of industries) are founded on female labour and would have their economic basis completely upset if they had to face a large and sudden increase in their pay-rolls. But this can only be a temporary objection. What would seem to be right is that equal pay should become the general principle, to be applied as soon as possible except in those cases where it would not be in the interests of the women themselves. And in furtherance of that principle, the state, which is now almost the worst discriminator, should throw the whole weight of its example and its influence in favour of equal pay.

### Telling the World

The Prime Minister's broadcast last Sunday was the first public rumbling of the storm that broke about the heads of Members of Parliament on Wednesday. The speech was not one of his best. He has set his standard too high. No doubt he had his own reasons for deciding that the speech was needed. No doubt it was important that he should pay tribute again to the decisive effects in Europe of Russian victories; and that he should again reassure American doubters about the British determination to put every needed force on land and sea and in the air into the war against Japan—which Mr Churchill now believes will end sooner than he thought a year ago, owing to the American amphibious triumphs. But it was not in these passages that the Prime Minister seemed to give, by tone and emphasis, the reason for his decision to speak. This came at the end, when he turned with irritation to his critics at home. His answer to requests that short-term reconstruction should be set in a context of decisions on long-term policy carried the discussion no further—except to show to the world that the Prime Minister is apparently much more put out by domestic "prods" than he need be. It would be a pity if this speech, together with the insistence on a vote of confidence, spread abroad the impression of a disunity that does not in fact exist. The "prods" will no doubt go on. The demand that the old pledge to peg land prices should be made law will continue. The view will still be stated that the very considerable work which Mr Churchill claims, with justice, is already being done on reconstruction problems should be done in a proper and effective way. It is not a question of whether there is time in war to consider these things, as Mr Churchill tends to argue. They are being considered already, as he himself insists; the question is how to get the best results in the shortest possible time. This is the point that Mr Churchill misses in the current criticism. But there is no disunity. This country, on the eve of the biggest battles, is as united as any Ally, including Russia. The Prime Minister should not think otherwise.

Export  
and  
Import  
Banking  
on  
Sweden



SKANDINAVISKA BANKEN



## Another Coal Crisis

The fate of the Government's scheme for the revision of coal mining wages, which was accepted last week by the owners' and miners' representatives pending the decision of the districts, hangs in the balance. This situation in the coalfields may once more be very serious. South Wales and Scotland will almost certainly reject the scheme. If Yorkshire adopts a similar attitude, which is not improbable, these three districts would outweigh the favourable votes of the North-Eastern and Midland districts. Even if the scheme were approved on a national ballot, there would be a large discontented minority, and almost certainly further stoppages. The main reasons for the South Wales Executive's recommendation to reject the scheme are understood to be objection to the pegging of wages for four years and the disappearance of some of the wage gradations for skilled and semi-skilled men, for which the advance to skilled craftsmen of 1s. a shift would not compensate. The principal objects of the Government scheme were to stabilise wages, except for the cost of living addition, in the miners' own interests, and to provide greater incentive to output. Both sides to the discussions have pledged themselves again not to support strikes or lock-out. But in view of the attitude of the rank and file and the alarming spread of the Yorkshire "house coal" strike, it is difficult to be optimistic. The illegality of strikes and the pledge to accept arbitration awards have not so far worked out well, though not so badly as some conspicuous episodes have suggested. The union leaders have not been able to keep their men to their bond. Certainly, rejection of the Government's scheme would be exceedingly short-sighted. It offers stability and guarantees the national minimum wage, which might prevent a repetition of the 1921 experience, when the owners were able to cut wages and drive the miners back to district agreements. The four-year period would give a breathing space in which to carry through the thoroughgoing reorganisation of methods, which is necessary if the industry is going to afford to pay these higher wages in peacetime. If the agreement breaks down, now or later, the resulting strife may be greater, not less, than a quarter of a century ago.

## Demobilisation

Mr Churchill spoke, as he claimed, with authority when he referred in his broadcast to demobilisation. It fell to him, as Secretary for War and Air, to clear up the mess created in the winter of 1918-19 by the attempt to release men from the Forces ostensibly according to the needs of industry. Instead they were released, very rapidly, according to length of service, the principle they themselves claimed. This time the Prime Minister has promised that the men's rights will be the overriding criterion from the outset. The Minister of Labour, he says, has worked out a plan on these lines, with the modifications and exceptions that cannot be avoided; and the plan is to be kept secret, and not apparently even discussed, for fear that people abroad should think that this country is looking too much towards peace before the battle is won. The trouble is that this procedure, however well contrived Mr Bevin's plan may be, offers no assurance that there will not again be disappointment and dissatisfaction when it is made known and put into force. Demobilisation is going to be much more difficult, psychologically and personally, after this war, than it was after the last. This is because there are two wars in one, and the Japanese war is still likely to last some time after the Germans have been beaten. That is to say, demobilisation will have to be "staggered." No sweeping solution like that applied so successfully by Mr Churchill in 1919 will be possible. The exceptions and modifications to the principle of "first in, first out" may have to be considerable. It will not be possible for the Services to keep for the Far Eastern fighting only the men who have served least long. Military and geographical considerations will rather require them to retain many men who have been serving almost since the beginning of the war; an appreciable number of the troops trained in jungle fighting come into this category and could not be dispensed with, any more than certain units and individuals of the Navy and RAF. Partly, this difficulty is being overcome by the request for volunteers to sign up for longer service. But it remains true that, if men are told simply that "first in, first out" is to be generally applied, they will not be pleased, to say the least, if they find that the demands of the

Japanese war and, possibly, of occupation commitments elsewhere, have made necessary a sizeable limitation of the principle. The only sensible course is to talk frankly to them and to the public, which includes their families, about the problems which will be involved—whatever other people in other countries may think.

## Ex-Service Industries

To decide who goes home first from the Forces does not mean that the problem of demobilisation has been solved. The easy solution of 1919, when 3-4 million men were brought home and found work, was deceptive. By 1921 there was large-scale unemployment. Success in demobilisation depends upon success in providing jobs that will last; and success in providing jobs that will last depends, in turn, not only upon the decision to pursue an effective full employment policy, but also upon the principles and order of priority of industrial reconstruction. The re-equipment of basic industries is as important for the future of ex-Servicemen as the building of their homes. Both must go forward together; and nothing could be more harmful to ex-Servicemen than the uncontrolled expansion of any and every consumption goods industry in a premature boom that would inevitably collapse and leave a regiment of workless men. Whatever the determination, on the very best grounds of justice, to apply the principle of "first in, first out" and avoid the old "key men" racket, the cardinal importance of industrial policy in the transition from war to peace must require some exceptions; it is hardly conceivable that many builders can be kept in the Forces, however short their service, while the Two-Year Building Programme is proceeding. Moreover, industrial demobilisation, too, will be "staggered." Some firms will stay on war work until Japan is beaten, while others take up the civilian threads again. The treatment of ex-Service industries raises as ticklish problems as the treatment of ex-Servicemen.

## Plain Speaking

The Bill to extend the Lend-Lease Act beyond its present date of expiry on June 30, 1944, has been considered by the appropriate Committee of the House of Representatives and reported favourably, subject to an amendment transferring from the President to Congress the right to approve any agreements that may be come to with the beneficiary nations about the return to be made for Lend-Lease. This amendment is said to have the President's approval. It is, of course, a wholly American concern. None of the beneficiaries has any right to feel aggrieved that the Americans should change their minds about which organ of the American Government shall have the final say. Nevertheless, the beneficiaries are put upon notice that the final settlement will not be as easily arrived at as was expected when Lend-Lease was born, and that the post-war argument will be more remarkable for its similarity to the old War Debts controversy than for its differences. This being so, it is the more urgent that the British side of the argument should receive much clearer and more frequent statement than it has. Lord Halifax indulged in some salutary plain speaking a few weeks ago; but in general the British line has apparently been to allow a distorted view of Lend-Lease to grow up rather than incur any displeasure or ripple any smooth surfaces by speaking out. The results hardly justify the policy. The conditions of Lend-Lease have been successively tightened up, while the American public's expectations of post-war returns have been allowed to rise. The policy of silence, it may be hoped, will now be reversed. There can surely be no harm in saying that, when the Lend-Lease Act insisted that its purpose was solely the defence of the United States, the British people paid Congress the compliment of believing that it meant what it said. Can there be any harm in continuing to say that British opinion will not be content with any ultimate settlement which fails to take into account the dollars spent by Great Britain in supporting American munition factories in the days of Cash and Carry? Or can there be any harm in making it plain that, since America has not handed over in Lend-Lease any of her capital assets but only the current output of her factories and farms, there can be no question of any handing over in return of any British capital assets, whether they are strategic islands or oil reserves or indus-

trial securities, and that repayment—if any material repayment is made at all—can only be in the current output of British factories? It is quite clear that the whole problem of repayment will have to be faced sooner or later, and to allow delusions to grow will only make the ultimate settlement more difficult.

It is not only in respect of Lend-Lease that some plain speaking is necessary. The process of making the British the scapegoats of the American election is going merrily forward. For example, Mr Cordell Hull, who is under very heavy fire for his conduct of American diplomacy, is trying to defend himself by saying that anyhow he is better than the British. In the last few days, Congressmen, emerging from a conference with him, have reported him as saying that London is not on speaking terms with Moscow. He has denied that restrictions placed on the transmission of political news from London to Washington were done at his request—the implication being that it was a British desire. And he has complained about the leakage of information in London. It would be very foolish to get annoyed about these incidents. Anybody who understands the anatomy of American politics appreciates why they happen. But silence may be dangerous, for it implies agreement and will be used to build up a case against the British in the American mind. The fact is that, if London has had to argue with Moscow over the Polish and Finnish cases, it is because Washington held views even further removed from the Russian. If Mr Hull did not want a political censorship in London, he should have explained himself more clearly, for the British authorities were certainly under the impression that they were acting at his request. And if there are mores of leakage in London's eye, there are beams in Washington's. Recrimination among Allies, even on minor points, is a sad spectacle. But one-sided recrimination is not merely sad; it is dangerous. The British Government cannot expect to retain any initiative in world affairs if they are constantly willing to be forced on to the defensive. They may rightly shrink from official *dénégation*, but there are other ways of letting the truth be known. The sealed lips policy is a failure; it should be reversed. Is there, for example, any possible objection, at this stage of the war, to countering all the American talk of British export-pushing by publishing the figures, which would show American exports (apart from Lend-Lease) sharply up and British exports sharply down?

## Salute the Soldier

London this week has been Saluting the Soldier. It is right that the Army's turn should come, and nothing but good will be done to the morale both of soldier and of civilian by the very impressive displays of military might. But the primary purpose of these Weeks is to collect national savings, and as each of them comes round it is impossible not to wonder once again whether their promoters have ever got their logic straight. The target has once more been raised, and will, no doubt, once more be triumphantly attained. But what do these gigantic figures mean? They mean, for one thing, that there is no call on the banks this week to lend money to the Government against Treasury Deposit Receipts at 1½ per cent—in order that they may increase their subscriptions at higher rates of interest. They mean, for another, that all sorts of industrial and financial institutions are put under pressure to invest in the course of a single week funds that would have been invested in any case over a longer period. Nobody nowadays believes that the amount subscribed will have any effect on the production of munitions or on any other physical aspect of the war effort. The official defence is that the Weeks are a necessary part of the whole campaign to persuade the public to reduce its consumption. It is true that this method of restricting consumption having been entered upon, it cannot now be abandoned or even relaxed. It is true that, if the soldier is to be saluted, he had best be saluted with full success. But the object of the whole procedure—it cannot be insisted upon too often—is to persuade people to consume less, and the degree of success attained will bear no ascertainable relation to the £165 million collected. It is impossible to fight down the reflection that this result could be better achieved by methods that were more direct, less ambiguous, and less charged with pure illusion.

## Germany's Balkan Losses

Between 1940 and 1943 it was the melancholy duty of journalists to record at regular intervals the profit and loss account of some new advance by Germany or Japan. To-day the direction is reversed. The Germans—and the Japanese, for that matter—are steadily losing the gains of earlier conquests. Now that the Russian advance has penetrated into areas which have for long been under complete German control as fully integrated parts of the *lebensraum*, it is time to get some idea of the cost to Germany of the loss of South-Eastern Europe. It is hard to say how quickly the German retreat will continue. In the last war, the fighting was more or less stationary throughout 1917 on a line running from Czernowitz and Tarnopol to the Danube Delta. It may conceivably be that the German armies will be able to hold a large part of Roumania and keep the Russians out of Transylvania and Hungary. In that case, the only important loss will be the extensive oilseed crops of Bessarabia. If, however, the Russians clear the Germans from Roumania, and the Balkans are lost, which seems much more likely, very serious losses are certain. The loss of oil can be exaggerated. Roumanian oil amounts to 5.5 million tons annually, and is roughly one-third of all the natural and synthetic oil available in Europe. About 2 million tons of Roumanian oil and oil products go to Germany and another million to satellites and neutrals. The loss of 2 million tons need not necessarily be a crippling blow. Germany's synthetic oil production is still expanding. There are new plants in Upper Silesia. In 1939, synthetic oil production was only 1.8 million tons. In 1943 it had risen to nearly 6 million tons. It is thus possible that even without Roumanian oil the Germans can carry on through 1944, especially since all their lines of communication will have been enormously shortened by their retreat.

Food losses are serious, but not so serious as they would have been if Roumanian harvests had at any time come up to expectation. Poor harvests in 1941 and 1942 meant a very small exportable surplus, and the Germans have not been able to rely on big supplies. Yet the loss of all the Balkan countries would mean that, although no single loss—whether of wheat or maize or fruit or vegetables—was crucial, the combined effect would throw an unbearable strain on Germany's delicately balanced supply position. Another embarrassment would be the loss of many industrial raw materials, such as manganese from Roumania and some copper, molybdenum and chrome from the other Balkan states. The chief source of bauxite lies in Hungary, and the loss of Yugoslavia and Greece would not be decisive. To sum up, the loss of South-Eastern Europe would not, from a purely economic standpoint, put the German war machine out of gear. Some advantages would even be gained from the shortening of lines of communication and the lightening of some strain on Germany's overworked transport system. But all this depends upon holding the Russian advance and building up a new line between which the work of reorganisation can go on. The Germans' energetic measures in Hungary show that they mean to re-

## INSURE WITH



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organise, but it does not look as though the Russians will give them much time.

### Second Thoughts on Trade

During the past ten years, the process of modifying old views about the practice of trade, if not about its principles, has been painful for many people. On the face of it, the process has not been so painful for Political and Economic Planning as for some. The latest PEP broadsheet (No. 219, published by PEP, 16 Queen Anne's Gate, S.W.1) is an appendix to the large Report on International Trade, produced just under seven years ago. Then, while recognising that quotas, licences, clearing arrangements and exchange controls were, in fact, putting serious restraints upon world commerce, PEP's recommendation was not that regulation should be swept away, but that it should be used by Governments for the purpose of expanding trade instead of restricting it. The specific proposal, made in 1937, of "low tariff groups" of nations pledged to maximise the exchanges between them, at the expense even of modifying the most-favoured-nation clause, has many more supporters in 1944.

### New Views

The smoothness and continuity of PEP's progress of ideas on international trade are, however, deceptive. The authors of the latest broadsheet again ask either for "an efficient international monetary exchange clearing system in which all nations have complete confidence" or, if this cannot be got, for the "low-tariff club . . . by which nations most dependent on international trade can secure the benefits of multilateralism on a limited scale," as they did in 1937. But they also ask, quite newly, for "the maintenance of full employment within national economies" as the qualification for membership. In fact, PEP's views on the causes and cures of trade ills have undergone a radical change—they are not, of course, alone in this. In 1937 PEP still believed that the chief cause of trade restriction was trade barriers. Now it is believed that the main deterrent of international trade activity is the state of national employment. Trade barriers thus become symptoms, not the disease. Not American tariffs, but American slumps become the foe to be feared. So PEP reflects the recent general shift of emphasis in economic discussions. But in one way PEP does not alter. The 1937 proposal to substitute "planned trade" for the freedom of intercourse of individual traders was described in *The Economist* as showing "an excessive faith in planning, and regulative machinery." In 1944 the same faith is no less excessive; and the same criticism is no less valid. Trade will still be carried on by individual traders if freed enterprise, in the proper conditions provided by public policy, is to bring about the fuller trade that PEP looks for.

### Treating the Offender

The Home Secretary announced in the House of Commons last week that an Advisory Council is to be constituted to assist him in drawing up a programme of reforms in the methods of dealing with offenders. It will be a varied body,

including not only those who have been associated with the work of the courts and with the treatment of offenders, but others who may approach this problem with fresh ideas and broad sympathies gained in other spheres of work.

There are roughly three ways of regarding the treatment of an offender: it can be punitive, deterrent or re-educative. In this country public opinion has largely dropped the first, except in crimes where popular emotions are aroused, and is slowly swinging round to an acceptance of the third, though with the firmly held proviso that the community should not be allowed to suffer for treating the offender too lightly. It is gradually being realised that it is not the punishment that deters a potential criminal so much as the fear of being found out; deterrence is the function of the police rather than of the sentencing judge. But to make re-education the principle of treatment is extraordinarily difficult, because it means that offenders cannot be dealt with in bulk, or even in large groups, but require a large measure of individual attention—in itself a danger to the type of offender who is prone to self-pity and to the idea that it is the

community, not he, who has erred. Where, however, re-education has the greatest chance of success is among the young, because of their greater adaptability and because, in being made subject to discipline and restraint, which they are still experiencing, or have but recently shed, at school and home, they do not experience the same damage to pride and prestige as do adult first offenders. The fact that the new Council is to give "special and early attention" to the problems connected with juvenile delinquency is therefore significant for a deeper and more permanent reason than the wartime increase in young offenders. Any practical advice which the Council is able to offer must include aspects of the treatment of offenders ranging from the court-room to the planned and up-to-date prison building. The physical condition of prisons has not kept pace with the progress in public opinion. Some of the problems involved were dealt with by Mr Morrison in a speech at Birmingham on Tuesday. A passing reference to the Criminal Justice Bill (1938), which was dropped at the beginning of the war with undue haste and under-estimation of its great value, made it clear that Mr Morrison aims at an even wider reform than that covered by the Bill. Competition for Parliamentary time and for the materials of necessary physical reconstruction, between housing, hospitals, schools and prisons, for instance, will be great. Mr Morrison at least cannot be charged with under-emphasis on long term problems arising in his own department.

### The Health of Luton

Vital statistics are a branch of science from which misleading comparisons more than usually tend to be drawn; and the offenders in this respect are sometimes the very people who produce the statistics. The Medical Officer of Health for Luton, Dr Grundy, in a memorandum upon the borough's vital statistics, shows a healthy and refreshing understanding of the circumstances which must affect any such comparisons. He points out that a comparison of the vital statistics of one borough with another, or with the whole of England, does not indicate in any way the efficiency of the local health services. Local statistics are affected by the local age structure of the borough in question and are also governed, more heavily and more intangibly, by local environmental factors. A striking illustration of this is found in the fact that the infantile mortality rate at 3-12 months in county boroughs varies almost exactly with the average density per room in the borough. Dr Grundy is able, in some instances, by comparing Luton's own deaths from a given cause over different periods, to isolate improvements for which the borough's health services may be taken to be chiefly responsible. Thus the startling fall in the maternal mortality rate between 1938, when it was considerably higher than the average for England and Wales, and later dates, when it has fallen considerably lower, is due to the institution of a municipal maternity hospital and midwifery service. The period of comparison is very short; but there is a lesson to be learnt from the fact that a very low maternal mortality rate should be experienced in a borough in which, in 1942, three-quarters of the births taking place were dealt with by the public services. Dr Grundy is convinced that environmental causes, including mainly conditions of life about which the doctor has no direct say, are the chief determinants of mortality rates, and is sure that the main task of Medical Officers of Health lies in prevention and positive health.

### Right of Asylum

It is reported from Ankara that the Bulgarian ship *Milka* has arrived at Istanbul with 243 Jewish refugees from Constanza on board. They have requested the Turkish Government to allow them to go on to Palestine. If the passengers have permits from the British authorities to enter Palestine, there will presumably be no difficulty. But, unhappily, it is not certain that they have. One might have reasonably expected that any Jew escaping from the death-camps of Eastern Europe could count on a safe conduct to Palestine, but the horrible incident of the *Struma* in 1942 is a warning that this is not the case. The *Struma*, after long delays and desperate attempts to secure permission to land in Palestine, foundered off Istanbul with some 700 Jewish refugees on board. The same tragedy occurred at Haifa in the case of the refugee ship, *Patria*.

The British Government has admitted that there are still 30,000 places open in Palestine under the schedule laid down in the 1939 White Paper. Mr Eden told the Commons that the only difficulty in filling them was the refusal of the Axis authorities to let the Jews go. This may cover the Jews who have not been fortunate enough to escape, but it has no bearing on the *Struma* or *Patria*. Nor has the other line of Government defence, that the shipping is not available to transport thousands of refugees to the Levant. The Jews on the *Struma* and *Patria* and now on the *Milka* had already found their ship. The danger that Fifth Columnists might be among the refugees could be met by segregating them in camps on their arrival. There is thus no conceivable reason why the tragedy of the *Struma* should be repeated. The *Milka* will not be the first ship to bring refugees from the new areas which the Balkan campaign has opened to Nazi savagery. A terrible pogrom has already started in Hungary. It is imperative that the Government should give a guarantee now that any Jew escaping from South Eastern Europe shall be admitted to Palestine so long as the 1939 quota is still unfulfilled.

### France's Future

After a protracted, somewhat confused and inconclusive discussion on post-war government, the French Consultative Assembly at Algiers has now passed several important resolutions. The election of a Provisional Assembly is not to be delayed until after the return of four million prisoners, deportees and refugees to France; it is to take place as soon as possible after liberation. French women will be given the right to vote; and soldiers of all ranks will go to the polls. The Provisional Assembly will not make constitutional reforms, which will be left to the Constituent Assembly. The decision not to wait for the elections until the return of the prisoners was taken by a majority of 38 votes to 32. The opposition came from Socialists and Communists. An election in which the most active and politically important section of the French people will not take part and in which the weight of the female vote will be felt for the first time, may result in an artificial and unrepresentative Assembly. Against this, the argument has been set that the precarious international position of France will demand quick elections. Concern about the degree of recognition or non-recognition accorded to the Committee of Liberation by the Allies seems at present to overshadow all discussion at Algiers. The proposal that the Allied Commander-in-Chief should be free to negotiate with whatever groups he may choose has satisfied nobody. General Eisenhower himself is said to have objected to a proposal which would burden him with a major political responsibility; and the French fear, with some reason, lest the fate of their country should be left to the uncharted chances of expediency. General de Gaulle's policy is, however, somewhat inconsistent. Last week he declared his willingness to start immediate negotiations for the formation of a grouping of Western Powers. In a speech to the Assembly this week he appealed to Frenchmen not to pay any heed to foreign criticisms. It is a truism that Frenchmen alone should decide the forms of their Government. But it is wrong to say that problems of French domestic policy ought to be taboo to public discussion in Allied countries. Certainly, disregard for Allied opinion is not the appropriate accompaniment to negotiations for a Western bloc.

### To Adjust or To Cure

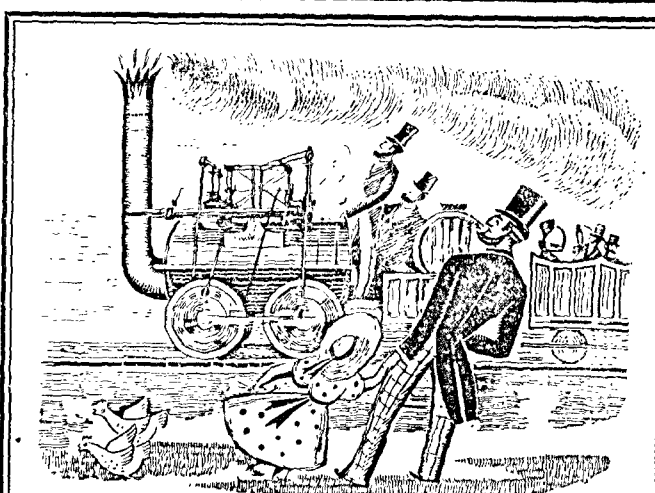
In last week's *Economist* it was pointed out that eye treatment was a branch of medicine which is labouring under special difficulties. Between optician and oculist—technician and specialist—there is a great gulf fixed, with no one in the middle to perform the omnibus functions of a dentist or a general practitioner. A theory which has received much recent publicity claims that all defects of the eye are curable by means of exercises and other devices. Whatever the truth about the particular theory held by Dr Bates and publicised by Aldous Huxley, it is in any case hardly revolutionary to suppose that the eye, like other physical organs, can be nursed back to normality. Eye exercises have long been part of the normal treatment of eye specialists, and some advanced medical opinion even holds that all, or nearly all, defects of the eye—including apparently constant errors of vision—are pathological and susceptible to curative treatment. The important point is

that glasses merely adjust; they cannot cure. Yet the optician can do no more than provide glasses. The glasses may prove perfectly satisfactory and vision may deteriorate no farther; but the fact is becoming increasingly apparent that they leave untouched defects that are probably removable. Moreover, their use tends to create the impression that cure is impossible or unnecessary, besides making it—through pressure of habit—more difficult. To cure is plainly better than to adjust. The need for more fully qualified oculists who shall be more easily, more generally, and more cheaply available has been thrown into relief by the new health plan; it is an apt time to survey all possible modes of treatment.

### Shorter Notes

On Wednesday, Mr Seymour Cocks drew the attention of the President of the Board of Trade to the high price and inferior quality of men's braces. He might have added the inexplicable fact that almost all the pairs available, even at full stretch, have obviously been made for a race of dwarfs. The "close specifications" to which Mr Dalton said braces are subject, as well as price control, must be very close indeed.

The Colonial Office has announced the appointment of a joint development adviser for Northern Rhodesia and Nyasaland. He will be Mr G. F. Clay, at present director of agriculture in Uganda. The appointment is of interest, not only for the future economic and social development of the territories, but also for the fact that they are, for this purpose, being treated as one. It is another step towards functional regionalism in the colonies. The Bledisloe Commission opposed the amalgamation of the two dependencies with Southern Rhodesia, until a common native policy had been achieved. But no such inhibitions impede a closer union between the two dependencies themselves.



### The scene changes

LITTLE more than a hundred years ago Britain was an agricultural island. Its resources were undeveloped, its roads often incredibly bad; power-operated machinery was almost unknown . . . but the invention of the steam engine was destined to change the scene and by the middle of the nineteenth century the tide of industrial development was in full flood. In almost the span of a lifetime, Britain became the centre of the world's trade and in this vast change the Westminster Bank (founded in 1836) played its part, providing—as it does today—a complete banking service for industry and the individual.

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# AMERICAN SURVEY

## Zionism in America

MOST Jews in the United States are not Zionists—that is to say, they are not actively interested in making Palestine a Jewish Commonwealth. They think of themselves as Americans, not Jews, and their chief political interests lie in the United States, not in the Middle East. A substantial, hardworking and vocal minority are, however, actively Zionist, and in the last twenty years they have built up a number of active and effective Zionist organisations in America. The American Jewish Congress, under the leadership of Rabbi Stephen Wise, is the most influential, and it tends to dominate the World Jewish Congress whose head offices are in New York. Another influential body is the Zionist Organisation of America. Two organisations are concerned with the economic aspects of Zionism, the Jewish National Fund of America which raises money to buy land in Palestine, and the Palestine Economic Corporation, which is a channel for the investment of American capital in Palestine. The Hadassah is the women's Zionist organisation. Then there are a number of extremist bodies, among them the New Zionist Organisation. The result of this degree of organisation has been the creation of a quite powerful lobby. Non-Zionist opinion is not a political factor, because it is not vocal. Zionist opinion has political influence because it can influence voting. It follows that, when Congress considers the problem of Palestine, it does so from the Zionist standpoint. This tendency is reinforced by the fact that the sympathies of most American Jews, whether Zionists or not, naturally lie with their fellow Jews in Palestine. And there is no Arab minority living and voting in the United States. The "traditional" policy of Congress has thus been to endorse the demand for a National Home in Palestine.

Although non-Zionist Jews are not so highly organised, two bodies of some influence do not share the full Zionist faith. The American Jewish Committee is important because most of its members are wealthy and in positions of influence, the Jewish Labour Committee because of its great following among organised workers. These two bodies are split on the issue of Zionism, since, like most inarticulate American Jews, they are unhappy about the racialism inherent in the Zionist approach. They deny that there is a Jewish "nation," and wish the Jews to be absorbed into the various communities in which they live. They argue that the insistence on Zionism tends to make non-Jews think of Jews as a separate racial community, and that once a Jewish Commonwealth has been created, non-Jews will reject the idea of assimilation and try to compel all Jews to go and settle in the Commonwealth. The Jewish Labour Committee have an additional reason for anti-Zionism in that they concentrate on divisions of class, not race, and underline the common interests of all workers, Jewish and non-Jewish alike.

### Anti-Semitism Grows

In recent years, the question of Zionism in the United States has been affected by two new factors—the growth of anti-Semitic feeling in the United States, and the launching of the Nazi policy of unlimited terror against the Jews in Europe. In 1942 it was estimated that over one hundred different organisations disseminated violent anti-Semitic propaganda, and although some of these consisted of only "a fanatic and a letterhead," there was a continuous percolation of poison through the mind of the public. Anti-Semitism was one of the less advertised but more pernicious planks of the fanatical isolationists. In his Des Moines speech in the autumn of 1941, Colonel Lindbergh accused the Jews of plotting to bring America into the war. The seeds of anti-semitism sown in countless little sheets of "smear material" began to spring up into acts of violence. In the autumn of 1942, hooliganism broke out in the Bronx and Brooklyn, synagogues were desecrated in Cleveland in 1943, organised groups broke up Jewish shops in Boston in the same year. This was the background of opinion in

America when in 1941 and 1942 the horrible facts about the Nazi pogroms in Europe began to reach the outside world. The cry for asylum had to be raised, but here was the dilemma. Could more Jews be brought to the United States without strengthening the forces of anti-Semitism? Responsible Jewish opinion thought not. As the *Detroit Jewish Chronicle* put it in August, 1941:

In principle we dare not abandon the request that as many Jews as possible be permitted to settle here. . . . Practically, however, we should recognise the advisability of creating new avenues of escape for the millions of persecuted Jews, and on this score Palestine looms big on the horizon.

Thus, in the first months of America's entry into the war, the issue of Zionism became inextricably entangled in the problem of finding a refuge for the Jews of Europe. It was no longer a racial issue: Are the Jews a nation and should Palestine be their nation-state? It was a humanitarian issue: How can the Jews of Europe be saved? To which American Jewry added the unspoken rider, "without increasing anti-Semitism in the United States." On the issue of helping the Jews, all shades of Jewish opinion were united, and the appeal of Zionism as a solution of the Jews' plight in Europe spread far beyond the limited circle of convinced Zionists. In the course of 1942 and 1943, Jewish and non-Jewish opinion in America has become far more conscious of Zionism as an issue, and in the progress has been convinced that the British Government, by refusing to "open the doors of Palestine," is the chief obstacle to saving Europe's Jews from liquidation.

### The American Jewish Conference

Throughout 1942 and 1943, advertisements have appeared regularly in the American newspapers calling for the admittance of all Jewish refugees to Palestine. The following extract from an advertisement issued by the American Committee for a Jewish Army is typical of the extreme versions given of Great Britain's reasons for refusing to rescind the White Paper of 1939.

Palestine is one of the most strategic points . . . of the British Empire, and the Colonial Office considers it easier to control a semi-desolate, scarcely-populated, half-civilised Palestine rather than an industrious progressive Jewish State of several million souls. . . . America is not asked to open her doors to the uprooted Jewish millions. She is asked to right a great wrong.

In preparation for 1944, the "year of decision," the various Zionist organisations strengthened and concentrated their leadership. Dr Israel Goldstein, president of the Jewish National Fund, and Dr Abba Hillel Silver became co-presidents of the powerful Zionist Organisation of America, and Dr Stephen Wise, the most influential Zionist in America, took over the chairmanship of the Emergency Committee for Zionist Affairs—which had been set up in 1939 to co-ordinate all Zionist activities. Plans were drawn up for holding an American Jewish Conference. The aim of its organisers was to secure the representation of all American Jews and to achieve an agreed statement of policy on the assistance to be given to the Jews of Europe. Actually, the organisation was in the hands of the Zionists, and even before the conference the American Jewish Committee made reservations—for example, that no organisation was to be bound by the Conference resolutions, if it decided otherwise. The Conference was held between August 29 and September 2, 1943. Five hundred elected delegates attended, and all the Jewish organisations of America were represented save one or two extremely conservative orthodox societies and the Communists, who were excluded.

The Conference concentrated on the Zionist issue. In various resolutions it demanded the rescinding of the White Paper and the transfer of the control of immigration into Palestine to the Jewish Agency. With only four dissentient

votes, it called for the "re-creation of the Jewish Commonwealth." An interim committee was set up to carry on the work and prepare for another Conference. Yet the results were not altogether satisfactory. Neither the American Jewish Committee nor the Jewish Labour Committee would vote on the Jewish Commonwealth resolution, and the American Jewish Committee formally withdrew from the Conference on the grounds that

the salvation of the Jews in Europe cannot be achieved through Palestine alone and certainly not through over-emphasising Palestine's political constitution.

Jewish Labour leaders complained that the conference had "despaired of European Jewry." Meanwhile a violently anti-Zionist body, the American Council for Judaism, had been revived and, while the American Jewish Conference was actually in session, the *New York Times*, whose owner, Mr. A. H. Sulzberger, is a leading Jewish anti-Zionist, published an attack on the Zionists for their "racialism." There are thus signs that the increased activities of the Zionist organisations are stirring the non-Zionists to become vocal in their turn.

Nevertheless, only Zionist opinion is sufficiently organised to be politically effective. The Zionist campaign of the last year has naturally been directed mainly to non-Jews and particularly to Congress. Mr Willkie and Governor Dewey have sent messages of sympathy to various Zionist meetings. In December, 1943, 62 senators and 181 representatives signed a declaration pledging their support for "the traditional policy of the United States in favour of the restoration of the Jewish National Home in Palestine." Later in the month a non-Jewish Committee, the American Palestine Committee, was set up to work in co-operation with the Zionists to secure the abolition of the White Paper. It included such influential people as Senator Vandenberg and Senator Pepper, Mr Philip Murray (President of the CIO) and Mr Eric Johnston (President of the Chamber of Commerce of the US). At the

same time, plans were made for introducing resolutions into Congress calling for the creation of a Jewish Commonwealth in Palestine. This was done early in February, 1944. On March 9th President Roosevelt received Dr Silver and Dr Stephen Wise and authorised them to say that the United States Government had never given its approval to the White Paper of 1939.

Yet on the non-Jewish front, as on the Jewish front, opinion is divided. The State Department takes a very cautious line on Zionism, and Mr Cordell Hull's statements on the Jewish problem have been couched on very general lines—justice for Jews everywhere, fuller, freer life for all. In May, 1943, Dr Silver complained that

within the last few months . . . there has set in a very definite and noticeable withdrawal on the part of our official family in Washington from anything that might remotely suggest an . . . endorsement of the Jewish homeland.

The growth of American military, political and economic interests in the Middle East through such projects as the proposed pipe line has had marked influence in official circles. Giving his evidence to the Foreign Affairs Committee of Congress, Mr S. K. Twitchell, who recently conducted an agricultural survey in Saudi Arabia, asked whether the United States would be ready to fight the Arabs to set up a Jewish Commonwealth. And General Marshall had the Congress debate postponed indefinitely for reasons of military security.

It is difficult to sum up the state of American opinion on Zionism. The persecution of the Jews in Europe has gained it great support in non-Jewish circles, and election year has given organised Zionist opinion exceptional opportunities for lobbying. But it is hard to believe that in a non-election year Zionism will loom so large. Most American Jews are assimilationist. Most Americans are not very interested in the Middle East. If the British Government worked out and carried out a compromise solution, there is little doubt that they would receive moral support from America.

## Front in the Orient

(From a Correspondent in Oregon)

Portland, March 1, 1944

THE Pacific Northwest is gathering its strength for its second great lunge of the war.

Early in the conflict the British helped initiate the wartime industrial mobilisation of the region by opening negotiations for the development of large-scale shipbuilding operations here. The programme was taken over from the British at an early stage by the United States Maritime Commission. The Pacific Northwest's exuberant breaking of all previous shipbuilding records (climaxed by the launching and completion of twenty-four ships in one month at the eleven-way Kaiser Oregon Shipbuilding yard) is well known. Figures are not released on the output of individual airplane plants, but the size of the friendly daylight bomber fleets over England gives an indication of the production skill of the Pacific Northwest, where the home Boeing plant is located.

The Pacific Northwest's first great surge of war production extended from early 1942 to mid-1943. It consisted of a record output of lumber and aluminium, in the raw-material field, and of ships and bombers, in the fabricated-products field. After struggling up an escarpment, the region reached a plateau of production in mid-1943; since then it has been able to maintain its pace with somewhat less strain.

This first stage of war production was aimed primarily against Germany. The second is in production directed against Japan.

The Maritime Commission is switching its emphasis locally to the construction of armed transports, as well as to Victory freighters (considerably faster than the Liberty ships they replace); and both the transports and the fast freighters are expected to receive greatest usefulness in the Pacific. One large Maritime Commission shipyard is being continued on its oil-tanker programme, and this type of ship, too, is needed most urgently in the action against Japan.

All the local "Navy yards" (private shipyards operating on Navy contracts) have been put to work building various types of landing craft. The highest manpower priorities

have been given these operations, and the Navy yards are drawing workmen from the Maritime Commission enterprises. Midsummer is the "deadline" for the completion of present major contracts for landing vessels, and every pressure is being exerted to meet the Navy's requests, because of the general understanding that the craft will be used soon in what is widely labelled "The Big Push" against Japan.

In addition, repair facilities are being enlarged substantially to care for wounded ships that are expected to limp back from future offensives. These new facilities include several large drydocks. Currently the repair establishments are engaged to capacity in rebuilding out-of-date Russian ships, supplying routine "voyage repairs" to more modern Russian ships, and inserting steel stiffening members in all Liberty Ships engaged in Russian lend-lease trade.

The Pacific Northwest is making provision, too, for the special demands of aerial warfare in the Far Pacific. There, the need is for heavy bombers with a far greater range even than that of the craft now freighting bomb loads deep into the Reich. The region believes it has the answer to the problem, in the Boeing Superfortress, details of which are carefully guarded from the public.

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While Boeing's main plant at Seattle meets ever-increasing schedules for B-17 Flying Fortresses, the company's huge new plant in the town of Renton, Washington, originally scheduled to build twin-engined "Sea Ranger" navy patrol planes, has been tooled up for quantity production of B-29 Superfortresses, and deliveries have started. In addition, Boeing's large Kansas factory is progressing satisfactorily on its production schedule, and even in these preliminary stages Boeing is delivering considerably more Superfortresses per month than it delivered B-17 Fortresses in the entire year 1939.

Specific performance data on the B-29 may not be printed, but the censorship authorities recently permitted the *Portland Oregonian* to say: "On the basis of present information, it is probable that the B-29 will be able to blast Tokyo from the outermost Aleutians. It is certain that they will be able to leave bases in Free China and dump their full quota of a half-carload each on to the industrial heart of the Japanese war machine in the Tokyo-Osaka area." The Northwest's estimate of the new aircraft and of its future assignments is indicated by the popular nickname given it, "Tokyo Bomber."

The region's preparations for "The Big Push" include a major enlargement of freight-handling capacity. Many miles of rail holding-tracks and many acres of warehouse space have been provided. When the westbound flow of material reaches proportions greater than the seaports can

handle immediately, the flow is diverted into these freight reservoirs. This system is proving highly successful in keeping Puget Sound and Columbia River seaports in a "fluid" condition.

During the past year more lend-lease commerce to Russia has been shipped through Portland than through any other North American port. During the past several weeks the Russian traffic has dwindled, but it is understood that it will resume in full force in early spring. A sidelight on the international situation is the respect with which the Japanese Navy is treating the Red-flagged ships (many of them fresh from United States shipyards), sailing through the Japanese islands straight to the port of Vladivostok. The Japanese Navy, which last year did not hesitate to stop and search the Russian ships and sometimes detain them for considerable periods, now passes the ships after a routine exchange of flag signals.

While Portland has been the prime port for Russian trade, Seattle has concentrated on supplying Alaska. Until the Japanese were cleared out of the Aleutians, a torrent of supplies poured through Seattle northward. But now that the Japanese pressure has been removed on the northern garrisons, this traffic has greatly lessened.

Changing the direction of a war is a ponderous operation, but that portion of the US war effort which hinges on the Pacific Northwest is definitely undergoing the transition in anticipation of "The Big Push" in the Pacific.

## THE WORLD OVERSEAS

### Canadian Army Policy

(From Our Ottawa Correspondent)

THE annual debate on army policy contained a special feature this year in the controversy over the retirement of Lt-Gen. A. G. L. McNaughton from the command of the First Canadian Army. The controversy was of short duration, which obscured to some extent the fact that the Canadian Army has become a symbol of national stature and, as such, an object of zealous praise and criticism. It is difficult to understand much of the argument that has raged around the Canadian Army without relating it to deeper currents of feeling than the customary criticisms of politics. "I never realised," said Mr Ralston, when his estimates for the department of national defence were before the House, "how the policy of having a Canadian Army had taken on in Canada, until the events of the last six months had occurred."

The events to which the Minister referred were the retirement of General McNaughton, who, as creator and commander of the army, had become a national figure, and the transfer of a corps of Canadian troops to the Italian front. This transfer caused the mistaken belief to spread that the First Canadian Army was being broken

up. On the contrary, it will remain part of the Allied order of battle in Western Europe, though it will comprise other divisions besides Canadian to replace the corps now serving in the Eighth Army in the Mediterranean.

By common consent, the Canadian Parliament has agreed to dig no deeper than the official explanation that General McNaughton's retirement became necessary for reasons of health, though Mr Ralston showed himself willing to deal fully with other elements in the situation. Mr Mackenzie King, the Prime Minister, twice intervened in the discussion to warn members that disclosure of details relating to military and other factors would not be in the public interest. The crucial document produced was a letter dated December 7th from General McNaughton to Major-General J. P. Montague, senior officer of Canadian military headquarters in London:

The experience of the past few days has shown me conclusively that I have not the strength left to look after the army properly, and to do, with the required effect, the many things that need to be done from day to day [he wrote]. I think the general interest requires that someone else should now take charge, and that I must and will accept the situation with the best grace I can muster.

#### Army Reorganisation

Only since an announcement by Mr King on January 26, 1942, has the Canadian army been a true army formation. Up to that time the various divisions and brigades, in Britain and Canada were spoken of collectively as "the army." Later the popular designation of the army formation created in 1942 was "the big army." The official announcement had said: "During 1942 it is proposed to create overseas a Canadian army of two army corps: one army corps to comprise three infantry divisions and two army tank brigades; the other to consist of two armoured divisions." While the basis of organisation has remained five divisions, this original grouping has since been altered.

Recalling past criticism of the army programme, Mr Ralston said he had not heard much applause for it anywhere. There was a good deal of newspaper criticism, and some thought the army beyond Canada's means. Early in 1943, for instance, the *Globe and Mail* said: "We have continuously expressed a preference for Canada maintaining overseas a strongly reinforced army corps rather than a

weakly reinforced army, and confidently await the march of events to demonstrate the soundness of this view." The *Winnipeg Free Press* was consistently critical of the army plan.

In practice, the manpower required for the army has been raised easily, although the general war effort of Canada has experienced acute manpower problems. The weight of argument will show that no essential production has suffered while the army has been created and maintained. The army intake was 185,000 men in 1942; 100,000 in 1943; and the 1944 estimated requirement is 60,000. These figures include men enrolled for home defence. In the general service category, enlistments in 1943 were 74,000, and the number despatched as reinforcements to the overseas army was almost the same. The fullest assurance that ample reinforcements have been raised and trained was given by Mr Ralston.

A criticism that the big army plan was too rigid, and would bring Canada's troops into battle without a stiffening of veterans with previous experience, has been met by the transfer of a corps to the Eighth Army. Had the second front come in 1943, as many Canadians expected, the Canadian army would have had its baptism of fire with relatively few battle-trained ingredients. In the interval this situation has been cured.

The decision by which the First Canadian Army remains in the Allied line-up, although at the time of writing no permanent appointment in succession to General McNaughton has been made, corresponds with the hopes of the Canadian people. With a self-contained corps as part of the Eighth Army, another corps in Britain, and a full army formation established, the army has expanded far beyond the limits of the last war when Canada maintained a single corps in France. The lean days when the Canadians stood idle and on the defensive in Britain are over. The army of Canada is a people's army that bears the affection of a nation. It is true, as Mr Ralston noted in Parliament, that the old cynicism has now faded which described the First Canadian Army as "a structure of gingerbread, with a little bit of frosting."

### Destitute Greece

LAST November the Minister of Supplies in the German-Greek puppet Government declared trade in foodstuffs free from any restrictions and regulations. This declaration carried with it the assurance that no attempts would be made to fix maximum prices. Last December the same Minister introduced a system of permits for trade in all other commodities. At the same time the central bank reported that the total of notes in circulation had reached the fantastic figure of Dr. 1,276,000 million. Students of the classical inflations on the continent after the last war will recognise the familiar portents in the following figures.

| NOTES IN CIRCULATION<br>(In Million Drachma) |           |
|----------------------------------------------|-----------|
| End of 1939.....                             | 9,454     |
| " 1940.....                                  | 15,369    |
| " 1941.....                                  | 48,798    |
| " 1942.....                                  | 306,000   |
| " 1943 (Sept.).....                          | 1,276,000 |

In four years the total of notes has risen a hundred and thirty-five fold. Before the German occupation the rise was in line with similar increases in belligerent and even neutral countries. Now, however, this one hundred and thirty-five fold increase compares with a three to five-fold increase, on the average, in most of the belligerent and occupied countries. Why has the German economic commissar, in collaboration with the puppet Government, failed so conspicuously in Greece to stabilise the currency at a level convenient for the exploitation of Greek economic resources. As in other occupied countries, the Germans were at first only interested in stocks of commodities, factories and mines; and it was thought that, with a stop on prices and wages and general financial control as practised in Germany and other countries, stabilisation could be effected at a level not detrimental to German interests.

The fact that this has proved utterly impossible in Greece has political as well as economic reasons. The administration set up under German-Italian occupation was quite inadequate for the task of introducing a comprehensive rationing system. Greece at the time of the occupation was an authoritarian state; but the Administration broke down after the military defeat. A simple grafting of the German control system on to the existing Administration was not

possible. German and Italian views were at variance, and the economic situation was allowed to drift.

#### The Black Market

Economically, a comprehensive rationing system could not have been made effective in the Greek countryside. It would, however, have been possible to make earlier attempts to ration the supply of commodities in big towns. But this was delayed because of the inadequacy of supplies. Thus the price stops and other control measures which were promptly decreed, resulted in widespread black market activities. There, prices rose unrestricted. The heavy costs of occupation and the unbalanced state budget were financed by resorting to credits from the central bank, which supplied them by printing banknotes.

Last summer the official maximum price for one kilogramme of black bread was Dr. 275, compared with Dr. 7 before the war. Bread supplied by the Red Cross, however, was sold at Dr. 4,000 per kilogramme. One kilogramme olive oil sold at Dr. 12,000, compared with Dr. 35 in 1939. Maximum prices were entirely fictitious. Wages and salaries had been increased in the spring of last year by 50 per cent on the average, and a skilled worker in the Athens area could earn from Dr. 1,800 to Dr. 2,880 a day. Wages were thus insufficient to buy even bread; industrial workers had to be fed at their factories. The organisation of retail traders in Athens made a co-operative effort to reduce prices; and in the autumn the Government simply decreed that all prices had to be reduced to the level of early September. Attempts to skim off surplus money were repeatedly made. Banks were forced to offer 50 per cent of all security holdings as a loan to the Treasury; 20 per cent had already been given up at the end of 1942. But there were not supplies enough of food and commodities to save Greece from tragic dearth whatever the price level.

The supply situation may be judged by reports which suggest that the number of livestock has been reduced by 70 per cent, and that agricultural production is not more than 60 per cent of pre-war production. Germany is obviously trying to exploit magnesite, manganese and chromium resources to the utmost. The tobacco industry, food factories and railway and shipping repair shops have to be maintained if the occupation is to remain effective. Some stability in the supply of foodstuffs and materials is therefore necessary.

#### Trade with Germany

The German device for maintaining these services which cannot go on without foreign trade between Germany and Greece is the "German-Greek Commodity Equalisation Company." This company, shortly named "Degrises" in Germany, was founded in December, 1942, and is domiciled in Berlin. Branches have recently been opened in Athens, Salonika, Volos and Patras. The company's task is to equalise the prices of German imports and Greek exports. The official rate of exchange between Germany and Greece is Rm. 1.67 for Dr. 100; this rate was fixed in June, 1941. In other words, Greek importers paid nominally ridiculously low prices for German imports, whereas Greek exporters received fantastically high prices for their exports. Almost no transactions were made under these conditions. During the first period of the occupation goods were simply requisitioned against the costs of occupation, but the problem of equalisation arose when Germany was forced to supply manufactured articles for maintaining the economic basis of the occupation. There is no way in Germany's totalitarian economy of altering exchange rates in accordance with price changes in occupied or satellite countries.

The "Degrises" attempts, therefore, the equalisation of two different price levels. The prices for imported commodities are fixed for the Greek importer at the inflation level. The difference between the price based on the official rate of exchange and the price for the Greek imports is paid into an equalisation fund, out of which the Greek exporter is paid the difference between the internal price and the price that a German importer can pay. During 1943, the first year of its activities, the "Degrises" regulated German exports to Greece amounting to 34,216 tons of a value of Rm. 87.4 million. No information has been given about the corresponding Greek exports to Germany. In pre-war values these German exports may be estimated at no more than 15 per cent of total Greek pre-war imports.

Food supplies imported by the Red Cross are relatively

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small, which means that the country lives in destitution. Organised economic activity is confined to centres important for German military purposes; and the main German concern is to prevent economic disorganisation from spreading to other occupied countries and finally to Germany.

## Feeding Switzerland

[FROM OUR GENEVA CORRESPONDENT]

THE depopulation of the countryside, which has been going on for over forty years, greatly complicates the wartime economic problem of Switzerland, which is compelled to live on her own soil. A programme—known as the "Wahlen-Plan," after its promoter—was at once started at the outbreak of war with the object of making the country almost self-supporting in food supplies. The progressive closing of all frontiers, and the consequent difficulties of the import trade, made it imperative to extend the plan in order to prevent the population from being underfed. The results have now shown that, on the whole, the plan has been carried out successfully.

Before the war, the area under cultivation amounted to 460,000 acres; by the end of 1941, it had been increased to 770,000 acres, and to 900,000 acres the following year. The Government has now authorised—and can even make compulsory—the clearing of a number of forests, which, in 1944, will add another 20,000 acres to the cultivated area, and, with other additions, will make the round million acres.

In spite of the dearth of fertilisers, new methods of cultivation and the development of mechanisation have substantially increased the output per acre. As a result, Swiss agriculture in 1943 was capable of meeting 80 per cent of the country's needs, against about 45 per cent before the war.

While home production of vegetables and fruit is almost sufficient, that of wheat cannot meet the needs of the population, which has to rely on uncertain and insufficient imports for part of its supplies. Since the start of the war, home-grown wheat has represented a yearly quantity of about 12,000 wagons (16,300 in the record year 1938), while pre-war imports reached about double that figure. Though Swiss ships are being used for carrying wheat, imports are every month more difficult and expensive. That, and the fact that the Government is wisely maintaining and even increasing its grain reserves, explains why bread is now to contain a certain amount of potato flour, which will make it possible to avoid a reduction in the monthly ration.

Prices for agricultural products are still mounting. The yearly yield of Swiss agriculture, which ranged between 1,200 and 1,500 million francs before the war, has risen since 1938 as follows:—

| 1939  | 1940  | 1941  | 1942  | 1943  |
|-------|-------|-------|-------|-------|
| 1,289 | 1,508 | 1,707 | 1,784 | 1,800 |

Thanks to the efforts of the Government, peasants and voluntary workers, Switzerland can still manage to provide reasonably adequate supplies of food for her population and for the further 100,000 refugees from all countries now living inside her frontiers.

## Germany at War

### Total Control

THE development of Germany's totalitarian economy has been a long and varied process. Throughout, from the limited control over imports of raw materials exactly ten years ago to the present state of air-war economy, economic discussion has been made a matter of ideology or, to use the Nazi term, of *Weltanschauung*. The impact of the air-war economy on the circulation of money, on the position of the entrepreneur, the private investor and the small business men, and on wage-earners and housewives, together with the astonishing accumulation of all sorts of principles of regimentation, has led to another discussion which tries to work out the basic theory of pure totalitarian economics.

German economic papers at present abound with the technical terms which played a major part in the discourses of the classical economists of the nineteenth century. The value of money, the meaning of productivity, the rôle of banks and of the bourse are being written about with apparent frankness and apparently without restraint. But this freedom of discussion is illusory. The technical terms have assumed new meanings, and the discussion is not being carried on between independent thinkers, but between the servants of the economic administration and its auxiliary compulsory organisation.

The plainest statement of the complete control and regimentation that derives from the exclusive power of the Nazi State is perhaps the new interpretation of the value of money recently given in a broadcast speech by Dr Funk, the Minister for Economic Affairs.

The value of our money is not determined by the policy of an autonomous central bank but by the autonomous will of the people expressed by the authority of the State and the social duty of the People's community.

Not long ago the same Minister was convinced that Germany's currency was a "labour-value" currency, with "labour" having mysteriously replaced gold as cover. Now political necessity has compelled Dr Funk to state clearly that a totalitarian currency has no "impersonal" value at all, and that its internal value depends entirely on the decisions of the economic administration. What is true of currency is true also, in the Nazi State, of all other economic activities. There is no economic freedom or independence whatsoever now that the stage of total control has been reached.

Abrupt changes in Germany's war economy have been frequent. Stage by stage these changes have affected the whole of the economic structure, from the top down to the smallest factory and shop. Hundreds of thousands of small business men have been conscripted either for military service or for compulsory work. Innumerable concerns, including large firms, have been concentrated. Production secrets and patents have been made available to competing firms. But official policy always combined this intensification of controls and regimentation with some apparent compensations to the independence of the entrepreneur and private companies.

These compensations are more formal than real. Superficially there are; perhaps, at present, proportionately more private firms in Germany than in Britain or in the United States. But none of these private firms can exist outside a compulsory organisation which is itself closely linked to the central and regional economic agencies of the Government. Formally independent, they are actually dependent entirely on central and regional control.

The position is no doubt confusing. Employers, industrialists, directors, and managers are asked to use their initiative, while at the same time they have to comply with complex regulations which cover every one of their activities. They are, in fact, simply agents of the Government administrators. One pointer, perhaps, to the fact that their independence has become formal, is the constant interchange of jobs between civil servants, on the one hand, who go to work in private concerns and directors, managers and private business men, on the other, who are moved to positions in public administration.

It has frequently been remarked in German economic papers that firms note with dismay, after completing the year's balance sheet and profit and loss account, that profits came out too high. On the basis of the costing and bookkeeping regulations set out in detail by the authorities for the different sections of industry, the profit should have been such-and-such; 'disconcertingly, it was more. In these cases, an explanation has to be given to the taxation authorities and still more elaborate costing methods are the sequel. In effect, the entrepreneur is entitled to a set reward or fee, set by the Government's expert regulations; the term "entrepreneur wages" is actually used by those responsible for costing in the engineering industries. The conception of the entrepreneur as a paid servant of the state is thus recognised.

But the pretence is continued that German business men are still being remunerated for initiative, efficiency, risk-taking and the rest. Actually the only individual initiative left is reserved for a relatively small number of engineers and scientists who display their ingenuity in increasing the range of substitute materials and processes.

In these conditions of central control and complete regimentation, the problem of responsibility inside the factories takes on, perhaps, a crucial importance. Under the leadership principle, employers became "factory leaders." This was all right in small firms; but in the large concerns the question arose of who the "factory leader" was—director or production manager and so on. The situation is extremely muddled. The latest ruling is that in a private firm the owner, and in a joint stock company the board of directors, is the "business leader," responsible for everything ordered by the Government or by the compulsory economic organisations.

The introduction of technocratic control by Minister Speer put most of the factories under the direct control of outside engineers, who usually appear as organisers of new production methods. Their activities are frequently criticised openly in the papers, but criticism is not directed so much against the control itself as against individual controllers who have failed. These several thousands of engineers have levelled production methods and equipment all over the country. Factory installations and machinery have been

made as uniform as possible. Considerable progress has been reported in making workshops, machine tools and processes interchangeable, especially since large-scale bombing became frequent. Here the independence of the individual firm or employer is undermined for purely technical reasons. What is left to the firm or employer is the task of obtaining the necessary factory sites, machines, materials or labour, and this is largely a matter of putting in an indent, according to requirements laid down by the controlling engineers, and getting it sanctioned by some official.

Largely, these developments are the logical upshot of a totalitarian economy at war. All the changes have been introduced as simplifications designed to minimise friction and increase output and efficiency. In discussion it is doubted whether all the controls should be retained after the war. A distinction is drawn between the "steered economy" that existed in Nazi Germany before the war and the present fully controlled war economy.

One interesting instance of the contradiction between the formal independence of private industry and its actual dependence on the state is the fact that shareholders' meetings have been suspended. Consequently there are to be no elections to boards of directors. The publication of prospectuses, which was compulsory, has been abolished. Interest payments on fixed interest securities are to be made only once a year. The issue of Treasury bonds and loans has been restricted to large parcels subscribed by banks, insurance companies and co-operatives. With the introduction of stop-quotations for shares, the bourses have practically come to a standstill.

In other words, the capital market has been virtually closed. The financing of the war has become a matter of administration. Money, prices and wages are maintained as convenient symbols. The stability of money, prices and wages simply reflects the policy of the economic administration which controls and regulates all activities. Inflation in the classical sense of the word cannot arise. But, if the present administration is broken, financial stability will break with it; and, if a return to a free market economy is attempted, money will have to be reinstated as a measure of values, and the present fictitious prices and values will have to be replaced by values and prices arrived at on the basis of actual economic facts.

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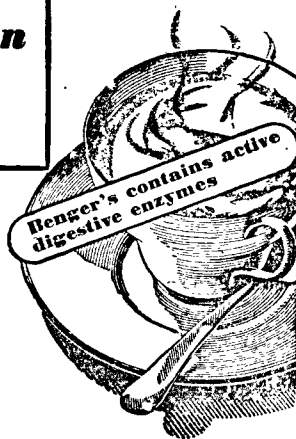


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# THE BUSINESS WORLD

## Steel Shares

TO generalise on either the short-term or the long-term prospect for steel shares is a hazardous process. For one thing, the "Iron, Coal and Steel" category in the Stock Exchange List is a grand portmanteau into which anything from ore-mining to the making of specialised machinery may be thrown haphazard. The industry, in any case, lends itself to vertical organisation. Most steel companies of substantial size, whose names are familiar to investors, own coal, mines, and a large number have interests on the steel-processing side, but the pull which the finishing interests exert on the results of the entire undertaking is anything but uniform. Some major concerns are pre-eminently steel-makers; others are engineers making their own steel. Some, even now, make products which, with very little change, can be used to satisfy post-war demand; some are turning out large quantities of specialised armament products. Some companies' profits are a function of their ability to maintain a large continuous output of steel, while others have built a reputation on special steels (including many new alloy steels during this war), hand-tailored and finished at, naturally, widely varying unit costs. Only a few years ago one would have mentioned another method of differentiation, according to whether a company had or had not passed through the furnace of capital reconstruction, but today there are practically no substantial concerns which have not put that ordeal safely behind them. But, in certain instances, it is not irrelevant to make a classification into companies which have reorganised their works and installed new plant in the last ten or eleven years, those that have not, and those that had half completed the transition when the war came.

None of these differences can be lightly passed over; for each, in its own way, has a direct bearing on the problems which individual steel-making concerns will face after the war. And, if one thing is certain above another, it is that post-war conditions dominate the minds of investors in steel shares today. The market has had ample opportunity to sort out its ideas, and its verdict is expressed in the fact that the average yield demanded from a steel share is about 1½ points more than on industrial shares in general and about 2 points higher than on favourite "recovery" shares. In other words, the market is classifying the equities of the leading companies in an industry which, in the years immediately before 1939, was making reasonably satisfactory profits, among the "war trades," whose outlook after the war is, perhaps, only one degree more promising than that of, say, the aircraft companies or the railways.

The reason for the investor's attitude needs closer examination. Obviously, British steel-makers will have complex transitional problems to face, but analogies with the last war may be misleading. Between 1914 and 1918 there were large plant extensions in the industry proper, whose ingot capacity increased by about 50 per cent. The extensions were owned by individual companies and

financed by bank loans, which were subsequently funded when interest rates were at their highest in the post-war inflationary period. Since 1939, however, new additions have been chiefly at the finishing end, or on the engineering side, and many of them are Government-owned and operated by the companies for a management fee. A great vertical combine like Vickers has, of course, been compelled to switch the main emphasis of its production over to armaments and will, undoubtedly, have formidable adjustments in the reverse direction to make after the war, though it will have the invaluable experience gained between 1920 and 1930 to guide it. But Vickers is an engineering group, using the products of its efficient steel enterprises as raw material, and the impact of war conditions on steel-making companies proper has been rather different.

In their case the war actually interrupted a process of plant extension and modernisation on a fairly large scale, which had started about 1933 and included many of the largest concerns like Stewarts and Lloyds, Dorman Long and Guest, Keen, Baldwins in its scope. During the war, plant has frequently had to be flogged to meet output demands, without full normal maintenance and replacements, and to treat raw material of inferior or changed quality. When the war is over there will be arrears of depreciation to overtake, but the main object will be to resume and carry through the wider programme of modernisation for increased competitive efficiency which the war abruptly checked. The industry, in short, will need substantial fresh capital over a period of some years. Its ability to obtain this capital may depend, ultimately, less on the changes in its own structure brought about by the war than on its environment and working conditions.

Financially, the industry will not start without certain positive advantages, as may be seen from the figures appearing in the table at the foot of this page. All the companies included in the table are steel-makers whose direct interests on the finished side are mainly in products like tubes, bolts, nuts, rails, etc., which have no really elaborate "engineering" content. (There are exceptions, of course, particularly in wartime, but the rule holds generally.) It will be seen that, usually, their capital is surprisingly low-gear. Between the two wars the industry, with much trouble and difficulty, succeeded in clearing itself of a large part of the burden of debenture charges which in the 'twenties hung round its neck like a millstone. Today anything from two-fifths to three-quarters of the issued capital of nearly all the companies in the table is in Ordinary shares.

Even by 1935, when recovery and reorganisation had gone only a moderate way, the earnings position of many companies was reasonably satisfactory. Wartime financial policy has been conservative. Dividends are "sound" but not spectacular, and are well within the limits of earnings, which themselves appear to be computed with a fair margin for eventualities. There has been a strong upward trend in depreciation allowances, though it has not always been

STEEL COMPANIES: SOME REPRESENTATIVE FIGURES

| Company<br>(and Accounting Date) | Percentage<br>of Total<br>Capital in<br>Ordinary* | Depreciation (£'000) |      |      | Earned on Ord. (%) |         |       | Ord. Dividend (%) |        |      |
|----------------------------------|---------------------------------------------------|----------------------|------|------|--------------------|---------|-------|-------------------|--------|------|
|                                  |                                                   | 1935                 | 1942 | 1943 | 1935               | 1942    | 1943  | 1935              | 1942   | 1943 |
| Baldwins (Dec. 31)†              | 54½                                               | 75                   | 140  | 175  | 12.1               | 10.7    | 12.1  | 7½                | 10     | 10   |
| Colvilles (Dec. 31)              | 66                                                | 125                  | 250  | 275  | (a)                | 16.1    | (a)   | Nil               | 8      | 8    |
| Dorman Long (Sept. 30)           | 22 (b)                                            | 206                  | 275  | 275  | Nil                | 14.7    | 23.0  | Nil               | 8      | 8    |
| Firth-Brown (Dec. 31)            | 43                                                | 72                   | 175  | 175  | 21.0†              | 16.4†   | 19.3† | 12½†              | 10†    | 10†  |
| Guest, Keen & Neufelds (Mar. 31) | 45                                                | 125                  | 250  | 275  | 7.5††              | 15.2    | 17.2  | Nil               | 10     | 10   |
| South Durham (Sept. 30)          | 42 (c)                                            | 55                   | 100  | (a)  | 5.9 (d)            | 2.7 (d) | (a)   | 5 (d)             | 2½ (d) | (a)  |
| Stewarts and Lloyds (Dec. 31)    | 57                                                | 309                  | 880  | (a)  | 9.7                | 21.2 ‡  | (a)   | 5                 | 12½    | (a)  |
| United Steel (June 30)           | 72½                                               | (c)                  | (c)  | (c)  | 10.4               | 9.0     | 8.5   | 7                 | 8      | 8    |

\* Including debentures (if any), preference and ordinary.  
(a) Not yet published. (b) Preferred ordinary and ordinary.

† Equivalent after deducting normal preference requirements.  
(c) Ordinary and "B" Ordinary.

‡ Tax free.  
(d) "B" Ordinary. (e) Figures not comparable.

possible fully to apply the amounts set aside. Generally, the industry has profited by lessons learned in the hard school of adversity.

In another way, also, something has been learned. How far the realisation that the steel industry can best play its part in a post-war national export revival by striving to lower rather than raise selling prices has permeated downward from the highest councils to individual managements, only time will show. In the last two or three years before the war, that fundamental doctrine was just beginning to be appreciated—but hardly even beginning to be applied. After the war steel-makers can help the steel-consuming industries, whose part in any export programme will be indispensable, by encouraging them, among other things, to avoid unnecessarily wide variation in specifications which, by interrupting long continuous running, add so considerably to cost. The industry will have an impressive range of steels to offer, including many special steels and alloys giving exceptionally high tensile strength with reduced weight. But much new plant will have to be installed before certain even of the most advanced concerns have finished the programmes they started before the war, and still more before the standard of the least efficient units has been brought nearer to the most efficient. And there may be more horizontal mergers to come—the industry with a production around one-seventh of America's may never reach American figures of output per head, but there are still very substantial economies to be achieved by closer organisation.

The investor's cautious approach to steel shares may, in short, be based in part on past analogies which no longer

completely hold. The real difficulty, however, in evaluating the post-war steel investment prospect is that the industry had only begun to grapple with its overdue task of catching up lost ground when war came. The results it might have achieved and the extent to which all concerned had accepted certain of its more essential implications were not by that time very clear. And in the interim background conditions have changed, in some ways unhelpfully. There will, of course, be a strong demand for British steel after the war, for many purposes besides temporary re-housing, Mr Churchill's reference to which caused a mild flutter of buying of steel shares early this week. But the price at which steel can be produced and sold will be the all-important factor, and the industry is seriously exercised by current developments such as the steeply rising trend of the price of coal (its bulkiest and costliest raw material), by the prospect of stabilisation of coal wages for, perhaps, the next three years at their highest wartime levels, and, after the war, by the possibility of increased transport charges. Steel wages before the war were not low by Continental standards, but their wartime rise has been no more than proportionate to the cost of living.

All in all, the yield premium on steel shares, as compared with the general run of industrial investments, may be justified in terms, less of the industry's immediate transitional problems after the war than of its post-transitional outlook. Perhaps the premium is exaggerated—if the outcome depended alone on what the best minds in the industry wished to do, share prices might stand higher. But the industry has had to give a number of hostages to fortune, and some allowance for them is reasonable.

## Business Notes

### Mr Churchill on Housing

The only postwar subject on which Mr Churchill spoke at length during his broadcast was housing. He not only insisted, unconvincingly, that short-term housing programmes can perfectly well be drawn up and executed without any planning policy; he also drew a sharp distinction, very rightly, between the short-term problem—that of providing a dwelling of some sort for every family as soon as possible—and the long-term problem of improving the general standard of housing. The first is to be tackled resolutely. First, the repair of war damage is to be pushed ahead while the war is still on; it is hoped "to have boken the back of it" by the end of this year. The Government is planning to build, or at least to have under construction, 200,000 to 300,000 houses of a permanent type by the end of the second year after the defeat of Germany, and, in addition, to erect up to half a million factory-made emergency dwellings. Thus the Government is working on the assumption that 700,000 to 800,000 extra houses will be needed at once to reach the shelter-per-family standard—an estimate which roughly corresponds to that given in an article in *The Economist* on February 5th. The question is how adequate the temporary houses will be as dwellings. Mr Churchill gave a few interesting details about them. They will remain the property of the Government, and the intention is to scrap them when they have served their purpose. In the Prime Minister's view, they will be much superior to the ordinary cottage as it exists to-day.

Not only have they excellent baths, kitchenettes, gas and electricity, and refrigerators, but their walls carry fitted furniture—chests of drawers and tables—which to-day would cost £80 to buy. For the rest of the furniture, standard articles will be provided and mass-produced, so that no heavy charge will fall on the young couples and others who may become tenants of the houses.

This can be the beginning of a drive to cheapen the all-in cost of housing as a contribution towards a higher standard of living. On the longer-term problem of improving the general standard of housing, Mr Churchill had, naturally, little to say. But he did emphasise the desirability of a measure of stability.

We do not want a frantic spurge of building to be followed by a sharp contraction of the trade and he recognised that "the most robust treatment of housing and all its ancillaries" might assist in checking the decline in the birth-rate. All that remains in the shorter

term is that both the temporary and permanent houses imperatively needed after the war should be actually built to schedule. It is never wise for either Ministers or their critics to take for granted that what has been projected, however admirably, will therefore happen to time without constant pressure.

### Opposition to Progress

The disclosure by the Prime Minister of the Government's plan to meet the post-war housing emergency by novel, unorthodox methods—that is, by the erection of factory-made houses, has brought upon him a sharp attack from Mr R. Coppock, secretary of the National Federation of Building Trades Operatives. During a speech at a luncheon of the National Federation of Demolition Contractors on Tuesday, he accused Mr Churchill of having solved the problem of pre-fabrication with words, adding that normal houses could be constructed at the rate of half a million units if requested. No doubt such a rate of construction could be attained—after an interval of several years from the end of the war required to bring the capacity of the building industry up to the requisite level. But the shortage of houses after the war will be acute, and if Mr Coppock meant to imply that "normal" houses could be constructed as quickly as a corresponding number of temporary factory-made houses, he was singularly unconvincing. The choice is not between normal houses and an equal number of emergency dwellings, but between solving a pressing shortage of accommodation as quickly as possible

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or at a more leisurely tempo. Unless Mr Coppock can prove that "normal" houses can be built as rapidly as factory-built ones, his outburst should be treated as the kind of opposition to progress that should be ruthlessly fought and overruled wherever it occurs if the British people are not to become the plaything of vested interests. But Mr Coppock, as reported in the press, went further by saying that "the merchants . . . are expecting to make a packet of money out of pre-fabrication." This comes close to an attempt to prejudice the public not merely against the proposed emergency houses, but against pre-fabrication as such, a loose term for the application of modern technique as a means of reducing the cost of houses, which is the only way to an improvement in general housing standards. It is difficult to resist the conclusion that the secretary of the NFBTO is more interested in maintaining a monopoly in methods of building than in a speedy solution of the housing problem.

### Railway Revenue and Costs

The figures of revenue and expenditure for the main line railways and the LPTB for last year have now made their appearance as a White Paper, Cmd. 6512. The expansion in receipts has, of course, continued, and, as in previous years, it has been greatest, both absolutely and relatively, in passenger takings. This is because of the gradual transfer of passenger traffic from road to rail and also because large consignments of passengers tend to pay the same rate per head as the individual. At this point the similarity with earlier years ceases. Apart from miscellaneous receipts, the rate of increase in takings and in expenditure declined on the year, as did the fall in the expense ratio and the rise in the absolute amount accruing to the Government under the agreement. Absolute net receipts, after deducting the usual adverse balance on the working of non-railway assets, are only £105,568,000, which is appreciably below the figure anticipated. The following table gives the published figures for all periods since the inception of control.

| (In millions of pounds) |         |         |         |         |         |
|-------------------------|---------|---------|---------|---------|---------|
|                         | 1939†   | 1940    | 1941    | 1942    | 1943    |
| Receipts —              |         |         |         |         |         |
| Passenger .....         | 90.8    | 104.8   | 132.1   | 163.5   | 186.3   |
| Freight .....           | 120.7   | 140.5   | 158.8   | 176.7   | 190.9   |
| Miscellaneous .....     | 1.7     | 2.7     | 2.9     | 3.3     | 4.5     |
| Total .....             | 213.2   | 248.0   | 293.8   | 343.5   | 381.7   |
| Expenditure .....       | 174.4   | 203.5   | 226.6   | 251.7   | 272.2   |
| Net receipts .....      | 38.8    | 44.5    | 67.2    | 91.8    | 105.4   |
| Other receipts .....    | Dr. 1.0 | Dr. 1.7 | Dr. 2.1 | Dr. 2.6 | Dr. 3.9 |
| Net Revenue .....       | 37.8    | 42.8    | 65.1    | 89.1    | 105.6   |
| Retained by Govt. ....  | Dr. 3.7 | ...     | 21.6    | 45.7    | 62.1    |
| Expense ratio .....     | 81.8    | 82.1    | 77.1    | 73.3    | 71.3    |

† Year rate obtained by multiplying figures for closing four months by three.

Gross receipts are, of course, no guide to what may be expected in normal conditions, but it would be interesting to know how far the rise in costs is likely to be an indication of post-war levels. No up-to-date figures exist, but a report of the Select Committee of National Expenditure—the third of the current session—dealing with rail and road transport, shows an increase in wages and salaries paid from £122 million in 1938 to £170 million in 1942. This occurred despite a drop in total numbers employed from 668,398 to 654,491 and despite the fact that these figures included only 26,500 women in 1938 and no less than 112,000 in the later year. Coal costs between 1938 and 1942 rose from £13.3 million to £21.2 million, or 59.4 per cent, but the consumption of coal was only 900,000 tons higher. The Ministry of Labour Gazette shows an increase in earnings of 53 per cent for men between March, 1939, and March, 1943, and this is made up of rises of 75 per cent for shop and artisan staff, 46 per cent for conciliation grades and 57 per cent for other staff. The figures suggest an appreciable element of overtime, but it is impossible to determine what rise in wage costs it would be reasonable to expect to endure after the war.

### Road Haulage Criticised

The third Report from the Select Committee on National Expenditure also contains a review of the long-distance road haulage scheme, introduced by the Ministry of War Transport in May, 1943, with the object of con-

serving rubber and oil. The achievement of this aim meant, first, that no traffic that could be carried by other forms of transport should be carried by road, and, secondly, that the remainder should be moved as economically as possible—that is, with a minimum of lorries loaded as near to capacity as possible. The organisation set up by the Ministry is based on the larger haulage concerns; these provided the unit controllers—there are some 360 units—and are responsible for conducting the traffic efficiently and economically, for settling haulage charges, and for providing the necessary staff. Administrative control is exercised through divisional road-haulage officers—there are twelve divisions, coinciding with the civil defence regions—and by these through subordinate area road-haulage officers in the 54 areas into which the twelve divisions have been sub-divided. Since a large-scale transfer of traffic from the road to other forms of transport was rendered impossible by the growing volume of total traffic and the consequent congestion on the railways, and as, in fact, the movement was in the reverse direction, the task of the haulage organisation was to concentrate on economical operation. It is on this point that the scheme has been severely criticised by representatives of the road-haulage industry. It has been submitted to the Committee that the individual units are too large, that many unit controllers are unsuitable for their present duties, that vehicles are not operated economically, that not sufficient use is being made of the higher executives in the industry, and so on. The Ministry of Transport has dismissed these complaints as being exaggerated, but, after giving due consideration to its defence, the Committee reached the conclusion that "the volume of evidence is too great to be dismissed as originating from a factious few."

### Water Supplies

One of the most pressing reconstruction needs is the provision of adequate and pure water supplies. Lord Beaverbrook announced in the House of Lords last week that the Government will publish a White Paper next month, and that an expenditure of £20 million on water and sewage in rural districts alone is contemplated. The Government's water policy will be awaited with interest. The existing arrangements, largely because of their haphazard development, are uneconomic and defective, and many areas are already facing a serious drought. Two plans have recently been put forward for conserving and organising the nation's water supplies, one by the Labour Party, the other by the British Waterworks' Association. Both condemn the inadequacy of the present organisation and the lack of co-ordination, and point to the dangers to national health of impure and polluted water. The Labour Party states that water supply is in the hands of 780 local authorities, 48 joint boards, 173 companies with statutory powers, about 80 other companies and more than 1,000 private proprietors. The undertakings vary greatly in size and efficiency, and there is not enough effective co-ordination between them. The Waterworks' Association observes that, in addition to the Minister of Health, the Ministers of Agriculture, Transport, Fuel and Home Security are all involved in water supplies. Both reports are therefore agreed in demanding a unified national control, and, as a first step, a comprehensive survey of the nation's water supplies and requirements is needed. The Labour Party recommends that the control of water supplies, drainage, rivers and water utilisation should be vested in a National Water Commission, and that local supplies should be undertaken by publicly-owned and controlled water boards, with regional commissions and joint boards of local authorities, to ensure democratic control at the local level. The Association goes further and urges the appointment of a Minister of Water, exercising broadly the same functions as the Labour Party's proposed Commission, and with district water authorities and district public water supply boards. A National Commission rather than a separate Ministry would seem the more appropriate form, though it is essential that there should be adequate Parliamentary check on its activities. But whatever the machinery of organisation, water, which is the classic example of a "natural monopoly," should be subject to unified public control. Both socially, in order to improve public health and raise rural standards, and industrially, as a basis for developing hydro-electricity and electrically-based industries, a national plan, to utilise a national asset, is overdue.

### Bombay Bullion Boom

Japanese infiltrations into India across the Burmese frontier have been followed by an abnormal demand for silver and gold in the Indian market. This is a traditional sequence of cause and effect in India, but its potency on this occasion must be explained in terms of the inflationary situation which exists in India to-day. The sudden intensification in the Indian "safety first" demand for the precious metals merely accentuated a previous trend deriving from the persistent inflation of currency and the shortage of consumer goods. The effect of the intensified hoarding of gold and silver has been most apparent in the higher turnover in gold and the rise in the price of silver. Gold continues to be sold through the Reserve Bank for account of the British and US Governments, and during the first part of the week it was made available at 71 rupees per tola and in sufficient quantities to keep the market price at around that figure, or £14 2s. per ounce. The official sales required to keep the price at this level soared to new record level. On Friday of last week the offtake in the Bombay market amounted to 281,250 ounces and since then the daily turnover, though not equalling this record, has been maintained at an exceptionally high level. There is, of course, no shortage of gold to meet this demand, which, however, must be absorbing a substantial proportion of production in Allied countries.

### Gold Price Raised

On Wednesday the Indian Reserve Bank raised its selling price for gold from 71 to 72 rupees per tola and, moreover, began to restrict its sales more severely than on previous days. The maximum offered for sale on that day was 37,500 ounces, or well below the recent average offtake of official gold. The immediate result of this restriction of official sales was to create a wide margin between the official selling price and the market price for gold. This opened on Wednesday at 76 rupees per tola, equivalent to £15 4s. per ounce. The restriction of gold sales and the consequent disparity between official and market prices will create a difficult problem for the authorities. The favoured buyers from the Reserve Bank will be given a handsome profit on their resales in the market, and the grant of buying priorities must give rise to much friction and discontent. The policy of the authorities in holding the official selling price for gold well below what the market would quote is open to serious question. If the selling price were held at the London and New York parities there might be a logical case for pegging. But as the official quotation has been allowed to rise to nearly twice this parity, it is difficult to understand why it should have been arrested there and not allowed to rise still farther. The double objective of these gold sales is to mop up redundant purchasing power in India, thus reducing the inflationary potential, and to reduce the growth of sterling debt to India arising from British Government expenditure in India. Both these objectives would be better served by allowing the rupee price for gold to rise as high as possible. This reasoning appears to have occurred to the authorities and by the end of the week the Reserve Bank was selling gold by tender.

### Persian Silver Sale

The Indian scramble for bullion has been more apparent in the prices quoted for silver than in those for gold. This is partly because silver is the traditional hoarding medium of the poor peasant, partly because as yet the rise in the price of this metal has not been held in check by any official sales of the metal. Thus, from a quotation of Rs. 128/9 on March 16th, the Bombay price has risen to Rs. 140 at the end of the month. The possibility of official sales of silver is, however, conjured up by the reports that the Iran National Bank has sold 500 tons, or about 16 million ounces, of silver to the Government of India and that the silver is already on the way to India. No official details of this transaction have yet been published, but it is permissible to suppose that it is, in fact, being financed by the British and US Governments. These Governments have been selling gold both in Persia and India. If the demand for silver in India has become particularly urgent and silver is available in considerable quantities in Persia, it would be reasonable to buy it from Persia in exchange for gold, and perhaps with an option to re-



# A message

from

The Rt. Hon. Sir John Anderson

G.C.B., G.C.S.I., G.C.I.E., M.P.

Chancellor of the Exchequer

"... I am proud to send you my best wishes for the success of the 'SALUTE THE SOLDIER' campaign. I ask all our people to seize this opportunity of paying their tribute to the British army, which has achieved so much and will achieve so much more. Our soldiers, for their part, expect us to back their efforts with all the financial resources at our command. In answer to this double call, let our tribute take the form of the fullest possible measure of saving and lending. In that way our savings will play their indispensable part in the fight for victory and freedom.

## SALUTE THE SOLDIER



Issued by The National Savings Committee.

purchase after the war, when US stocks will again be freely available to reconstitute the depleted Persian reserve. If the silver in question is to be used to satisfy the demand in the Indian open market, it is to be hoped that the authorities will not be inhibited by any regard for the London and New York parities in deciding the price at which they will sell. The open market Bombay price has already risen above the equivalent of 5s. per standard ounce and is two and a half times the London parity. There is no reason why it should not climb to three or four times that parity. The higher the price the better a given quantity of metal—whether silver or gold—will do its anti-inflationary work. To sell below the market price will merely be to subsidise hoarding. But this is not equivalent to saying that by selling gold and silver at high enough prices a cure for inflation will have been found. Those high prices will merely be one of the many symptoms of inflation, the causes of which are by now self-evident.

### Ultimatum to Alberta?

The continued absence of any suggestion from the Province of Alberta for the revision of its debt payments has long caused regret. This has grown to surprise owing to changes in the local Government and the altered attitude of Montreal. It is, therefore, scarcely surprising that the Alberta Bondholders' Protection Committee has addressed to the Provincial Government a letter which reads rather like an ultimatum. Resentment is certainly justified, but it may not have been in the best taste to show it. Alberta ceased to pay full interest rates in 1936, as a result partly of losses on its corn crop and partly of the currency experiment in social credit. Twice legislation was passed to authorise a 50 per cent cut in the interest rate of the principal bonds, twice the Alberta courts declared such measures to be *ultra vires*, and on the second occasion their decision was upheld by the Judicial Committee of the Privy Council. Backed by this weight of legal opinion and by the advice of their Protective Committee, only a comparatively small—though not negligible—proportion of bondholders agreed to accept half a loaf instead of a whole. The rest have waited in vain since 1936 for any settlement to be offered. Meanwhile, the financial embarrassment of Alberta has changed into a substantial surplus—over \$7 million in 1942 and \$6 million in 1943, representing an average of nearly a quarter of the total ordinary revenue—and the Provincial Treasurer has become profuse in expressing his kind feelings for the bondholders. Why, despite these facts, Alberta has taken no action to honour a clear-cut and self-acknowledged obligation, laid aside under stress of circumstances, it is hard to say. At any rate, the Protective Committee of the bondholders has now put forward demands which amount in effect to the full honouring of all claims, both past and future. The maturity date for all issues is to be extended by ten years; the overdue interest is to be met half in cash and half by instalments over forty years; and future interest upon all securities is to be standardised at 4 per cent, with compensation for holders of stock carrying higher rates. It is suggested that, should these terms prove unacceptable, Alberta should send representatives to negotiate in London; and a warning is added that no illegal or dictated settlement will be accepted. It is difficult to disagree with the complaints and claims of the Protective Committee, although it may seem regrettable that they feel the need to address a Canadian province in far icier terms, and with far more thoroughgoing demands, than are ever made to foreign debtors.

### The Banks' Salute

London's "Salute the Soldier" week has affected the City not merely as an occasion of pageants, bands and loud speakers, but as an immense task of credit management. On most days of this week the total credit turnover, as between the Government's and the banks' accounts, has exceeded £100 million, and the task of ensuring reasonable equilibrium and leaving a sufficient supply of credit in the money market has been fraught with considerable difficulty. That the task has been accomplished with only trifling open-market intervention by the Bank of England is a token of the pitch of efficiency which the technique of credit management has reached. The task of equilibrating credit supplies has been considerably eased by the balancing of Treasury deposit receipt maturities and pre-encashments against payments of subscription moneys to Government

tap loans. The end of March debt return, which will show the position at the close of London's week, should reveal a record volume of TDR pre-encashments. The fact that the banks will once again have converted part of their 1½ per cent bearing assets into 2½ per cent investments will no doubt raise the customary criticism. This is a criticism which is difficult to understand. The Government, faced with exceptional receipts from its tap issues, as it has been this week, must perforce use this excess of income over expenditure in repaying floating debt. The only alternative would be to build up huge Exchequer balances and thus immobilise credit unnecessarily. That process of floating debt repayment is achieved in the most economical and effective way by TDR pre-encashments.

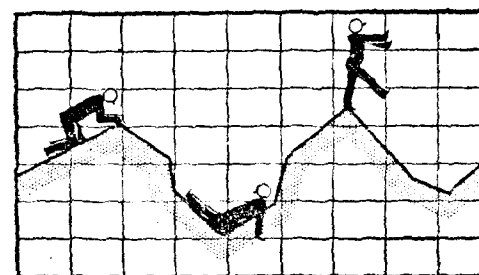
### Vickers Limited

Vickers Limited, whose accounts for 1943 were issued this week, is the nucleus of the British armaments industry. A holding company, it controls a large proportion of the professional skill, "know-how," and capacity in the manufacture of munitions through its main subsidiary—Vickers-Armstrongs Limited—and its two important associated companies—English Steel Corporation and Metropolitan-Cammell Carriage and Wagon Company Limited. In the absence of consolidated accounts it is impossible to obtain a precise picture of the group as a whole; nor is it possible to assess its quantitative contribution to the total output of the munitions of war. The accounts, as published, disclose no major changes from the preceding year. The net profits of the holding company show a slight increase; from £962,600 in 1942 to £984,119 in the past year; earnings on its ordinary capital are up from 21.1 per cent to 21.8 per cent, and the dividend is repeated at 10 per cent. Both Vickers-Armstrongs and English Steel Corporation show slightly higher profits in their accounts. The increase in the net profits of the holding company is explained by the increase in the dividend declared by Vickers-Armstrongs, from 5½ per cent to 6 per cent tax-free. Although full information is withheld, the accounts suggest that the group has accumulated substantial reserves to smooth the transition from war to peace conditions. The main interest from the investor's standpoint is in the post-war earning capacity of the group. This will depend on the size of the flow of munition contracts and on the group's ability to make goods for peacetime use. On the first point it is impossible to attempt a definite forecast. Nevertheless, it is pretty certain that defence expenditure after the war will be more in line with British commitments—that is to say, as an article on page 421 shows, it is likely to be appreciably higher than in pre-rearmament years. Moreover, since many industrial concerns now engaged in the manufacture of munitions will automatically revert to the production of motor cars and other goods of peace, the reduction in defence expenditure after the war will not involve a proportionate cut in the contracts given to the Vickers group. On the second point—the ability of the group to manufacture civilian goods—the experience gained during the inter-war period would seem to indicate a more favourable prospect than 25 years ago.

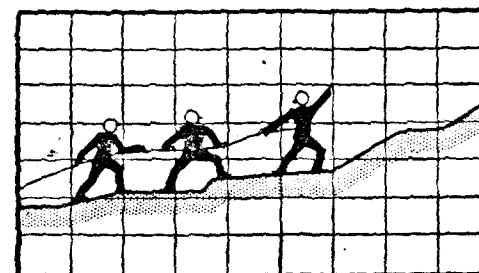
### Shipbuilders' Wages

On Wednesday the National Arbitration Tribunal heard the claim which the Confederation of Shipbuilding and Engineering unions presented to the Shipbuilding Employers' Federation for a "substantial increase in wages." No specific figure has been mentioned. Shipbuilding workers last received an increase in December, 1942, when 6s. was added to their war bonus. This increase was arrived at by direct negotiation and not by reference to arbitration. The rate for a fully skilled shipyard worker is now 89s. 6d. a week, made up of 50s. basic rate and 39s. 6d. bonus; an unskilled worker receives 70s. 6d., of which 31s. is the basic rate of 39s. 6d. bonus; there are varying rates for semi-skilled grades. Actual earnings of shipyard workers are, of course, appreciably higher. In the first pay week of July, 1943, according to the February *Ministry of Labour Gazette*, men's earnings averaged 143s. 1d., those of women 71s. 11d., and those of all shipyard workers were 125s. 4d.; shipbuilding was the highest single group in the survey. In their present claim, the unions are presumably hoping to consolidate their wartime advances in the permanent wage structure of the industry. Shipbuilding workers are concerned lest their standards should be depressed, in face of

## AND WHEN THE WAR IS WON



Trade feuds, booms and slumps  
or . . .



co-operation, expansion,  
security?

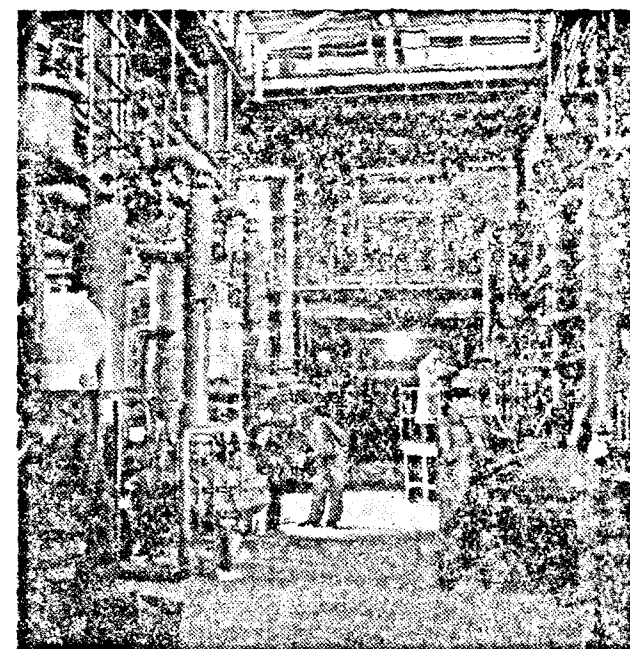
Are trade slumps necessary? After the war world-industry will have on its hands the biggest job of reconstruction in history . . . the job of helping to redeem the pledges of the Atlantic Charter. Anything approaching a "slump" either in the production or the distribution of vital supplies will not only block world-recovery, but will mean starvation and death for countless people who have suffered bitterly in the same cause as our own. If we are to 'iron out the bumps' in the upward curve of world prosperity we must first check the irregularities of international trade . . . replacing economic rivalry with collaboration, merging self-interest in mutual benefit, and harnessing rugged individualism to the disciplined purpose of a new "combined-operations" of world-industry.

This Statement is issued in support of continued industrial collaboration between the United Nations after the war. Announcements by the International Nickel Company of Canada, with the same purpose, have appeared in Canada and the U.S.A.

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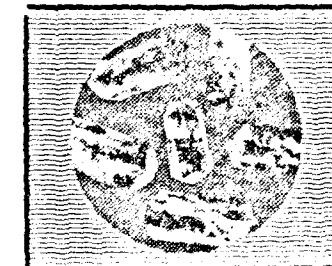
Vitamins are synthesized by nature. Now they are also synthesized in the Roche plants in Britain. These vitamins are identical with the natural vitamins.

## HOW VITAMINS ARE MADE BY THE TON

PERHAPS the greatest forward step in the application of new-found knowledge in the science of nutrition has been the advance that has made possible the production of synthesized vitamins. It is difficult to emphasize too much the importance of this great advance. It has brought to society the findings of pure science by making it possible to produce vitamins by the ton. This has entailed the isolation from natural sources, the elucidation of chemical constitution, the synthesis, and subsequently the production on a commercial scale.

It is interesting to follow the history of Vitamin B<sub>1</sub>. Only within very recent years has this vitamin been available. In 1926 Jansen and Donath isolated Vitamin B<sub>1</sub> in minute quantities from rice polishings. A few years later, from the work of three different teams, a practical method of synthesizing larger quantities of Vitamin B<sub>1</sub> was developed. It was then obvious that large-scale equipment and chemical engineering skill would be required to produce this vitamin on a large, economical scale.

Many technical difficulties were encountered in the synthesis. The first gramme of Vitamin B<sub>1</sub> is reputed to have cost more than £50,000. But even before the war, in the Roche plants, Vitamin B<sub>1</sub> was being produced in quantity at a price that made it economically available to all.



Vitamins are physical substances that can be seen, touched, tasted. Above is a photomicrograph (enlargement approximately 30 times) of Vitamin C—a crystalline, water-soluble chemical compound.

And since the war began, the price of Roche Vitamin B<sub>1</sub> has been further reduced by 62½%. This saving is, of course, a result of the greatly increased use of Vitamin B<sub>1</sub>.

Man-made vitamins have played a considerable part in keeping Britain in good health during the war years. Also, our fighting forces and our prisoners of war in enemy hands have these synthesized vitamins. Many Red Cross parcels contain jams and other products fortified with synthesized Vitamin C. Among the relief consignments that we have been able to send to our men in the hands of the Japanese were supplies of Vitamin B<sub>1</sub>.

Not only our own men who have suffered privations, but vast numbers of the peoples of occupied Europe may find that their hope of future health lies in the scientific achievement which has made it possible to produce vitamins by the ton.

ROCHE PRODUCTS LIMITED



foreign competition and of a possible slump in the industry, as they were after the last postwar boom. A number of other important wage claims are pending. The railway workers have asked for a 12s. a week all-round increase in their war wage. The employers' reply to the claim of the National Engineering Joint Trades movement for an increase of 10s. a week on basis rates for both time and piece workers, will be given on April 5th.

### Whaling Agreement

War conditions have interrupted whaling, and the depletion of stocks which took place before the war has been arrested. The world position of oils and fats makes the resumption of whaling an urgent necessity after the war. The Governments who were signatories to the 1937 Whaling Agreement and the 1938 Protocol met in London early this year and the results of their deliberations have been published in a White Paper (Cmd. 6510). The Conference agreed that all possible measures should be taken to increase the supply of whale oil, but that any relaxation of the pre-war agreements, designed to avoid extermination, should be only for a limited period. They are rightly anxious to do nothing to deplete existing stocks of whales by slaughter methods. The limit to the catch in the first season is fixed at 16,000 blue whale units—about half the average pre-war catch. But in view of the shortage of vessels even this total may be difficult to attain. The Governments of the following countries are parties to the agreement: the Union of South Africa, the United States of America, the Commonwealth of Australia, the United Kingdom, Canada, Eire, New Zealand and Norway. Japan and Germany might both be included after the war.

### Unit Trust Constitution

The Unit Trust Association has now circulated a revised constitution, prepared in September last in view of the probability that official action will be forthcoming in the not distant future for the regulation of the movement. From the standpoint of the public the important section is that devoted to Rules of Management, and it must be admitted that these remain disappointing. There appears to be no change in the all-important matter of the price to be charged to the buyer of sub-units, or to be given to the seller. The "rounding off" is still to be done to the nearest 1½d. or 3d. as the case may be. Under the latter provision, the average paid by the public will be 1½d. per sub-unit, and as a number of these have prices in the neighbourhood of 5s. this means to the managers a net profit, for no service rendered, of some 2½ per cent. This is probably more than the gross payment per annum for management, and is certainly excessive. The rounding-off charge ought to be limited to about ½ per cent, even if this means that sub-units have to be increased in value to the neighbourhood of one pound. More general weaknesses of the document are that the introduction to Section 28 appears to suggest that membership may be extended to a unit trust, although its trust deed prevents it from complying with the provisions of the constitution, while Section 29 removes most of the protection which the foregoing regulations are designed to extend by permitting special bargains between the managers and the sub-unit holder. But if the regulations appear inadequate, it is the adequacy with which they are enforced which is even more important for the public. Possibly wartime conditions are not a fair basis for assessment, but it has seemed more than once that existing prices gave the managers a larger margin than that prescribed. Certainly the provision for the publication of accounts already contained in the 1939 constitution has not been enforced up to the present. In fact, it is very difficult to find any real improvement in the new document or any hope that it will prove an adequate protection. A number of matters, such as the proper basis for remuneration for managers, the true yield, after making all allowances for wasting assets, purchases cum dividend and a number of other matters, need to be thought out and laid down clearly and their observance made a statutory duty.

### US National Income

The January issue of the *Survey of Current Business* contained figures, partly provisional, of the gross national product of the United States in 1943. The salient figures are as follows:

| (In \$ billions)                   |      |      |       |       |       |
|------------------------------------|------|------|-------|-------|-------|
|                                    | 1939 | 1940 | 1941  | 1942  | 1943* |
| Government expenditures:—          |      |      |       |       |       |
| War                                | 1.4  | 2.7  | 12.5  | 49.3  | 83.7  |
| Other                              | 14.6 | 14.0 | 13.1  | 12.4  | 11.7  |
| Total                              | 16.0 | 16.7 | 25.7  | 61.7  | 95.3  |
| Output available for private use:— |      |      |       |       |       |
| Consumers' goods and services      | 61.7 | 65.7 | 74.6  | 82.0  | 90.5  |
| Private gross capital formation    | 10.9 | 14.7 | 19.0  | 8.0   | 1.0   |
| Total                              | 72.6 | 80.4 | 93.5  | 89.9  | 91.4  |
| Gross National Product             | 88.6 | 97.0 | 119.2 | 151.7 | 186.8 |

\* Provisional.

The gross national product for 1943 reached the almost incredible figure of \$186,800 million, representing an increase in twelve months of \$35.1 billion. How much of this increase was due to a real rise in the quantum of output and how much to a rise in money values is not apparent from these preliminary figures, but will presumably be made known when the Department of Commerce releases its usual annual study. It will then also be possible to give a figure for American net national income roughly comparable with the British official figures. (Gross national product consists, roughly, of net national income plus the inflating effect of indirect taxation plus expenditures made to maintain existing capital.) The *Survey* also contains a summary of the distribution and employment of individual incomes (i.e., excluding the income of corporate bodies). This is given below, together with figures of estimated corporate profits, before and after taxation:

| (In \$ billions)                                |      |      |      |       |       |
|-------------------------------------------------|------|------|------|-------|-------|
|                                                 | 1939 | 1940 | 1941 | 1942  | 1943* |
| Income payments to individuals:—                |      |      |      |       |       |
| Salaries and wages                              | 45.7 | 49.8 | 61.4 | 79.9  | 100.6 |
| Direct and other relief                         | 1.1  | 1.1  | 1.1  | 1.1   | 0.9   |
| Social security benefits, etc.                  | 1.8  | 2.0  | 1.9  | 2.1   | 2.8   |
| Dividends and interest                          | 8.9  | 9.2  | 9.7  | 9.3   | 9.8   |
| Entrepreneurial income, net rents and royalties | 13.4 | 14.5 | 18.1 | 23.1  | 27.8  |
| Total                                           | 70.8 | 76.5 | 92.2 | 115.5 | 141.9 |
| Disposal of individual income:—                 |      |      |      |       |       |
| Taxes                                           | 3.1  | 3.5  | 4.0  | 6.6   | 17.8  |
| Consumption expenditure                         | 61.7 | 65.7 | 74.6 | 82.0  | 90.5  |
| Net savings                                     | 6.0  | 7.5  | 13.7 | 26.9  | 33.6  |
| Total                                           | 70.8 | 76.5 | 92.2 | 115.5 | 141.9 |
| Corporate profits:—                             |      |      |      |       |       |
| Before taxes                                    | 5.3  | 7.4  | 14.4 | 19.0  | 22.8  |
| After taxes                                     | 4.1  | 4.8  | 7.3  | 7.4   | 8.2   |

\* Provisional.

It will be noticed that while total individual income rose by \$71.1 billion between 1939 and 1943, and labour income by \$55.7 billion, personal taxes rose by only \$14.7 billion. This last figure does not, of course, include indirect taxation, but as a method of war finance indirect taxes suffer from the defect that they do not absorb purchasing power until after it has been spent. The total of income available for spending rose from \$67.7 billion in 1939 to \$124.1 billion in 1943. In view of this, the wonder is that there has not been much more inflation in the United States than has yet become apparent.

### US Manpower

The *Survey of Current Business* also contains a table showing the distribution of the labour force in the United States. This can be summarised as follows:

| (Millions)                          |            |            |            |             |
|-------------------------------------|------------|------------|------------|-------------|
|                                     | Jan., 1941 | Jan., 1942 | Jan., 1943 | Jan., 1944* |
| Armed forces                        | 1.0        | 2.1        | 7.0        | 10.4        |
| Civilian labour force:—             |            |            |            |             |
| Agriculture                         | 8.4        | 8.2        | 8.7        | 8.7         |
| Munition industries                 | 5.0        | 6.5        | 9.1        | 9.9         |
| Government war service              | 0.2        | 0.5        | 1.5        | 1.5         |
| Food processing                     | 1.2        | 1.3        | 1.3        | 1.6         |
| Textiles, clothing and leather      | 2.7        | 2.9        | 2.8        | 2.7         |
| Transport, fuel and utilities       | 3.9        | 4.1        | 4.2        | 4.5         |
| Construction and building materials | 2.6        | 2.6        | 2.3        | 1.4         |
| Trade and service                   | 10.5       | 10.9       | 10.6       | 10.6        |
| All other                           | 10.8       | 11.9       | 10.5       | 19.5        |
| Total employed                      | 45.3       | 48.9       | 51.0       | 49.7        |
| Unemployed                          | 7.7        | 4.3        | 1.4        | 0.8         |
| Total labour force                  | 53.0       | 53.2       | 52.4       | 50.5        |
| Total labour force                  | 54.0       | 55.3       | 59.4       | 60.9        |

\* Provisional.

(Continued on page 452)

### COMPANY MEETINGS

## THE CLYDE VALLEY ELECTRICAL POWER COMPANY

### FUTURE OF THE INDUSTRY

### EFFICIENCY OF PRIVATE MANAGEMENT

### McGOWAN COMMITTEE'S REPORT

### MR. R. ROBERTSON'S VIEWS

Presiding at the annual general meeting of the Clyde Valley Electrical Power Company, in Glasgow, on the 28th ultimo, Mr Robert Robertson, LL.D., the chairman, said:—

Ladies and Gentlemen,—The restrictions on the form of the report of the directors are still applicable, and I am again debarred from discussing the operations of the company during the year covered by the period of the accounts.

We have made provision for taxation, contingency fund and war damage insurance.

### FUTURE OF THE INDUSTRY

It will, perhaps, be useful and of guidance to the stockholders if I add to the observations which I made last year on the controversy which was then, and still is, taking place regarding the future of the electrical industry. I may say in passing that there is a tendency to lose sight of the real question—the best interests of the consumers—and by that I mean all consumers and not merely one section.

While these discussions in part deal with development, particularly in regard to certain technical and other questions, including rural development and a universal tariff, they centre mainly on the question of ownership. It is contended in certain quarters that expropriation of the company rights and transference of the whole industry to what is described as "public ownership" would so improve the industry as to bring electrical energy to every dwelling-house, however remote its situation, at a price comparable to the lowest presently charged in urban areas and without effecting any increase in these prices.

### PUBLIC OWNERSHIP

What constitutes public ownership differs according to the political outlook of the speaker, but even so it appears to be accepted that ownership by the State should be avoided, obviously because it is recognised that the general public, after its experience of bureaucratic control since the commencement of the war, would not tolerate such form of control any longer than is necessary. I pointed out last year the weakness of one type of control then suggested—the "non-profit-earning board"—and how there was no prospect of such control effecting a reduction in the cost of electricity supply. Nothing has transpired since then to warrant any modification of the views I then expressed.

### MAKE-UP OF THE INDUSTRY EXPLAINED

During the past year the discussion has continued unabated. I notice that a great deal of the criticism directed to undertakings such as ours is based on a lack of understanding of the make-up of the electricity industry, and for your information I would like to explain very briefly

how it comes about that the industry is operated partly by local or public authority and partly by company administrations. Our industry is not unique in this respect, as other public services are similarly operated.

### LOCAL AUTHORITIES AND PRIVATE ENTERPRISE

In the early stages the legislative intention was that the industry should be developed by local authorities, but if they failed to do so private enterprise was permitted to operate subject to the very serious handicap, however, that after the lapse of a certain number of years the undertaking could be acquired by the local authority at the then value of the physical assets and without any compensation either for losses in the earlier years or for future profits. In the comparatively few cases where the local authority commenced operations they confined themselves to the densely-populated and easily-developed areas, where success was assured, and neglected the sparsely populated areas where there was any risk of failure. Private enterprise was disinclined to invest money because if the enterprise were successful it would be taken over by the local authority on the unsatisfactory terms to which I have referred. To their credit I may say that some bold spirits did face these risks, but in the main development was slow and unsatisfactory and in areas outside the towns practically non-existent.

Accordingly Parliament changed its policy, and by the Act of 1899 authorised the formation of what is known as "power companies." These companies were given the right in perpetuity to generate and sell electricity over wide areas for power purposes and in bulk to authorised distributors. In most areas where the local authority did not themselves afford electrical supply, that is, mainly in rural areas, other companies were formed either by the power companies or by other interests to obtain the necessary permission from Parliament by means of Provisional or Special Orders to supply energy, an example being our associate company, the Strathclyde Electricity Supply Company, Limited.

### THE STRATHCLYDE ELECTRICITY SUPPLY COMPANY

In our case the associate company is operated in conjunction with the power company as one entity, which forms an economic and efficient method of affording supply to every class of consumer in the area. Happily, too, the greater number of local authorities in our area recognised the wisdom of supply being afforded in this comprehensive manner, and many years ago either consented to the right to supply being obtained by the Strathclyde Company or themselves obtained such rights and entered into agreements with us for long periods, by which we operate their powers in conjunction with our own undertaking. This helpful collaboration on the part of these authorities contributes to our being able to afford supply throughout the whole

of our area on standard tariffs which are so favourable to our consumers.

### EFFECT OF PURCHASE BY LOCAL AUTHORITIES

As I have said, the Orders held by the distribution companies, both in our areas of supply and in the areas of supply of other companies, are as they expire subject to purchase by the local authority, and as only those which are remunerative will be acquired the power companies are faced with the gradual loss of the most prosperous portion of their business. It is elementary knowledge that the revenues from the better areas enable supply to be afforded at the present prices in the leaner areas, and accordingly we shall be in the position that we can no longer continue our policy, and the price to the leaner areas must rise and future development must be restricted.

The power companies therefore, having taken the risk of developing the leaner areas in question, have suggested what I think is eminently reasonable, that this obsolete legislation be revised, and that these purchase rights be abolished, so that they can proceed with the further development of the leaner areas and maintain or even reduce their charges.

### McGOWAN COMMITTEE'S CONCLUSIONS

This was one of the problems considered by the McGowan Committee. State ownership and regional boards were some of the remedies urged upon them, but after hearing evidence from every quarter the Committee reached the conclusion that the abolition of the rights of purchase and the consolidation of the power companies' areas afforded the most satisfactory solution.

Owing to the form of legislation in the early years a great number of small undertakings came into being. One of the findings of the McGowan Committee was that these smaller undertakings should become merged in the larger undertakings, so as to provide more efficient single units.

Obviously, those views are not acceptable in some quarters which might be affected by them, and these objectors are to-day allied with those whose political views are hostile to what is known as "private enterprise," so that we have various views presently being urged: those who desire the continuance of the present position, those who favour the absorption of small undertakings by large undertakings, either company or public authority, and those who desire such absorption but with the control removed from private enterprise to public bodies. Dealing with the last of these, private enterprise is now represented by its opponents as some indeterminate but small section of the community exploiting everyone solely for its own gain, irrespective of the rights or interests of others. It is overlooked that private enterprise comprehends practically the whole-business community, on which the prosperity of the nation depends. In our area alone we have about 20,000 commercial consumers—the vast majority of whom represent private enterprise. We have 9,600 stockholders, also representing private enterprise. Fifty-five per cent. of the stockholders each own only £200 or less of stock.

### RATES IN DENSELY AND SPARSELY POPULATED AREAS

One of the arguments urged against the companies is that public authorities sell at a lower average price than do the companies, and the erroneous conclusion is drawn that if the companies were eliminated the lower rates said to be charged by the public authorities would extend to all areas. Even if the premises were sound, that conclusion does not follow. Because an undertaker can sell at a certain price within a densely-populated area it cannot be said that it can sell at the same price when an area which is sparsely populated is added

to it. The development of the industry outside the large cities has in the main been the work of the companies. In Scotland, for instance, the company areas are together more than four times greater than those of local and public authorities, while 58 per cent. of the population is concentrated in the areas of the public authorities. Somewhat similar conditions prevail in England. Accordingly, as the companies operate more sparsely populated areas, where the expanse of distribution is obviously greater, it might be expected that the cost to their consumers would be very much higher. But figures recently published show that the average price per unit received by public authorities throughout Great Britain from all their consumers was only 5 per cent. below the average price received by the companies, both distribution and power, but if the distribution companies are left out, the 'power companies' selling price to their consumers was actually 15 per cent. below that of the local authorities.

#### COMPANIES' CREDITABLE CHARGE FIGURES

In light of these observations I think these figures are a great credit to the company interests and support the contention of the companies that they are conducted efficiently and in the best interests of their consumers, besides being a refutation of the argument that the transference of the industry to public or local authorities would be to the benefit of the consumer.

In view of the achievements of the companies, it is obvious that if the companies had been allowed to develop the areas now served by local authorities along with their own areas it would have been to the benefit of the consumers.

Various bodies have prepared memoranda on these questions, including the Incorporated Association of Electric Power Companies. That association, of which we are members, supports the findings of the McGowan Committee, which so far is the only authoritative and impartial document. This committee heard evidence from every source before reaching its decision, and any other expression of opinion on the question is subject to the criticism that it is sectional and based either on the personal interests or the political views of the authors, and that none of them can claim to have the impartiality of the McGowan Committee.

#### QUESTION OF RURAL SUPPLY

Apart from observations on the major questions affecting the industry, there have been various criticisms during the year directed in the main at the company interests which are responsible for the great bulk of rural supply. Some of the criticisms suggest that there should be a general pooling of supply, and that the same charges should apply throughout the country. This view was much canvassed some years ago, and the Post Office cited as an example of what could be done, but it emerged that the charge for the telephone service varied according to the density of the population and the situation, of the subscriber, and the only argument now put forward is that of the penny postage. Well, penny postage is now 2½d., while during the past twenty years the cost of electricity has dropped enormously, and where there has been any increase in the charge for electricity since the war began it has been small. But it should be observed on the question of postage that the transmission side of the mail service represents a very small portion of the total cost, round about 10 per cent. If I remember rightly, whereas distribution costs for electricity form a high proportion of the selling price. In our case the capital expenditure on distribution is about twice that on generation. Moreover, rural residents are not afforded the same service by the Post Office as are urban. In many rural

areas there is only one distribution of mails per day, whereas in the cities there are, or were before the war, several. In our case, no matter how remote the consumer he must get the same supply as in the city. We cannot devise a scheme whereby he gets a fraction of the service afforded to the urban consumers, as is done by the Post Office.

#### NATIONAL UNIFORM TARIFF PROBLEM

While we charge the same rates throughout our area this policy cannot be extended throughout the country. A national uniform tariff without a corresponding unification of local rating and other varying charges would be an injustice to the consumer. Our consumers would do well to keep a careful watch on this particular agitation because our average selling price is well below the average selling price of the whole country, and if any such scheme is brought about they must be prepared to face an increase in charges of at least 33½ per cent. without taking into consideration the increased cost which would be incurred if such a scheme were brought into operation. If other areas are to be subsidised at our expense it is only equitable that we should get the benefit of the lower local rates prevailing in other areas.

Rural electrification is now being urgently canvassed, and I suspect in some quarters for political reasons. Rural supply has long been steadily developed by the companies. One would infer from some critics that public authority development is in advance of that of the companies, but the percentage of premises in our area to which electrical supply is afforded is well in excess of the corresponding figures in many of the urban areas supplied by public authorities. For a number of years we have been urging farmers to electrify their steadings, but economic circumstances in many cases prevented them. Since the commencement of the war, however, farmers in general are coming to us to aid them in the troubles which they now experience from shortage of labour.

There are other public services which more urgently require extension than electricity, particularly water. Their provision is in the main the duty of the local authority, and it is now being realised that these services are in many areas not nearly so well developed as is electricity.

When these facts are examined it will be seen that the company interests have shown much more enterprise in carrying out their duties than have many local authorities, and that transference of the electrical industry to public or local authority ownership will not mean increased efficiency or reduced charges, but the reverse.

I am satisfied that interference with the company interests to which I have referred would have a most unfortunate result for the consumers and for the country.

#### TRIBUTE TO STAFF

During the year under review the operations of the company have been carried on under the most strenuous and difficult conditions, due to the war, and I desire on behalf of the directors to express our cordial appreciation to our colleagues, the managing director, and all the heads of departments and members of the staff and other employees working under them. I am sure that the stockholders present will concur in this appreciation.

I now have pleasure in moving that provision be made for the dividend on the six per cent. cumulative first preference stock for six months to April 30, 1944, and that a final dividend of 5 per cent. on the ordinary stock be paid, which together with the interim dividend of 3 per cent. paid in September, 1943, makes a total of 8 per cent. for the year, subject to tax.

The report and accounts were adopted.

## THE NORTHMET POWER COMPANY

### POST-WAR ELECTRICITY LORD ASHFIELD'S SPEECH

The ordinary general meeting of the Northmet Power Company was held at Caxton Hall, Westminster, S.W. 1, on the 29th ultimo. The Rt. Hon. Lord Ashfield, P.C., Chairman and Managing Director, said:

I am happy to say that, despite the existence of various factors such as the fuel economy campaign of the Government and increased coal and labour costs, your directors are able to recommend for the year a total dividend of 7 per cent. on the ordinary stock.

When I addressed you last year the Minister of Fuel and Power had asked the industry through their representative Associations to place before him their views on the future of the industry. In response to this invitation memoranda have been prepared by these Associations, and, in addition, there has been what I might well describe as a "flurry" of reports, newspaper articles and publicity.

#### JOINT AUTHORITY'S COMMENTS

Observations have been made by the London and Home Counties Joint Electricity Authority on the memorandum of the Association of Electric Power Companies. The Authority have stated that if the proposals set out in that memorandum are applied the loss to the public would be considerable, and instance the difference in the average selling price of electricity to consumers, particularly for domestic purposes, between undertakings owned by public authorities and by companies. Given like conditions, the cost per unit of electricity supplied by companies' undertakings compare favourably with that supplied by undertakings owned by public authorities. For example, the area of supply of your company can, I think, be compared with that of the area supplied by the London and Home Counties Joint Electricity Authority, and it is illuminating to find that the average revenue per unit for lighting, heating and cooking received by the Authority for the nine months to December 31, 1937, the latest period available to me at present, was 20 per cent. higher than that of your company.

The company's area is diverse in character, 22 per cent. of the total area is urban, whilst the remaining 78 per cent. is rural. Notwithstanding this extensive rural territory, the system of supply and voltage throughout the area is almost entirely standardised. It has been necessary to lay or erect a main transmission system of 1,256 miles, a distribution network of 3,349 miles, and 1,391 sub-stations, and I may add that, despite the widely diverse conditions out of a total of 137 townships and parishes in the area, the Northmet service is available in no less than 131, leaving a small margin of less than 5 per cent. still to be provided for.

#### PHENOMENAL DEVELOPMENT

From the commencement of supply by your company there has been a phenomenal development, and this amazing growth can, I suggest, be attributed in part to the settled policy of your company which has operated over a period of years.

The basis on which improvements in the distribution of electricity should in the opinion of the power companies proceed is not by any revolutionary change in the constitution and management of the undertakings, but by the retention and utilisation, where possible, of the larger and more efficient of the existing undertakings, whether privately or publicly owned, and the absorption by such undertakings of the smaller or less efficient undertakings.

The proceedings terminated with a vote of thanks to Lord Ashfield.

## NORTH-EASTERN ELECTRIC SUPPLY COMPANY, LIMITED

### CHAIRMAN'S COMMENTS ON POST-WAR REORGANISATION OF THE ELECTRICITY SUPPLY INDUSTRY

During the course of his remarks at the annual general meeting of the North-Eastern Electric Supply Company, Limited, held in Newcastle-upon-Tyne on the 22nd ultimo, the chairman (Mr R. P. Sloan, C.B.E.) said:

I would like to refer briefly to the question of post-war reconstruction of the electrical industry. Much publicity to this subject has been given in the Press and many references to it have been made elsewhere.

Schemes have been submitted to the Government by Associations representing various interests in the industry. These schemes differ widely in their recommendations. Some favour leaving things as they are, some municipalisation, some the expansion of joint electricity authorities; then there are others who favour the implementation of the McGowan Report, while there are those who recommend nationalisation of the whole of electricity distribution throughout the country.

#### NEED FOR COMMON POLICY WITHIN THE INDUSTRY

It is unfortunate that there should be such a wide diversion of views within the industry itself as to what should be done, as this may well create the impression that it is failing lamentably in its service to the public—which is, of course, not the case. If some common policy cannot be evolved by those engaged in the industry, it may result in some scheme being imposed upon it by Parliament.

As long ago as 1926 reference was made to our company in Parliament by the then Parliamentary Secretary to the Minister of Transport (speaking for the Government), who stated "that is a model which we should like to see the whole of England follow." Our own view is, of course, in harmony with this, and we feel that our organisation is of the type, and covers the size of area, which can economically be operated to the advantage of all concerned.

We have over a long period of years concentrated on the co-ordination and development of the distribution of electricity and the standardisation of charges within our wide area and have met with a considerable measure of success in this direction, but we realise that there remains room for improvement both here and elsewhere.

#### NEED FOR ONE CONTROL OVER DISTRIBUTION AREAS

There are to-day, within what I may describe as "our area," quite a number of distributing authorities each operating independently, and it is our conviction that the best service could be given to the public generally if all their distribution areas came under one control. But there are formidable difficulties in the way of bringing about any such consolidation. They were revealed at the time of the publication of the McGowan Report and they now again become apparent in the avalanche of Memoranda which has been submitted to the Government. Nevertheless, it is our view that these difficulties must be faced and that they might be overcome in the best interests of consumers by a scheme which would associate with the control, representatives of all the local interests concerned.

It is along these lines that we believe a solution of the problem can best be found. It would be premature for me to say more on this subject at the present stage, except that the company has not signified agreement with any of the schemes so far submitted to the Government.

## BRITANNIC ASSURANCE COMPANY, LIMITED

### INDUSTRIAL ASSURANCE DEFENDED

£447,550 ALLOCATED TO POLICYHOLDERS

#### MR J. A. JEFFERSON'S SPEECH

Mr J. A. Jefferson, F.I.A., chairman and general manager, presiding at the seventy-eighth ordinary general meeting, after referring to the retirement of Mr S. J. Port, vice-chairman, and the election to the board of Mr F. A. Powell, F.C.A., formerly secretary of the company, said:—

Since the outbreak of war we have released for service with H.M. Forces or for other work of national importance nearly 2,100 of our indoor and outdoor staff. We wish them good fortune, and look forward to their return as speedily as possible.

#### "INDUSTRIAL ASSURANCE EXPLAINED"

At the beginning of this year the industrial life offices issued under the title of "Industrial Assurance Explained" a short booklet explaining in non-technical language our much-maligned and misunderstood business. It is one of the trials of our business that we seem fated to attract adverse criticism, sometimes emanating from well-meaning reformers whose knowledge of the business appears to be in inverse proportion to their ardour for their cause. One of our critics is reported to have said of the booklet, "It is the old familiar thing." Until now we have remained silent in the face of hostile and ill-informed criticism, so it is difficult to follow this remark, but I am pleased to say that the booklet has had a good reception, not only from those engaged in the industry, but also from those engaged in other branches of insurance and from reasonable and unbiased persons everywhere.

#### QUESTION OF "ILLEGAL POLICIES"

Recently another critic has suggested in questions asked in Parliament that the offices have been issuing since 1909 large numbers of "illegal policies." I deny this absolutely, and apparently the grounds for this allegation are that the words "funeral expenses" mean only the actual cost of burial, and this I dispute. May I point out that no single policy has ever been declared illegal by the courts on these grounds, and one High Court judge has said that the term "funeral expenses" should be construed with some latitude? The question of funeral expenses policies was considered by the Cohen Committee, who came to the conclusion that there was a justifiable public demand for policies which covered such additional expenses as the cost of mourning and travelling to the funeral or to see the dying person. Judging from the reply of the Financial Secretary to the Treasury to a question on this subject, the Government would also appear to support this view.

The suggestion had been made that the offices encourage, and members of the working classes indulge in, gambling on the lives of near relatives. Actually in their own interests the offices do everything possible to prevent speculation of any kind. As regards our policyholders, how can they, by the wildest stretch of imagination, be accused of gambling because they make provision for funeral expenses by the payment of a premium of a few pence per week? On the contrary, I claim that it is only common prudence; it avoids running into debt when death occurs in the family, and I regard such an accusation as a slander on the working classes. If the working man desires to gamble he can, and does, find easier and

quicker methods than a funeral expenses policy.

#### MAGNITUDE OF THE COMPANY

As illustrating the magnitude of the company's operations, I would mention that we have now in force over 5,700,000 policies, assuring £120,000,000. The total premium income increased during the year by £452,000 to £6,897,000, while our funds at £43,441,000 showed an increase of £3,089,000. War claims in the life branches during 1943 amounted to £89,677, against £68,472 in 1942, bringing the total since the outbreak of war to £335,691.

#### ORDINARY AND INDUSTRIAL BRANCH RESULTS

The premium income of £1,992,000 showed an increase of £160,000, and the fund amounted to £15,315,000, an increase of £987,000. The net rate of interest was £3 7s. 11d. per cent., a fall of 8d. per cent. Death claims at £235,000 were £24,000 more than in 1942. The expense rate at 11.72 per cent. was moderate, and was 0.79 per cent. less than in 1942.

The premium income increased by £291,000 to £4,897,000 and the fund by £1,811,000 to £23,604,000. The net rate of interest earned on the fund at £3 12s. 8d. per cent. showed a reduction of 2s. per cent. Death claims were heavier by £97,000 than in 1942, and amounted to £1,319,000. The expense rate was 27.98 per cent., and was the lowest ever achieved in the history of the company. It represented a reduction of 1.62 per cent., and followed a reduction of 0.94 per cent. in 1941. Reductions such as these provide the best possible answer to the view expressed by one of our critics that no further substantial reductions are likely to be seen.

#### THE ASSETS

Our assets now total £44,156,000, having increased during 1943 by £3,197,000. Actually £4,278,000 has been invested in British Government loans during the year, bringing our total subscriptions since the outbreak of war to £12,500,000. At £18,597,000 British Government securities amounted to 42 per cent. of our total assets. Our assets show a substantial appreciation over balance-sheet values, but we recommend transfers to the investment reserve funds of £250,000, bringing them up to £2,750,000.

#### ANNUAL VALUATION OF LIABILITIES

The strength of the valuation basis has been further increased. The policy liabilities under Britannic contracts were valued by the net premium method on a 2½ per cent. interest basis, the latest available mortality tables again being used. In the ordinary branch a surplus of £592,197 was disclosed, while in the industrial branch a surplus of £1,074,452 was disclosed. The directors have allocated £227,550 out of the ordinary branch surplus to policyholders, which has enabled them to declare a bonus addition to all with-profit policies in force on December 31, 1943, of £1 per £100 sum assured. Out of the industrial branch surplus they have allocated £220,000 to the policyholders, which has enabled them to repeat the present bonus scheme for a further year. Increased balances of £250,875 in the ordinary branch and £391,952 in the industrial branch are being carried forward undivided.



## MERCANTILE BANK OF INDIA, LIMITED

### IMPROVED ECONOMIC SITUATION

#### SIR CHARLES INNES ON POST-WAR PROBLEMS

The annual general meeting of the Mercantile Bank of India, Limited, will be held in London on the 18th instant.

The following is an extract from the statement of the chairman, Sir Charles A. Innes, K.C.S.I., C.I.E., circulated with the report and accounts for the year ended December 31, 1943:—

The balance-sheet continues to reflect war conditions. The totals on either side show an increase of nearly £2 millions over the figures of last year. On the liabilities side the increase is due mainly to an expansion of our current accounts. This is a feature common to all banks. In our case the increase has taken place principally in India. India is a vital supply base for the Allied nations in the East. The volume of contracts placed by the supply department continues to expand, and the increasing payments received from His Majesty's Government on account of the supply of war materials and services have led both to a growing accumulation of sterling balances and to large issues of currency for immediate payments in India. It is not surprising therefore that the demand liabilities of the scheduled banks have now risen to more than 500 crores, compared with 123 crores in August, 1939.

#### INCREASE IN LOANS

In the last year, too, there has been a welcome improvement in the loans and advances of Indian banks, though the increase has not kept pace with that of deposits. The proportion of loans and advances of all deposits with the scheduled banks is still only 27 per cent., compared with 47 per cent. in August, 1939. The balance-sheet again shows a contraction of bills receivable. I explained the reasons at some length last year, and need not repeat myself.

Briefly, the decrease is due partly to Lend-Lease arrangements, partly to the restriction of imports, and partly to the fact that as the war goes on more and more business tends to be diverted from the usual commercial channels into the hands of Government. There has been a reduction of nearly £2 millions in our cash, but it still stands at the substantial figure of £64 millions. On the other hand, we have increased our holding of Government securities by nearly £3 millions.

#### INFLATIONARY TENDENCIES DECREASED

The inflationary tendencies in the economic situation brought about in India by the war have long been obvious, and at one time it looked as if the situation might get out of control. In particular, owing to constitutional and other difficulties, which admittedly in India are very great, the Government of India and most of the Provincial Governments were slow in dealing with the most urgent problem of all, namely, that of ensuring that available supplies of foodstuffs should be fairly distributed at reasonable prices. One result was the severe famine in Bengal; another was a steep rise in the cost of living all over India.

Now the situation has improved. There has been an excellent harvest in Bengal, and all Governments are encouraging the growth of food crops and are introducing procurement and rationing schemes. Moreover, the Government of India have introduced in the last six months a number of measures designed to check speculation, profiteering, hoarding and inflation. Of the last class of measures the most interesting has been large sales of gold by the Reserve Bank.

#### THE FUTURE

In the past year we have devoted much thought to post-war problems. No one at this stage can foresee what the pattern

of international trade will be after the war or whether by concerted action the nations of the world will be able or willing to alter the policies and remove the obstructions which a few years ago threatened almost to stifle it. Nor do we know for how long after the war it will be necessary for the Government to maintain control of imports, exports and foreign exchange and to continue to make bulk purchases of food and raw materials. All that can be said with confidence is that this country, if it is to keep its imports of food and raw materials at the level necessary to maintain the standard of living, must largely expand its exports, and I hope that this bank will be able to play its part in this process.

#### STAFF PROBLEMS

Our immediate post-war problem and the one to which we have devoted most thought will be that of reopening our branches in the countries which have been overrun by Japan. We have already made such preparations as are possible, and it is already clear that our main preoccupation will be that of staff. An exchange bank must have a highly-trained staff, and in this respect the position is bound to be very difficult in the immediate post-war period.

Those that are left to us have had a long term of continuous service in the East. Most of them are badly in need of rest, and it would be a great help if the Governments of India and Ceylon would allow them to take home leave in rotation. We also hope that His Majesty's Government will take steps to release a proportion of trained bankers from the Forces well in advance of the reoccupation of Burma and Malaya. Some measure of this kind is indeed essential if the banks are to play their part in the rehabilitation of the economic life of the countries released from enemy control. It must be remembered that unless banking facilities are available trade and commerce cannot revive.

## BRITISH ROPES, LIMITED

### PROFITS MAINTAINED

The annual general meeting of British Ropes, Limited, was held, on the 30th ultimo, at Leeds.

Mr Herbert Smith (the chairman), in the course of his statement, said: Taxation occasioned by war conditions has the effect of limiting to a certain degree the profits available for dividend and reserve purposes. The profits earned for the year ending December 31, 1943, subject to income-tax, have been virtually maintained at £355,741, and, after providing £200,000 for income-tax, as compared with £225,000 in the previous year, the net balance available amounts to £155,741, as compared with £134,510 for 1942. We are thus able to maintain our dividend at the previous level of 12½ per cent., but this year we propose to increase the transfer to general reserve from £25,000 to £50,000, which will leave the substantial balance of £215,873 to be carried forward to next year's accounts.

The balance-sheet continues to show a strong liquid position, which is very satisfactory and augurs well for the future of your company. Your company's plant and machinery has, so far as circumstances permit, been maintained in an efficient state of repair, and all possible steps are being taken to ensure that post-war demands will be met.

The output of all manufacturing units of your company in wire, wire rope, hemp rope and binder twine has been maintained at the high level of the last three years; all departments are working to full capacity on Government or other work of national importance. Needless to say, we have record outputs, and are employing more female labour than ever before. Our subsidiary and associated companies are in the same posi-

tion, and have been very successful during 1943.

The supply of raw materials to our South African and Canadian factories has been difficult, but the managements at these units have obtained their requirements and have maintained full outputs.

The future of our export trade is being investigated both on our own account and also by the various trade associations of which we are members. The strong trend towards the industrialisation of primary producing countries seems to be strengthening under the stress of war, and there appears to be no doubt that at the end of the war this tendency will be accelerated.

I feel I must express the thanks of the board and myself, as well as of the shareholders, to the staff and workpeople, especially the women who play so large a part in our activities, for their ungrudging and loyal service to further the war effort.

The report was adopted.

## SAN FRANCISCO MINES OF MEXICO, LIMITED

### A RECORD YEAR

The thirty-first ordinary general meeting of San Francisco Mines of Mexico, Limited, was held on the 29th ultimo, in London, Mr C. T. Pott presiding.

The chairman, in the course of his statement, said:—

The past year was a banner one. Records of one sort or another were established in so many directions that I will only enumerate a few. The tonnage milled reached 615,000 and the metals contained in concentrates reached 35,000 tons lead, 33,000 tons zinc, 3,500 tons copper, 2,400,000 ozs. silver and 18,000 ozs. gold. These figures are about 30 per cent. above last year, and are a measure of the strenuous efforts we have made to provide the United Nations with the maximum amount of metals which our mines were capable of producing. To support this programme of maximum output underground development was accelerated to keep in step. The satisfactory nature of the year's development may be judged from the record ore reserves of 3,135,000 tons, which are some 400,000 tons in excess of a year previous. In as much as some 600,000 tons were milled during the year, the new tonnage blocked was upwards of 1,000,000 tons. The 3,100,000 tons in the reserve had a combined lead zinc copper grade of 16.39 per cent., compared with 2,300,000 tons with a combined grade of 16.10 per cent. at the beginning of the war.

#### SATISFACTORY DEVELOPMENT

During the sixteen years beginning September, 1926, we have milled close upon 6,000,000 tons of sulphide ore having a combined mill assay for lead zinc copper of 16.29 per cent. I give you these figures to illustrate that laterally and at depth development continues on the whole to be satisfactory, so that the life of our properties can be regarded with some optimism.

The board has appropriated £50,000 for the establishment of an exploration and development reserve and now recommend that a dividend of 3s. per share be paid for the past year, and I ask you to confirm that. This will leave £39,339 to be carried forward. I am in no position to make any forecast as to what we can expect in the coming years. Wide and rapid fluctuations in profitability of a base metal project I am sure are well understood by you all. We must expect ups and downs.

Resolutions for the adoption of the accounts and payment of a dividend of 3s. per share, and for the conversion of the issued shares of the company into stock, were unanimously passed.

## THE NATIONAL MUTUAL LIFE ASSURANCE SOCIETY

### MR K. A. E. MOORE'S REVIEW

The annual general meeting of the above Society was held, on the 29th ultimo, in London.

Mr K. A. E. Moore, F.C.A. (the chairman), in the course of his speech, said: The accounts which are before you to-day are of particular interest in that they show how the society stands, after nearly five years of war, on the occasion of a quinquennial valuation. The satisfactory position disclosed is gratifying indeed at the end of a period so full of anxieties and uncertainty.

#### VALUATION REPORT

The actuary's valuation report accompanies the accounts, and it is unnecessary for me to go through it in detail. I may mention, however, that it is based on what is known as the "bonus reserve" method, as distinct from the "net premium" method used by the majority of life offices. For many years now the society has been one of a small number of life offices employing the "bonus reserve" method, which implies the calculation of the reserves for the contractual sums assured and existing bonuses, utilising for this purpose mortality tables, rates of interest, and expense provisions as close as possible to the anticipated future experience. To these contractual reserves are then added a specific reserve (on the same basis) for future bonuses on the whole of the existing business.

In our own case we have greatly increased the stringency of the basis employed in 1938 by reducing the rate of interest from 3½ per cent. for assurances and 3½ per cent. for annuities to 3 per cent. for the whole business. The combination of this and of the other factors operates to produce a basis which is believed to be the strongest the society has ever employed, and on top of it, as you will see, we have set aside £150,000 for possible heavy war claims in the later stages of the war and £100,000, equal to the cost of still further reducing the rate of interest, should that be necessary, from 3 per cent. to 2½ per cent.

We have thus set out to calculate our reserves on an exceedingly strong basis, and at the same time to provide additional reserves for all foreseeable contingencies. Even after doing this there remains, as shown by the actuary's report, a net surplus of £569,000, which includes the sum of £178,000 brought forward from the preceding valuation in 1938. The disposable surplus earned in the five years is, therefore, £391,000.

Despite the uncertainties of the future, we take the view that this sum of £391,000 should not be withheld from distribution among the members. Accordingly we have decided to declare compound bonuses at the following rates for the five years 1939-1943:—

Whole life policies with full profits, 25s. per cent. per annum.

Endowment assurance policies with full profits, 20s. per cent. per annum.

Low premium policies with reduced profits, 7s. 6d. per cent. per annum.

This distribution will cost £397,000, leaving £172,000 to be carried forward to the next valuation, a sum very little less than the sum brought forward in 1938. It is very gratifying to the board, as I feel it will be also to the members, to produce in war-time so excellent an account of the society's progress during the past five years.

I should add that interim bonuses on claims will be paid until further notice at the same rates as are now to be distributed.

#### WAR RISKS SCHEME

Since the early part of 1940 the society has operated a unique and highly popular scheme for covering war risks in this country without extra charge. Under this

## KEMSLEY NEWSPAPERS, LIMITED

### INCREASED TRADING PROFIT

The 20th annual general meeting of Kemsley Newspapers, Limited, was held, on the 29th ultimo, at Kemsley House, London, W.C.

Lord Kemsley, the chairman, in his speech to the shareholders, said: The increase in the trading profit for the year is absorbed by the addition to the reserves for taxation and contingencies, leaving the net profit at £471,173, or £1,086 more than last year.

The dividends on the Six and a-Half per Cent. and the Eight per Cent. Preference stock and 4 per cent. interim dividend on the Ordinary stock are the same as last year, leaving a balance of £412,181 available for distribution. The directors recommend that £100,000 shall again be added to the general reserve, making that sum 2½ million pounds, and that a final dividend of 4 per cent., less tax, should be paid on the Ordinary stock of the company, leaving the balance carried forward of £262,181, compared with the amount of £246,008 carried forward last year.

#### THE YEAR'S ACTIVITY

In normal times on this occasion I am accustomed to give you a review of the year's activities in our various publishing centres. In war time, owing to controls and restrictions which, unwelcome as they may be, are admittedly essential, there is no great scope for enterprise or new development. I have in consequence little of interest to report under this head.

I can perhaps best summarise the position by saying that, like so many other concerns, we are carrying on to the best of our ability. Advertising still plays a vital part in the transformed economic life of the nation. It is performing a great work in ensuring that the civilian population plays its part in this unprecedented kind of warfare which we call total war. Experience has strongly emphasised the power and value of advertising when it is rightly used. Our great regret, as newspaper publishers, is that we cannot provide all the space our advertising friends would like to have.

Your directors are naturally grateful that the accounts and report which you have before you are so satisfactory. The war is not yet over, but I think I can claim that we have weathered the storm in a manner which few could have expected in 1939. I should tell you also, at this time when post-war reconstruction is in so many minds, that we are looking forward to the day when we can complete the expansion and renewal of plant and buildings which was interrupted by the outbreak of hostilities.

#### FUTURE DEVELOPMENT

All our plans for future development will, of course, largely depend on the "controls" which remain after the war. We hope that most of them will be lifted, and that only those which are absolutely vital, as a few of them will be, will remain until the conversion of our national economy from a war to a peace footing is completed. We express this hope, not selfishly for ourselves, but in the interests of the nation at large, since we most sincerely believe that the less the bureaucracy interferes with commerce and industry the better. It is on that account, and on no other, that Kemsley Newspapers have consistently opposed the post-war retention of controls for the sake of controls. I think we can claim to have been among the first to draw public attention to the evil, and it is gratifying to see that the country generally now seems awake to it.

The report was adopted.

## LONDON AND LOMOND INVESTMENT TRUST, LIMITED

### IMPROVED REVENUE AND CAPITAL POSITION

The thirteenth ordinary general meeting of this Trust was held, on the 29th ultimo, in London, the Hon. W. B. L. Barrington (the chairman) presiding.

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

The total revenue for the year under review amounted to £78,497, an improvement of £2,534 as compared with the previous year. The net revenue, after expenses of management, interest and income-tax, was £25,498, an increase of £1,068. The dividends on the Preference stocks require £9,175, leaving £16,323 available for the Ordinary stock, which is equivalent to 12.9 per cent. before deduction of income-tax. The directors have placed £20,000 to general reserve, bringing it up to £100,000, and now recommend payment of a final dividend of 5½ per cent., making a total of 8 per cent. for the year. There remains £7,196 to be carried forward, as compared with £20,997 brought in.

The market value of the investments exceeds the figure at which they are stated in the balance-sheet by £261,468. The position may be summarised as follows:—

|                                            |          |
|--------------------------------------------|----------|
| Appreciation in value of investments ..... | £261,468 |
| Capital reserve .....                      | 127,613  |
| General reserve .....                      | 100,000  |
| Carry-forward .....                        | 7,196    |

£496,277

Each £100 of Ordinary stock, therefore, was represented as at January 31, 1944, by net assets of approximately £307.

As to the current year, present indications are that our income will be maintained.

The report and accounts were unanimously adopted.

## THE SCOTTISH PROVIDENT INSTITUTION

### RESULTS OF QUINQUENNIAL VALUATION

#### MR. A. H. BOWHILL'S REVIEW

The 106th annual general meeting of the Scottish Provident Institution was held in Edinburgh on the 28th ultimo. The chairman, Mr. A. H. Bowhill, after referring to the increase in new business last year and to the slight excess of outgo over income in the life and capital redemption funds, due to a larger amount having been paid under matured endowment assurances, spoke of the increase in the gross rate of interest by 2s. 6d. per cent. to £4 4s. 2d. per cent., though accompanied by a fall of 4d. in the net rate to £3 os. 8d. per cent. He then passed to the results of the quinquennial period which ended on December 31, 1943.

#### QUINQUENNIAL VALUATION

On the assets side a general reserve of £250,000 has been created in the life funds and security values, which have been written down by £600,000, stand in the books much below their present market values. The total funds amount to £24,736,552, and 42 per cent. of the Stock Exchange securities are in British Government issues, the contributions to new War Loans exceeding £2½ millions. The liabilities have been valued by the latest mortality tables at 2½ per cent. interest, while the reserves have been further increased by valuing 2½ per cent. select net premiums for assurances and by assuming annuitants to be a year younger than their actual ages. On these assumptions a surplus of £493,500 is disclosed, and in view of the uncertainties of the future this sum is being carried forward. The fall in surplus compared with the amount available five years ago is entirely due to war causes, of which increased income-tax, war claims and the strengthening of the valuation basis consequent on the fall in the net rate of interest are among the most important.

#### INTERMEDIATE BONUS

Meantime, as explained in the report, the payment of intermediate bonuses at £1 per cent. per annum to policies in the special endowment fund is to be resumed, with the further proviso that any policy becoming a claim is to receive not less than the maximum amount which would have been payable had the claim arisen in the period 1939-43. Common fund policies which qualify for their first bonus under the Institution's distinctive system in the current quinquennium, and thereafter become claims, will receive special intermediate first additions at the rate of 15s. per cent. per annum (old series) and 10s. per cent. (new series) for their full durations from date of entry, excluding war years. The question of resuming ordinary intermediate additions to common fund policies will not arise until the end of 1944, when it will receive favourable consideration.

#### CONFIDENCE IN THE FUTURE

In concluding, the chairman, after making reference to the large number of the staff on active service and the additional duties being undertaken by those who remain, looked forward with confidence to the future and to the enlarged service to present and future members which the strengthening of its position would enable the Institution to render. The report and accounts were adopted.

## EQUITY AND LAW LIFE ASSURANCE SOCIETY

### TRIENNIAL VALUATION RESULTS

#### INTERIM BONUS RESUMED

#### SIR GEOFFREY ELLIS'S SPEECH

The annual general meeting of Equity and Law Life Assurance Society was held on the 30th ultimo at the Law Society's Hall, Bell Yard, London, W.C.2. Sir Geoffrey Ellis, Bt., M.P. (chairman), presided. The chairman said:—

Gentlemen:—I rise to move "That the report and accounts for the year ending December 31, 1943, be received and adopted and entered on the minutes." These have been in your hands for some days and I assume may be taken as read.

Since our last annual general meeting the Society has suffered a great loss through the death of Mr. H. M. Farrer. Mr. Farrer joined the board in 1929. We valued greatly his quiet counsel and guidance and we mourn the loss not only of a colleague but of a friend.

Within the last few weeks an extraordinary general meeting of the society has been held, and the articles of association have been amended to enable us to appoint an executive official to the Board without disturbing the prescribed proportions of legal and non-legal directors. Following upon this alteration in the articles the directors have appointed Mr. R. J. Kirtton, the general manager of the society, to a seat on the Board. We feel sure that you will welcome his appointment and will agree with the Board that it will be all to the good of the Society.

#### TRIENNIAL VALUATION

In my remarks to-day I propose to deal mainly with the results of the triennial valuation made as at December 31st last, and with the triennium ending on that date; the results for the year 1943 do not in themselves call for comment.

You will recollect that, at recent annual general meetings, I have referred to the improvement in the Society's position during the past triennium. I referred also to the need for strengthening the actuarial valuation basis. The valuation of our assets as at December 31st last showed that this improvement was continued during 1943. Of the appreciation, realised and unrealised, on Stock Exchange securities, the sum of £1,665,000—being a portion of the amount available—has been credited to the Life Assurance and Annuity Fund. The whole of this sum of £1,665,000 has been applied to strengthen the actuarial valuation basis. We have thus achieved a more even balance between the margins which exist in the valuation of our assets and those which exist in the valuation of our liabilities. So far as can be foreseen at present, the margins contained in the new actuarial valuation basis should lead, when more normal conditions return, to the emergence of a satisfactory trading profit from year to year and to the declaration of a stable and reasonable scale of bonuses on the Society's With-Profit policies.

#### INTERIM BONUS

Since the triennial valuation made as at December 31, 1940, no interim bonus has been paid in respect of current claims. The world outlook is to some extent clearer than it was three years ago, and in the light of the results of the present triennial valuation your directors have decided that interim bonus should now be paid in respect of With-Profit policies which became claims by death or maturity in the years 1941, 1942 and 1943. This decision involves the re-opening of over 600 claims, but bearing in mind equity as between one generation of policy holders and another, we consider that it is the only fair course

to take in regard to the policy holders concerned and their dependants.

#### QUESTION OF VESTED BONUS

The degree of uncertainty still attaching to the world outlook—I need only mention the possibility of heavy mortality claims in the near future—leads us to refrain from declaring a vested bonus at the present time. The surplus of £555,476, of which £133,566 was brought forward from the previous triennium, will therefore be carried forward as a Special Reserve, which may be available at a later date, if circumstances are favourable, for the declaration of a vested bonus in respect of the past triennium. Meantime, interim bonus—allocated in respect of each year's premium falling due on or after January 1, 1941—will be paid in respect of claims arising on With-Profit policies during 1944.

#### THE DIVIDEND

The rate of dividend which the directors recommend for the current year is 2s. per share, subject to deduction of income tax. This dividend is justified by the present position of the Proprietors' Fund. It will be recognised that, while the declaration of vested bonuses remains in suspense, the Proprietors' Fund receives no share of the profits arising from life assurance, annuity or capital redemption business, other than a one-tenth share of the relatively small amount of profits utilised for payment of interim bonus.

#### LARGE HOLDING OF BRITISH GOVERNMENT SECURITIES

During the triennium our holdings of British Government securities have increased by about £5,000,000, and they now represent nearly one-third of our assets. Corresponding decreases have taken place in other categories of investments. The investment policy pursued by the Society has been in keeping with the Government's finance of the war, and has also, we think, provided us with a portfolio of investments well suited to meet the uncertainties of the immediate future.

#### INTEREST RATES

The gross rate of interest earned on our funds has shown a tendency to fall during the past triennium, but the full effect of the changes which have been made in the distribution of our assets has not yet become apparent. We estimate that, allowing for the increase in the funds resulting from the various transfers made as at the end of the year, the gross rate of interest now being earned on our funds is approximately £4 9s. per cent. The equivalent net rate of interest, taking into account the differing taxation bases applicable to our various funds, is approximately £3 9s. per cent. In the light of these estimates, we consider that the actuarial valuation basis employed is fully justified and that it contains reasonable margins. We must bear in mind, however, that a continuance of low rates of interest on Gilt Edged securities may make it desirable that some further strengthening of the actuarial basis should be effected at succeeding triennial valuations.

#### MORTALITY RESULTS

The other main factor with which our Life Assurance and Annuity business is concerned is mortality. During the three years of war which form the triennium under review, mortality in respect of assured lives has been slightly greater than

that expected according to the mortality tables used; had it not been for deaths on active service there would have been a substantial profit from this source. Our mortality experience in respect of annuitants has been rather less favourable.

#### SOCIETY'S CENTENARY

The centenary of the Society occurs later this year—on August 1st to be precise. We embark on our second century in troubled waters but well rigged for the voyage. In due course—after the war—we hope to publish a small volume giving something of our history over the last 100 years, but we feel that it would be out of keeping with the times to mark the occasion by anything in the nature of a conventional celebration.

The confidence of our founders has been amply justified by the growing recognition of the merits of life assurance—as a safeguard and as an investment. These merits are at least as great to-day as they have ever been during the long lifetime of our Society. Under war conditions our branch organisation is very severely depleted and, on this account, we must ask the indulgence of our agents and policy holders in many parts of the country where we are temporarily unable to maintain personal contact. We hope, however, that those interested in the effecting of life assurances or of annuities will bear in mind the attractive terms and conditions which we offer. We can still provide quality of service even though its extent is, for the time being, limited.

Before concluding by expressing our thanks to the staff, I have to report with deep regret the deaths of two members on Active Service—Darrell Hall and Walter Moore. The former was in the R.A.F. and is the son of a member of our staff, the latter was in the Army. To the parents of both we tender our most sincere sympathy.

#### TRIBUTE TO STAFF

The periodical valuation of a life assurance office is a heavy task even in peace time, and the fact that we are able to hold our annual general meeting in March is a tribute to the speed and accuracy with which the results have been brought out. Our thanks are due to all concerned, and not least to our general manager, actuary and secretary, investment manager, and that small body of key men who remain with us and whose difficulties can well be imagined.

The report and accounts were unanimously adopted.

## BRITISH TYRE AND RUBBER COMPANY, LIMITED

### DIVIDEND OF 11 PER CENT. MAINTAINED

The annual general meeting of this company was held, on the 28th ultimo, in London, Sir Walrold Sinclair, K.B.E. (the chairman), presided.

The following is an extract from the statement of the chairman, which was circulated with the report:—

The net profit (subject to income-tax) amounts to £200,963, against £204,115 last year. In both years the main governing factor was the excess profits tax standard. The large assessments of E.P.T. so far suffered provide a considerable potential against the possibility of lean years during the currency of the tax. After the necessary appropriations of the net profit, chief of which is for income-tax, the directors have devoted £50,000 to strengthen still further the company's resources; £25,000 goes to general reserve and £12,500 each to contingencies and special depreciation. The distribution to the ordinary shareholders is again 11 per cent. As this year provision is made for the full year's dividends, the carry-forward of £74,408, which is £1,970

higher than last year, appears on the balance-sheet.

The final result has been satisfactory and fully in accordance with expectations.

Considerable progress has been made in the utilisation of synthetic rubber, and continuous research is being actively maintained to establish and extend its usefulness over the wide range of products in which your company is interested.

The current year, in so far as volume of business is concerned, is running well to average, and although full consideration must be allowed for the uncertainties incidental to war-time conditions, the general outlook can be regarded with a reasonable degree of confidence.

The report and accounts were adopted.

## HOOVER LIMITED

### RECORD TURNOVER

The ordinary general meeting of Hoover Limited was held on the 25th ultimo at Perivale, Greenford, Middlesex.

Mr. C. B. Colston (chairman and joint managing director), in the course of his speech, said: It is certain that in the not too distant future we shall have to devote some of our energies to peace-time products.

What, then, is going to be the position of your company during the transitional period and thereafter? When war broke out your company was engaged entirely upon its peace-time products. The only thing we manufactured and sold was the Hoover electric cleaner, and sometimes it has been said that this field was too narrow.

Nevertheless, during these peace-time years we created a highly efficient manufacturing organisation and built up a fine production team with the most modern equipment at its disposal. We also succeeded in building up a strong research and development department. Our engineering skill and knowledge and our experience of mass production methods were of the greatest value when war broke out.

I may say that our change-over to war production was smooth and rapid. We have manufactured a variety of war products, very different from our peace-time production. Our manufacturing costs have compared favourably with other companies. We have made a number of striking contributions in the field of design, and have instituted economies in manufacture which have saved the Exchequer very substantial sums indeed. Your company has gained an enviable reputation with the supply departments, and I believe we have earned a leading place in the light engineering industry.

When the country has come victoriously through this long period of struggle your company will be faced with an enormous task. We shall have four or five years' normal replacement sales to catch up, and many users who have rightly refrained from having their machines serviced will require service. I am confident that we shall be able to change back to peace-time products with the same speed as we switched over to war production.

This year our turnover is a record many times our pre-war turnover. But your company has not become liable for E.P.T. owing to the very small margin of profit which has been made (and rightly so) on the war goods we manufacture.

The policy of the board all through the war with regard to dividends has been conservative, and although we have not added to our general reserve we have built up our income-tax reserve to one year ahead of legal requirements. During the war the amount of profit which has been retained for this specific purpose amounts to no less than £262,500. I am sure that the action to which you have agreed in retaining profits for this purpose will eventually be rewarded.

The report was unanimously adopted.

## JOHN WRIGHT AND SONS (VENEERS), LIMITED

### ACTIVITIES FULLY MAINTAINED

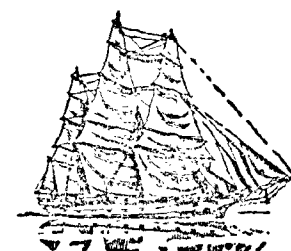
The eighth annual general meeting of John Wright and Sons (Veneers), Limited, was held, on the 24th ultimo, in London.

Mr. L. C. W. Jenkins, F.C.S. (chairman and managing director), expressed sincere thanks to the staff and workpeople of the company for yet another year's real hard work and loyal co-operation, which had enabled the company to grapple satisfactorily with the tasks imposed upon it. He wanted also to thank his colleagues for their unselfish and untiring devotion to their duties and for their ever-willing assistance in the manifold problems which occurred day by day. He also paid tribute to the late Sir William Mallinson, who, with his father, was with the company until 1936.

Continuing, he said that the balance-sheet indicated that the activities of the company had been fully maintained and that it still was in a very healthy condition. The result of the eighth year's working showed, after providing for E.P.T. and War Damage Contribution, a profit of £40,217, which compared with £35,556 in 1942. The board, having in mind the small variation, considered that the amount available for the year under review should be dealt with on similar lines to the appropriations made in 1941 and 1942—namely, that £5,000 be placed to general reserve and £1,000 added to the reserve for doubtful debts, making a total reserve for doubtful debts at the date of the balance-sheet of £8,000.

After those appropriations had been made there was now, at the end of the eight years' working, a general reserve of £40,000, and, with the addition of £1,467 in 1943, there was an unappropriated balance of £9,272 carried forward to the credit of profit and loss account.

The report was adopted, and the proposed final dividend of 5 per cent., making 7½ per cent., less tax, for the year, was approved.



## BECALMED

"As idle as a painted ship upon a painted ocean"—without the motive power of wind the sailing ship is useless. Without adequate funds the Christie Hospital, the largest Cancer treating hospital of the Empire, is unable to extend its increasing fight against Cancer. Don't let our work falter or fail from lack of your help; send a donation to-day.

**CHRISTIE CANCER HOSPITAL**  
&  
**Holt Radium Institute**  
MANCHESTER, 20



(Continued from page 444)

Of the increase of 6.9 million in the total labour force since January, 1941, it is stated that less than two million has been derived from the normal growth in population and the remaining five million from persons not normally seeking employment. Even so, there are stated to be still 3.5 million urban housewives under 45 years of age without children who are not employed. Of the current total labour force of 60.9 million, 20.3 million, or exactly one-third, are in the armed forces and the munition industries. Comparable figures for the United Kingdom have never been published, but it is probable that the proportion of the employed population in this country in the armed forces and in munitions production is also about one-third. But it is also probable that, owing to the intensive employment of women, a higher proportion of the total population is employed here than in America. The American figure of 60 million is about 44½ per cent of the population. The British figure has been stated to be about 22 million, which would be 47 per cent of the population. Broadly speaking, however, the manpower pictures of the two countries are very similar.

## Census of Production

It is encouraging to know that, as stated in a Note on International Statistics in *The Economist* last week, the Board of Trade is laying its plans for an annual census of production with a more extensive range of information than the quinquennial pre-war censuses. Moreover, the Board of Trade is rendering the statistician a service by making available, in galley form, sections of the Final Report of the 1935 census of production that would have been published had the type not been destroyed. The first section to be made available, at 15s. a set, is that relating to the building and building materials trades. Since the number of galley

proofs to be reproduced will depend on ascertained demand, the Board of Trade is anxious that those who wish to purchase a copy should inform the Assistant Secretary, Statistics Department, Board of Trade, Romney House, London, S.W. 1. The results of the 1935 census of production will be indispensable as a basis of comparison with post-war figures.

## Company Result

## Associated Electrical Industries.

|                                                               | 1941    | 1942    | 1943    |
|---------------------------------------------------------------|---------|---------|---------|
| Profit after provision for taxation, fees, and contingencies† | 681,536 | 686,527 | 695,266 |
| Depreciation                                                  | 263,296 | 233,707 | 235,295 |
| Preference dividend (net)                                     | 52,306  | 52,306  | 52,306  |
| Ordinary stock:—                                              |         |         |         |
| Earned                                                        | 365,934 | 400,514 | 407,665 |
| Paid (net)                                                    | 246,092 | 246,092 | 246,092 |
| Earned %                                                      | 14.9    | 16.3    | 16.6    |
| Paid %                                                        | 10      | 10      | 10      |
| Dividend equalisation account                                 | 100,000 | 150,000 | 150,000 |
| Contingency reserve                                           | ...     | ...     | ...     |
| Special reserve                                               | 285,314 | 289,736 | 301,309 |

|                                                                                                                                                                                   | 1941       | 1942       | 1943       |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------|------------|
| Consolidated Balance Sheet:—                                                                                                                                                      |            |            |            |
| Net fixed assets                                                                                                                                                                  | 4,468,018  | 4,142,134  | 3,819,740  |
| Net liquid assets†                                                                                                                                                                | 7,164,587  | 7,692,050  | 8,363,154  |
| Gross liquid assets*                                                                                                                                                              | 22,305,219 | 25,152,727 | 27,981,594 |
| Stock                                                                                                                                                                             | 11,621,725 | 12,343,177 | 14,330,908 |
| Tax reserve certificates                                                                                                                                                          | ...        | 1,300,000  | 1,968,750  |
| † Including dividends from subsidiaries.                                                                                                                                          |            |            |            |
| † Including with current creditors, and consequently knocked off net liquid assets, are provision for future income tax on profits earned to date and reserves for contingencies. |            |            |            |
| * Including miscellaneous shares and securities.                                                                                                                                  |            |            |            |
| The £1 units of ordinary stock, standing at 51s. 3d. ex dividend, yield £3 18s. per cent.                                                                                         |            |            |            |

## RECORDS and STATISTICS

## INVESTMENT

## Stock Exchanges: London

## "FINANCIAL NEWS" INDICES

| 1944         | Total Bargains in S.E. List | Corres. Day 1943 | Security Indices               |
|--------------|-----------------------------|------------------|--------------------------------|
|              |                             |                  | 30 Ord. shares* 20 Fixed Int.† |
| Mar. 23..... | 4,398                       | 4,617            | 104.1 134.7                    |
| " 24.....    | 4,342                       | 4,934            | 104.0 134.8                    |
| " 27.....    | 5,855                       | 6,631            | 104.1 134.7                    |
| " 28.....    | 4,290                       | 5,003            | 104.2 134.6                    |
| " 29.....    | 4,491                       | 5,433            | 104.2 134.6                    |

\* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1944: highest, 104.6 (Feb. 18); lowest, 103.0 (Feb. 28). 20 Fixed Int., 1944: highest, 135.4 (Feb. 23); lowest, 134.0 (Jan. 3).

## New York

## (WEEKLY AVERAGES) (1935-36=100)

|                     | 1943       | Mar. 8, 1944 | Mar. 15, 1944 | Mar. 22, 1944 |
|---------------------|------------|--------------|---------------|---------------|
|                     | Low Jan. 6 | High July 13 |               |               |
| 37 Industrials..... | 81.1       | 133.5        | 98.4          | 99.7          |
| 32 Rails.....       | 72.6       | 99.9         | 97.0          | 99.5          |
| 40 Utilities.....   | 67.9       | 89.6a        | 88.9          | 88.6          |
| 419 Stocks.....     | 78.5       | 100.9        | 96.8          | 97.9          |
| Av. yield %.....    | 5.36       | 4.35         | 4.67          | 4.63          |

\* Common Stocks. (a) Aug. 25.

## STANDARD STATISTICS INDICES

## DAILY AVERAGE OF 50 COMMON STOCKS

| 1944       | Average | Transactions | 1941       | Average | Transactions |
|------------|---------|--------------|------------|---------|--------------|
| Mar. 17... | 121.0   | 1,353,000    | Mar. 21... | 120.2   | 1,464,000    |
| " 18...    | 121.2   | 727,000*     | " 22...    | 120.5   | 1,572,000    |
| " 20...    | 120.5   | 1,196,000    | " 23...    | 120.3   | 1,174,000    |

1943: High, 125.4 (July 14). Low, 99.3 (Jan. 2). \* Two-hour session.

## Capital Issues

| Week ending April 1, 1944                            | Nominal Capital       | Conversions           | New Money         |
|------------------------------------------------------|-----------------------|-----------------------|-------------------|
| To Shareholders only                                 | 75,000                | £                     | 75,000            |
| Particulars of Government issues appear on page 453. |                       |                       |                   |
| Year†                                                | Including Conversions | Excluding Conversions |                   |
| 1944.....                                            | 244,318,986           | 234,026,330           |                   |
| 1943.....                                            | 449,040,274           | 438,543,018           |                   |
| Destination*                                         | Nature of Borrowing*  |                       |                   |
| Year†                                                | U.K.                  | Brit. Emp. ex. U.K.   | Foreign Countries |
| 1944.....                                            | 233,908,080           | 118,250               | 232,757,666       |
| 1943.....                                            | 437,755,418           | 787,600               | 433,730,276       |
|                                                      |                       |                       | Deb. Pref. Ord.   |
|                                                      |                       |                       | 551,749 735,915   |
|                                                      |                       |                       | 809,837 4,402,905 |

\* Conversions Excluded. † Includes Government issues to March 21, 1944, only. Above figures include all new capital in which permission to deal has been granted.

## FINANCE AND BANKING

**THE MONEY MARKET.**—The Bank return reflects the efficacy with which the exceptional movement of funds during the week has been neutralised in its impact on bank cash. Bankers' deposits have fallen by £10,000,000, but this movement still leaves them at the comparatively comfortable level of £188,794,000. No part of this decline in bank cash is attributable to the immobilisation of funds in Government accounts, and Public deposits are virtually unchanged over the week at £7,107,000. In fact the whole of the decline in bankers' deposits is balanced by a further expansion of £11,013,000 in the note circulation. This movement is accounted for by end-month influences but it makes a singularly unfortunate appearance in the middle of London's Salute the Soldier Week. The position in the money market has been kept fairly taut, but only small official assistance has had to be given. The banks have been helped by the absence of TDR payments against which there were about £30,000,000 of effective maturities and even more TDR will have been pre-encashed.

**MONEY RATES, LONDON.**—The following rates remained unchanged between Mar. 24th and Mar. 30th:—

Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days, 1½%; 3 months, 1½%; 4 months, 1½%; 6 months, 1½%; Treasury Bills: 2 months, 1½%; 3 months, 1½%; Day-to-day money, 1½%. Short Loans, 1½%. Bank deposit rates, 1%. Discount deposit at call, 1%; at notice, 1%.

**Exchange Rates.**—The following rates fixed by the Bank of England remained unchanged between Mar. 24th and Mar. 30th. (Figures in brackets are per of exchange).

(Continued on page 454)

## FLOATING DEBT

| Date    | Treasury Bills |        | Ways and Means Advances |                 | Treasury Deposits by Banks | Total Floating Debt |
|---------|----------------|--------|-------------------------|-----------------|----------------------------|---------------------|
|         | Tender         | Tap    | Public Depts.           | Bank of England |                            |                     |
| 1943    |                |        |                         |                 |                            |                     |
| Mar. 31 | 2838.9         |        | 282.5                   | 6.5             | 569.0                      | 4096.9              |
| Nov. 27 | 1210.0         | 1868.9 | 363.6                   | 27.0            | 1291.0                     | 4760.5              |
| Dec. 4  | 1210.0         |        |                         |                 |                            |                     |
| " 11    | 1210.0         |        |                         |                 |                            |                     |
| " 18    | 1210.0         |        |                         |                 |                            |                     |
| " 25    | 1210.0         |        |                         |                 |                            |                     |
| " 31    | 3115.2         |        | 367.0                   | 65.2            | 1401.0                     | 4948.4              |
| 1944    |                |        |                         |                 |                            |                     |
| Jan. 8  | 1210.0         |        |                         |                 |                            |                     |
| " 15    | 1200.0         |        |                         |                 |                            |                     |
| " 22    | 1190.0         |        |                         |                 |                            |                     |
| " 29    | 1180.0         | 1936.2 | 290.6                   | ...             | 1390.0                     | 4796.8              |
| Feb. 5  | 1170.0         |        |                         |                 |                            |                     |
| " 12    | 1170.0         |        |                         |                 |                            |                     |
| " 19    | 1170.0         |        |                         |                 |                            |                     |
| " 26    | 1170.0         | 1946.9 | 340.3                   | 32.3            | 1376.0                     | 4865.5              |
| Mar. 4  | 1170.0         |        |                         |                 |                            |                     |
| " 11    | 1170.0         |        |                         |                 |                            |                     |
| " 18    | 1170.0         |        |                         |                 |                            |                     |
| " 25    | 1170.0         |        |                         |                 |                            |                     |

## TREASURY BILLS

| Date of Tender | Amount  |             |          | Average Rate of Allotment % | Per Cent Allotted at Min. Rate |
|----------------|---------|-------------|----------|-----------------------------|--------------------------------|
|                | Offered | Applied for | Allotted |                             |                                |
| 1943           |         |             |          |                             |                                |
| Mar. 26        | 75.0    | 157.4       | 75.0     | 20                          | 1.82                           |
| Dec. 3         | 90.0    | 201.0       | 90.0     | 20                          | 2.19                           |
| " 10           | 90.0    | 197.2       | 90.0     | 20                          | 2.54                           |
| " 17           | 90.0    | 198.2       | 90.0     | 20                          | 1.68                           |
| " 24           | 90.0    | 183.2       | 90.0     | 20                          | 2.10                           |
| " 31           | 90.0    | 217.0       | 90.0     | 19                          | 10.83                          |
| 1944           |         |             |          |                             |                                |
| Jan. 7         | 90.0    | 206.4       | 90.0     | 20                          | 2.76                           |
| " 14           | 90.0    | 202.5       | 90.0     | 20                          | 2.50                           |
| " 21           | 90.0    | 202.0       | 90.0     | 20                          | 2.54                           |
| " 28           | 90.0    | 193.2       | 90.0     | 20                          | 1.48                           |
| Feb. 4         | 90.0    | 203.3       | 90.0     | 20                          | 0.86                           |
| " 11           | 90.0    | 206.5       | 90.0     | 20                          | 0.81                           |
| " 18           | 90.0    | 199.4       | 90.0     | 20                          | 1.12                           |
| " 25           | 90.0    | 191.0       | 90.0     | 20                          | 1.28                           |
| Mar. 3         | 90.0    | 201.7       | 90.0     | 19                          | 11.86                          |
| " 10           | 90.0    | 190.1       | 90.0     | 20                          | 0.34                           |
| " 17           | 90.0    | 177.2       | 90.0     | 19                          | 11.84                          |
| " 24           | 90.0    | 176.9       | 90.0     | 20                          | 0.36                           |

On Mar. 24 applications at £99 14s. 11d. for bills to be paid for on Monday, Tuesday, Wednesday and Thursday, of following week were accepted as to about 36 per cent. of the amount applied for, and applications at higher prices in full. Applications at £99 15s. for bills to be paid for on Friday and Saturday of the following week were accepted in full. £90 millions of Treasury Bills are being offered on March 31. For the week ending April 1, the banks will be asked for no Treasury deposits.

## NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BOND SUBSCRIPTIONS

| Week ended   | N.S.C. | 3% Defence Bonds | 3% Savings Bonds | 2½% War Bonds 1952-54 |
|--------------|--------|------------------|------------------|-----------------------|
| Jan. 18..... | 5,768  | 2,073            | 5,200            | 9,430                 |
| " 25.....    | 5,422  | 1,976            | 4,961            | 3,040                 |
| Feb. 1.....  | 5,255  | 1,923            | 5,779            | 7,384                 |
| " 8.....     | 5,311  | 1,950            | 5,125            | 7,565                 |
| " 15.....    | 4,744  | 2,024            | 5,119            | 6,243                 |
| " 22.....    | 4,982  | 1,584            | 4,047            | 3,594                 |
| " 29.....    | 4,496  | 1,613            | 3,649            | 6,197                 |
| Mar. 7.....  | 4,708  | 1,830            | 5,024            | 5,624                 |
| " 14.....    | 4,571  | 1,588            | 3,727            | 8,887                 |
| " 21.....    | 4,284  | 1,655            | 4,934            | 14,992                |
| " 28.....    | ...    | ...              | 22,288           | 52,832                |

Totals to date. 105,250,000\* 671,708\* 150,779,771† 314,943,311

\* 226 weeks. † 169 weeks. ‡ 30 weeks.

Interest free loans received by the Treasury up to Mar. 28th amounted to a total value of £85,162,581. Up to Feb. 28th principal of Savings Certificates to the amount of £145,772,000 has been repaid.

## GOLD AND SILVER

The Bank of England's official buying price for gold maintained at 168s. 0d. per fine ounce throughout the week. In the London silver market prices per standard ounce have been 23½d. for cash and for two months. New York market price of fine silver remained 44½ cents per ounce throughout the week. Bombay silver prices were as follows:—

| Date         | Gold per Rs. a | Silver per Rs. a |
|--------------|----------------|------------------|
| Mar. 23..... | 71 0½          | 132 0            |
| " 24.....    | 71 1           | 132 4            |
| " 25.....    | 71 0½          | 134 8            |
| " 26.....    | 71 2           | 137 2            |
| " 27.....    | 72 4           | 138 12           |
| " 28.....    | 80 12          | 139 0            |

## BANK OF ENGLAND RETURNS

MARCH 29, 1944

## ISSUE DEPARTMENT

|                              |              |                                             |                |
|------------------------------|--------------|---------------------------------------------|----------------|
| Notes Issued: In Circulation | 1104,634,095 | Govt. Debt                                  | 11,015,100     |
| In Bank, Department          | 45,607,623   | Securities                                  | 11,382,650,947 |
|                              |              | Other Secs.                                 | 711,658        |
|                              |              | Silver Coin                                 | 8,195          |
|                              |              | Amt. of Fid. Issue                          | 1150,000,000   |
|                              |              | Gold Coin & Bullion (at 168s. per oz. fine) | 241,718        |
|                              |              |                                             | 1150,241,718   |

## BANKING DEPARTMENT

|                |             |                      |             |
|----------------|-------------|----------------------|-------------|
| Props. Capital | 14,553,000  | Govt. Secs.          | 185,987,151 |
| Rest.          | 3,527,885   | Other Secs.          | ...         |
| Public Depts.* | 7,107,347   | Discounts & Advances | 15,425,013  |
|                |             | Securities           | 26,691,345  |
| Other Depts.   | 188,794,692 | Notes                | 42,116,358  |
| Bankers        | 60,168,474  | Gold & Silver Coin   | 440,266     |
| Other Accts.   | 248,963,166 |                      | 274,151,398 |

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

## COMPARATIVE ANALYSIS

|                                 | 1943    | 1944    |
|---------------------------------|---------|---------|
|                                 | Mar. 31 | Mar. 15 |
| Issue Dept.:                    |         |         |
| Notes in circulation            | 934.5   | 1091.5  |
| Notes in banking department     | 15.7    | 58.8    |
| Government debt and securities* | 949.1   | 1149.3  |
| Other securities                | 0.9     | 0.7     |
| Silver Coin                     | 0.0     | 0.0     |
| Gold, valued at s. per fine oz. | 168.00  | 168.00  |
| Deposits:                       |         |         |
| Public                          | 5.9     | 8.4     |
| Bankers                         | 144.3   | 178.9   |
| Others                          | 56.8    | 59.2    |
| Total                           | 207.0   | 246.5   |
| Banking Dept. Secs.:            |         |         |
| Government                      | 171.2   | 175.1   |
| Discounts, etc.                 | 9.9     | 14.0    |
| Other                           | 27.3    | 16.1    |
| Total                           | 208.4   | 205.2   |
| Banking depart. res.            | 208.9   | 59.4    |
| " Proportion "                  | 8.1     | 24.0    |

\* Government debt is £11,015,100; capital £14,553,000. Fiduciary issue raised from £1,050 million to £1,100 million on December 8, 1943.

## OVERSEAS BANK RETURNS

## U.S. FEDERAL RESERVE

|                                             | Mar. 25, 1943 | Mar. 9, 1944 | Mar. 16, 1944 | Mar. 23, 1944 |
|---------------------------------------------|---------------|--------------|---------------|---------------|
| 12 U.S.F.R. BANKS RESOURCES                 |               |              |               |               |
| Gold certifs. on hand and due from Treasury | 20,393        | 19,258       | 19,235        | 19,151        |
| Total reserves                              | 20,832        | 19,855       | 19,827        | 19,766        |
| Total cash reserves                         | 398           | 329          | 322           | 336           |
| Total U.S. Govt. secs.                      | 5,950         | 12,029       | 12,110        | 12,243        |
| Total loans and secs.                       | 5,973         | 12,091       | 12,186        | 12,317        |
| Total resources                             | 28,585        | 33,663       | 34,277        | 34,165        |
| LIABILITIES                                 |               |              |               |               |
| F.R. notes in circ.                         | 12,608        | 17,443       | 17,491        | 17,429        |
| Excess mr. bank res.                        | 1,630         | 1,000        | 1,300         | 900           |
| Mr. bank res. dep.                          | 13,084        | 12,383       | 12,705        | 12,405        |
| Govt. deposits                              | 14,275        | 14,557       | 14,703        | 14,793        |
| Total deposits                              | 28,585        | 33,663       | 34,277        | 34,165        |
| Total liabilities                           | 71.5%         | 62.0%        | 61.5%         | 61.3%         |
| Reserve ratio                               |               |              |               |               |
| BANK AND TREASURY RESOURCES                 |               |              |               |               |
| Monetary gold stock                         | 22,595        | 21,670       | 21,670        | 21,600        |
| Treasury & bank currency                    | 3,984         | 4,090        | 4,089         | 4,090         |
| LIABILITIES                                 |               |              |               |               |
| Money in circulation                        | 16,066        | 20,963       | 21,066        | 20,934        |
| Treasury cash and dep.                      | 2,224         | 2,609        | 2,419         | 2,828         |

## RESERVE BANK OF INDIA

## Million rupees

|                               | Mar.<br>12,<br>1943 | Feb.<br>18,<br>1944 | Feb.<br>25,<br>1944 | Mar.<br>3,<br>1944 | Mar.<br>10,<br>1944 |
|-------------------------------|---------------------|---------------------|---------------------|--------------------|---------------------|
| ASSETS                        |                     |                     |                     |                    |                     |
| Gold coin & bullion . . . . . | 444                 | 444                 | 444                 | 444                | 444                 |
| Rupee coin . . . . .          | 157                 | 135                 | 138                 | 130                | 118                 |
| Balances abroad . . . . .     | 940                 | 1,264               | 1,348               | 1,514              | 1,507               |
| Sterling securities . . . . . | 618                 | 7,638               | 7,638               | 7,688              | 7,768               |
| Ind. Govt. rup. sec. . . . .  | 1,944               | 583                 | 583                 | 583                | 583                 |
| Investments . . . . .         | 61                  | 82                  | 85                  | 85                 | 86                  |
| LIABILITIES                   |                     |                     |                     |                    |                     |
| Notes in circ. : India        | 6,345               | 8,691               | 8,676               | 8,740              | 8,835               |
| Burma . . . . .               | —                   | —                   | —                   | —                  | —                   |
| Deposits : Govt. . . . .      | 282                 | 540                 | 707                 | 785                | 827                 |
| Banks . . . . .               | 543                 | 597                 | 581                 | 628                | 555                 |
| Reserve ratio . . . . .       | 67.5%               | 91.9%               | 91.8%               | 92.0%              | 92.2%               |

## UNITED KINGDOM: MONTHLY STATISTICS

|                                                                             |  | Unit of Measurement          | Monthly Average |       |         |         |         |         |       | 1942    |         | 1943    |         |         |         |         |         | 1944  |  |
|-----------------------------------------------------------------------------|--|------------------------------|-----------------|-------|---------|---------|---------|---------|-------|---------|---------|---------|---------|---------|---------|---------|---------|-------|--|
|                                                                             |  |                              | 1929            | 1932  | 1939    | 1940    | 1941    | 1942    | 1943  | Dec.    | Jan.    | Feb.    | Sept.   | Oct.    | Nov.    | Dec.    | Jan.    | Feb.  |  |
| Population mid 1939, 47,676,000; Area: 95,030 sq. miles; (244,000 sq. kms.) |  |                              |                 |       |         |         |         |         |       |         |         |         |         |         |         |         |         |       |  |
| 1. Retail trade, Gt. Brit.: Food                                            |  | Avg. daily sales in 1937=100 | ...             | 78    | 109     | 111     | 110     | 114     | 116   | 122     | 110     | 112     | 107     | 117     | 119     | 129     | 115     | ...   |  |
| 2. " " Other merchandise                                                    |  | "                            | ...             | 83    | 102     | 107     | 105     | 102     | 105   | 123     | 85      | 81      | 115     | 107     | 92      | 120     | 82      | ...   |  |
| 3. " " Total                                                                |  | "                            | ...             | 81    | 105     | 109     | 105     | 108     | 106   | 123     | 99      | 96      | 109     | 109     | 106     | 126     | 100     | ...   |  |
| 4. Registered unemployed G.B.(a)                                            |  | Thousands                    | 1,212           | 2,756 | 1,514   | 963     | 350     | 123     | 27    | 87      | 99      | ...     | ...     | 74      | ...     | ...     | 79      | ...   |  |
| 5. " " United Kingdom                                                       |  | "                            | 1,276           | 2,813 | 1,690   | 1,035   | 392     | 144     | 33    | 107     | 121     | ...     | ...     | 87      | ...     | ...     | 96      | ...   |  |
| 6. " " London                                                               |  | "                            | 118             | 306   | 239     | 214     | 59      | 29      | 5     | 19      | 21      | ...     | ...     | 14      | ...     | ...     | 13      | ...   |  |
| 7. " " E. and S. England (b)                                                |  | "                            | 50              | 142   | 93      | 99      | 28      | 10      | 2     | 6       | 8       | ...     | ...     | 4       | ...     | ...     | 5       | ...   |  |
| 8. " " S.W. England (c)                                                     |  | "                            | 69              | 157   | 76      | 53      | 16      | 5       | 1     | 3       | 3       | ...     | ...     | 3       | ...     | ...     | 2       | ...   |  |
| 9. " " Midlands & N. Midlands (d) (e)                                       |  | "                            | 165             | 371   | 153     | 92      | 28      | 7       | 1     | 5       | 7       | ...     | ...     | 4       | ...     | ...     | 6       | ...   |  |
| 10. " " N.E. England (f)                                                    |  | "                            | 280             | 602   | 151     | 75      | 30      | 8       | 2     | 6       | 6       | ...     | ...     | 4       | ...     | ...     | 2       | ...   |  |
| 11. " " N.W. England (g)                                                    |  | "                            | 285             | 562   | 309     | 149     | 54      | 15      | 3     | 10      | 11      | ...     | ...     | 10      | ...     | ...     | 10      | ...   |  |
| 12. " " Northern Ireland                                                    |  | "                            | ...             | ...   | 139     | 89      | 37      | 13      | 3     | 9       | 11      | ...     | ...     | 8       | ...     | ...     | 10      | ...   |  |
| 13. " " Scotland                                                            |  | "                            | 156             | 378   | 217     | 125     | 51      | 24      | 6     | 19      | 21      | ...     | ...     | 17      | ...     | ...     | 17      | ...   |  |
| 14. " " Wales                                                               |  | "                            | 116             | 228   | 127     | 89      | 41      | 14      | 4     | 11      | 11      | ...     | ...     | 11      | ...     | ...     | 11      | ...   |  |
| 15. " " Northern Ireland                                                    |  | "                            | 36              | 68    | 76      | 75      | 42      | 21      | 6     | 20      | 22      | ...     | ...     | 13      | ...     | ...     | 17      | ...   |  |
| 16. Industr. disputes. No. days lost                                        |  | "                            | 676             | 541   | 107     | 78      | 87      | 126     | 151   | 90      | 37      | 34      | 327     | 160     | 365     | 131     | 232     | ...   |  |
| Wholesale Prices: Economist:                                                |  |                              |                 |       |         |         |         |         |       |         |         |         |         |         |         |         |         |       |  |
| 17. Cereals and meat                                                        |  | 1929=100                     | 100             | 70.4  | 76.2    | 93.9    | 102.4   | 110.1   | 113.1 | 111.5   | 112.3   | 112.7   | 113.7   | 111.7   | 111.0   | 111.6   | 112.2   | 113   |  |
| 18. Other foods                                                             |  | "                            | 100             | 72.8  | 76.4    | 95.4    | 111.0   | 118.3   | 125.0 | 121.7   | 122.8   | 125.1   | 125.3   | 125.3   | 125.1   | 125.1   | 125.1   | 125   |  |
| 19. Textiles                                                                |  | "                            | 100             | 53.4  | 63.8    | 93.0    | 100.7   | 100.7   | 100.6 | 100.1   | 102.5   | 99.9    | 100.0   | 99.1    | 99.5    | 99.7    | 100.3   | 100   |  |
| 20. Minerals                                                                |  | "                            | 100             | 76.3  | 100.0   | 125.0   | 135.7   | 139.2   | 142.0 | 143.5   | 141.1   | 141.1   | 142.1   | 142.1   | 142.1   | 142.1   | 142.1   | 146   |  |
| 21. Total, incl. miscellaneous                                              |  | "                            | 100             | 67.8  | 80.3    | 104.3   | 114.4   | 120.1   | 123.5 | 122.0   | 122.8   | 122.7   | 123.7   | 122.9   | 122.8   | 123.1   | 123.9   | 124   |  |
| Cost of Living: Min. of Labour:                                             |  |                              |                 |       |         |         |         |         |       |         |         |         |         |         |         |         |         |       |  |
| 22. Food                                                                    |  | "                            | 100             | 81.8  | 92.4    | 107.2   | 108.7   | 104.9   | 107.9 | 106.5   | 106.5   | 107.1   | 109.1   | 109.1   | 109.1   | 109.1   | 109.1   | 109   |  |
| 23. Total                                                                   |  | "                            | 100             | 87.8  | 96.4    | 113.1   | 121.4   | 121.9   | 121.2 | 121.3   | 121.3   | 121.3   | 121.3   | 121.3   | 121.3   | 121.3   | 121.3   | 121   |  |
| 24. Industrial securities, Fin. News                                        |  | Jul. 1, 1935=100             | 102.0           | 84.0  | 78.1    | 68.2    | 74.3    | 82.9    | 100.7 | 93.7    | 97.2    | 96.4    | 105.9   | 102.0   | 101.1   | 103.1   | 103.8   | 103   |  |
| 25. Fixed interest                                                          |  | 1928=100                     | 96.8            | 113.6 | 116.8   | 122.8   | 129.6   | 133.9   | 134.8 | 134.3   | 136.6   | 136.6   | 133.4   | 134.3   | 134.2   | 134.1   | 134.8   | 135   |  |
| 26. Govt. Revenue, cumulative (f)                                           |  | Mill. £s                     | 815.0           | 827.0 | 1,132.0 | 1,495.3 | 2,174.6 | 2,922.4 | ...   | 1,846.0 | 2,230.7 | 2,599.4 | 4,272.3 | 1,499.3 | 1,700.6 | 1,919.7 | 2,398.5 | 2,799 |  |
| 27. " expenditure (f)                                                       |  | "                            | 829.5           | 859.3 | 1,408.2 | 2,597.0 | 3,487.6 | 5,759.9 | ...   | 4,134.9 | 4,678.7 | 5,147.4 | 2,853.7 | 3,350.1 | 3,790.9 | 4,308.5 | 4,791.2 | 5,290 |  |
| 28. Bank of Eng.: Notes in circ. (g)                                        |  | "                            | 562.3           | 258.5 | 509.9   | 566     | 651.3   | 806.9   | 101.5 | 903.9   | 912.9   | 914.4   | 981.6   | 994.0   | 1,012.2 | 1,062.6 | 1,073.7 | 1,075 |  |
| 29. " Bankers' deposits (g)                                                 |  | "                            | 62.9            | 81.3  | 102.8   | 110     | 121.1   | 136.3   | 160.3 | 159.5   | 161.6   | 152.4   | 157.7   | 157.4   | 160.1   | 177.4   | 184.3   | 174   |  |
| 30. " Gov. sec. B'king Dept. (g)                                            |  | "                            | 55.9            | 64.0  | 107.0   | 143     | 142.8   | 150.7   | 181.1 | 159.0   | 185.5   | 175.8   | 197.9   | 159.7   | 186.4   | 209.7   | 219.0   | 213   |  |
| Clearing Banks: (h)                                                         |  |                              |                 |       |         |         |         |         |       |         |         |         |         |         |         |         |         |       |  |
| 31. " Deposits                                                              |  | "                            | 1,738           | 1,791 | 2,248   | 2,484   | 2,970   | 3,376   | 3,680 | 3,629   | 3,577   | 3,525   | 3,737   | 3,813   | 3,865   | 4,032   | 3,962   | 3,89  |  |
| 32. " Cash & bal. with B.E.                                                 |  | "                            | 194             | 187   | 244     | 265     | 311     | 344     | 386   | 390     | 378     | 375     | 389     | 394     | 403     | 422     | 416     | 41    |  |
| 33. " Discounts                                                             |  | "                            | 229             | 308   | 255     | 366     | 231     | 235     | 198   | 198     | 197     | 148     | 209     | 181     | 184     | 133     | 138     | 12    |  |
| 34. " Treasury Deposit Receipts                                             |  | "                            | 991             | 844   | 991     | 944     | 849     | 642     | 1,002 | 896     | 935     | 932     | 1,045   | 1,135   | 1,187   | 1,307   | 1,305   | 1,26  |  |
| 35. " Advances                                                              |  | "                            | ...             | ...   | ...     | ...     | ...     | ...     | ...   | ...     | ...     | ...     | ...     | ...     | ...     | ...     | ...     | ...   |  |
| 36. " Investments                                                           |  | "                            | 257             | 348   | 608     | 659     | 919     | 1,069   | 1,147 | 1,120   | 1,112   | 1,108   | 1,150   | 1,167   | 1,154   | 1,149   | 1,143   | 1,14  |  |
| 37. Interest Rates: Bank rate                                               |  | Per cent.                    | 5.408           | 3.008 | 2.24    | 2       | 2       | 2       | 2     | 2       | 2       | 2       | 2       | 2       | 2       | 2       | 2       | 2     |  |
| 38. " Three months' bank bills                                              |  | "                            | 5.26            | 1.87  | 1.18    | 1.04    | 1.03    | 1.03    | 1.03  | 1.03    | 1.03    | 1.03    | 1.03    | 1.03    | 1.03    | 1.03    | 1.03    | 1.0   |  |
| 39. " Day to day loans                                                      |  | "                            | 4.47            | 1.61  | 0.87    | 0.76    | 0.75    | 1.00    | 1.00  | 1.00    | 1.00    | 1.00    | 1.00    | 1.00    | 1.00    | 1.00    | 1.00    | 1.0   |  |
| 40. " Yield on 2½% Consols                                                  |  | "                            | 4.61            | 3.75  | 3.76    | 3.40    | 3.12    | 3.02    | 3.09  | 3.03    | 3.03    | 3.03    | 3.15    | 3.13    | 3.13    | 3.15    | 3.13    | 3.1   |  |

(a) From March, 1942, figures are exclusive of men classified as unsuitable for ordinary industrial employment, and women unsuitable for normal full-time employment. Since January, 1943, the figures have been published at quarterly intervals. (b) From January, 1940, includes former Southern and South-Eastern divisions. (c) Includes Southern division before January, 1940. (d) From September, 1939, Grimsby and Lincoln included in North Midlands instead of N.E. England. (e) From December, 1941, High Peak Parliamentary Division of Derbyshire included in North Midlands instead of N.E. England. (f) Ordinary and self-balancing revenue and expenditure. Annual figures are totals for financial year, beginning in year shown. Monthly figures are cumulative. (g) Average of weekly figures. (h) Annual figures for 1929 and 1932 do not include District Bank.

(Continued from page 452)

United States. \$ (4-86) 4-02-03; mail transfers 4-02-03. Canada. \$ (4-86) 4-43-47; mail transfers 4-43-47. Switzerland. Francs (45-22) 17-30-40. French Empire. Francs 1937-2004. Syria. p. 8-81-85. Sweden. Krona (18-159) 17-85-95. Dutch West India. Florin (12-11) 7-56-62. Portugal. Escudos (110) 99-80-100-20; mail transfers 99-80-100-30. Panama. Balboas (10-04) 9-02-04; mail transfers 9-02-04. Brazil. \$ (6-64) cr. (buying); mail transfers 83-56-7. Uruguay. 7-6597 p. (buying).

Fixed Rates for Payment at Bank of England for Clearing Offices. Spain. Pesetas 44-00. Turkey. Liras 520. Italy. L. 25 lire.

Market Rates.—The following rates remained unchanged between Mar. 24th and Mar. 30th.

Egypt. Piastres (97) 97-1. India. Rupee (18d. per rupee) 17-18-13d. Bolivia. Bolivianos 17-1. China. National \$3-3. Iran. R. 128-130.

Special Accounts are in force for Chile, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London. Rate for payment into Argentine special account: 16-15 pesos.

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

## NEW YORK EXCHANGE RATES

| New York on | Mar. 22 | Mar. 23 | Mar. 24 | Mar. 25 | Mar. 27 | Mar. 28 | Mar. 29 |
|-------------|---------|---------|---------|---------|---------|---------|---------|
| Cables:—    |         |         |         |         |         |         |         |
| London      | 402½    | 402½    | 402½    | 402½    | 402½    | 402½    | 402½    |
| Montreal    | 89-310  | 89-310  | 89-310  | 89-310  | 89-310  | 89-310  | 89-310  |
| Zurich      | 27-00   | 27-00   | 27-00   | 27-00   | 27-00   | 27-00   | 27-00   |
| B. Aires    | 24-95   | 24-95   | 24-95   | 24-95   | 24-95   | 24-95   | 24-95   |
| Rio         | 5-16    | 5-16    | 5-16    | 5-16    | 5-16    | 5-16    | 5-16    |
| London      | 4-10    | 4-10    | 4-10    | 4-10    | 4-10    | 4-10    | 4-10    |
| Barcelona   | 9-20    | 9-20    | 9-20    | 9-20    | 9-20    | 9-20    | 9-20    |
| Stockholm   | 23-86   | 23-86   | 23-86   | 23-86   | 23-86   | 23-86   | 23-86   |

\* Official buying rate 29-78.

† Free rate.

‡ Bid.

Coin Holdings of the Banks.—The following table shows the coin holdings of British banks at June 30, 1943, compared with holdings in earlier years. The figures are compiled from returns received from 32 banks in the United Kingdom and Eire, including the Bank of England:—

| June 30 | Day of Week | Gold       | (a) Silver | Nickel Brass (3ds) | Bronze    |
|---------|-------------|------------|------------|--------------------|-----------|
|         |             | £          | £          |                    | £         |
| 1939    | Friday      | 45,283,569 | 17,403,503 | 224,461            | 2,847,271 |
| 1940    | Saturday    | 10,255,889 | 17,183,538 | 244,466            | 2,656,536 |
| 1941    | Monday      | 256,404    | 20,197,775 | 285,809            | 2,247,775 |
| 1942    | Tuesday     | 903,144    | 19,899,236 | 638,337            | 2,106,824 |
| 1943    | Wednesday   | 911,340    | 20,759,440 | 833,772            | 1,920,113 |

The Royal Mint has not yet issued any figures of the coins struck in 1943, but it is probable that the quantity of silver coin issued during the four years ended June 30, 1943, was about £28 million. Of this total rather less than £3,500,000 has been retained by the banks. In the same four years about £800,000 of bronze has been issued—chiefly farthings and halfpennies; no pence have been struck since June, 1940. The whole of this has been passed on to the public, together with nearly another £1,000,000 of the banks' pre-war stocks of bronze. The banks' holdings of nickel 3d. bits shows a relatively big increase from £224,461 to £833,772. In the four years to June 30, 1943, the quantity issued by the Mint was around £2,500,000; the bulk of this has therefore gone into circulation. In considering these figures it should be remembered that June 30, 1939, was a Friday, a day on which the coin holdings of banks are reduced by heavy withdrawals for wage payments.

## INDUSTRY AND TRADE

Closed Shops.—The latest figure for retail shops closed down during the war on the Board of Trade's Register of Withdrawing Retail Traders was given as 11,490 by the Parliamentary Secretary to the Board of Trade to the House of Commons on March 28th. The list consists of 2,663



# THE ECONOMIST

ESTABLISHED 1843

Vol. CXLVI No. 5250

REGISTERED AS  
A NEWSPAPER

APRIL 8, 1944

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

## THE CHARTERED BANK OF INDIA AUSTRALIA AND CHINA

(Incorporated by Royal Charter 1853)

CAPITAL (PAID UP) - £3,000,000

RESERVE FUND - £3,000,000

Branches and Agencies throughout INDIA and the EAST  
AFFILIATED BANK IN INDIATHE ALLAHABAD BANK LTD., with 15 Branches & Sub-Agencies  
The Bank offers a complete Banking Service and provides  
exceptional facilities for financing every description of trade with  
the East.Deposits for Fixed Periods or repayable at call or at short notice  
are received at rates which may be ascertained on application.  
The Bank also undertakes Trusteeships and Executorships.

Head Office: 38, BISHOPSGATE, LONDON, E.C.2

West End Branch:

28, CHARLES II STREET, HAYMARKET, S.W.1

Manchester Branch: 52, MOSLEY STREET

New York Agency: 65, BROADWAY, NEW YORK CITY

## THE UNION BANK OF AUSTRALIA

ESTABLISHED 1837.

LIMITED

Capital Authorised and Issued ... £12,000,000

Paid-up Capital ... £4,000,000

Reserve Liability of Proprietors ... £8,000,000

£12,000,000

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

Reserve Fund ... £3,250,000

Special Currency Reserve ... £1,600,000

Head Office: 71 CORNHILL, LONDON, E.C.3

West End Agency: 15 CARLOS PLACE, W.1

Drafts are granted on the Bank's Branches throughout the  
Australian States and Dominion of New Zealand. Telegraphic  
Remittances are also made. Commercial and Circular Letters  
of Credit and Travellers' cheques issued. Bills are purchased  
or sent for Collection. Deposits are received for fixed periods  
on terms which may be ascertained on application.

## THE BANK OF AUSTRALASIA

Incorporated by Royal Charter 1833.

Paid-up Capital ... £4,500,000

Reserve Fund ... 2,500,000

Currency Reserve ... 2,000,000

Reserve Liability of Proprietors under the Charter ... 4,500,000

£13,500,000

Court of Directors:

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of Banking business in Australia and New Zealand. Negotiates or  
collects Bills, issues Telegraphic Transfers, Letters of Credit and  
Drafts, also Circular Credits and Travellers' Cheques. Deposits  
received at interest for fixed periods on terms which may be  
ascertained on application.

## NATIONAL BANK OF EGYPT

Incorporated in Egypt

Liability of Members is Limited

Head Office - - - CAIRO

Commercial Register No. 1, Cairo

FULLY PAID CAPITAL - £3,000,000

RESERVE FUND - £3,000,000

London Agency:

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

Branches in all the Principal Towns in EGYPT and the SUDAN

## BANK OF SCOTLAND

Constituted by Act of Parliament 1695.

AUTHORISED CAPITAL ... £4,500,000

CAPITAL FULLY PAID ... £2,400,000

RESERVE FUND &amp; BALANCE carried forward ... £2,257,341

DEPOSITS &amp; CREDIT BALANCES

as at 27th Feb., 1943 ... £60,829,643

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PICCADILLY CIRCUS BRANCH, 16/18 PICCADILLY, W.

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**GRESHAM LIFE**  
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Enquire, stating age, for particulars

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Chief Office: OXFORD STREET, MANCHESTER, 1

ANNUAL INCOME EXCEEDS - £14,500,000

ASSETS EXCEED - £83,000,000

CLAIMS PAID EXCEED - £155,000,000

(1943 Accounts)

STATISTICIAN, qualified, not liable for military service.  
Required by a Public Company in the Cinema Industry.  
Entire field of industry to be studied. Wide scope for person of  
drive and initiative. Write stating age, experience and salary  
required to Box SJW, Payne-Jennings Publicity, Ltd., 168,  
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LEATHER INDUSTRIES RESEARCH INSTITUTE.

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Applications are invited for the post of

SENIOR RESEARCH OFFICER IN ECONOMICS.

Salary scale £500 x 25 to £600.

(Starting salary may be altered according to amount of  
experience.)Applicants must be Graduates in Commerce or Economics and  
will be required to take charge of and develop Economics and  
Markets Research for the Leather Industries of South Africa.  
This is a new development with very wide scope and prospects in  
South African Industry depending on the energy and ability of  
the successful applicant.Applications should reach the Registrar, Rhodes University  
College, Grahamstown, South Africa, not later than May 1st  
1944.

Overseas applicants should apply by airgraph.

## NUNDYDROOG MINES LIMITED

At a meeting of the Board of the Company held to-day, the  
undermentioned dividend was declared:-Final for the year ended 31st December 1943, of 1s. 3d. per share  
(or 12½ per cent. actual) less Income Tax at 4s. 11½d. in the £  
payable on the 23rd May, 1944, to the shareholders on the  
books of the Company at the close of business on the 23rd March  
1944, making 22½ per cent. for the year.Profit on Revenue Account (provisional) £165,470 (last year  
£178,381).

By Order of the Board.

C. H. D. GARLAND, Secretary.

85, Gracechurch Street, London E.C.3.

23rd March, 1944.

|                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                      |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The Prime Minister - - - 457                                                                                                                                                                                                                                                                                                                        | The US Farm Bloc - - - 467                                                                                                                                                                                                                                                                                                                           |
| Russia in the Far East - - 459                                                                                                                                                                                                                                                                                                                      | Latin American Labour - - 469                                                                                                                                                                                                                                                                                                                        |
| Budget Prospects - - - 460                                                                                                                                                                                                                                                                                                                          | Arbitration and Unrest - - 473                                                                                                                                                                                                                                                                                                                       |
| NOTES OF THE WEEK - - - 462                                                                                                                                                                                                                                                                                                                         | THE BUSINESS WORLD                                                                                                                                                                                                                                                                                                                                   |
| Warning to Strikers; Into Roumania; Spheres of<br>Influence?; Reorganisation at Algiers; The Cost of<br>Schooling; Lenin and Ercoli; Best Foot Forward;<br>Thunder on the Right; Feeding India; Battle of<br>Communications; On Air; Tell the Troops;<br>Argentine Puzzle; Caribbean Conference; Higher<br>Pension; A Plan for Wales; Shorter Note. | BUSINESS NOTES - - - 474                                                                                                                                                                                                                                                                                                                             |
| AMERICAN SURVEY - - - 467                                                                                                                                                                                                                                                                                                                           | The Franc Rate; New Building Methods; The<br>Challenge Accepted; Lamport and Holt Valuation;<br>Cornish Mining Claims; Hitting the Bull's Eye;<br>Tax Certificates; Licensing of Agents; Coal Dust<br>Suppression; South Africa and Free Gold; Bombay<br>Bullion Prices; Wheat Supplies; Tungsten and<br>Antimony; Films in Industry; Shorter Notes. |
| Bulwark of the Farm Bloc; The Right to Vote;<br>Willkie in Wisconsin; Conscription the Barrel.                                                                                                                                                                                                                                                      | COMPANY MEETINGS - - - 480                                                                                                                                                                                                                                                                                                                           |
| THE WORLD OVERSEAS - - - 469                                                                                                                                                                                                                                                                                                                        | RECORDS AND STATISTICS - - - 486                                                                                                                                                                                                                                                                                                                     |
| Latin American Trade Unionism—I; Mineral<br>Poverty in Eire; Russia at War.                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                      |
| THE ECONOMIST, BRETTENHAM HOUSE, LANCASTER PLACE, LONDON, W.C.2.                                                                                                                                                                                                                                                                                    | TELE.: TEMPLE BAR 3316 ANNUAL SUBSCRIPTION £3.                                                                                                                                                                                                                                                                                                       |

## The Prime Minister

THE Prime Minister got his vote of confidence on Thursday of last week, as everyone knew he would. He got it by 425 votes to 23, and though only half the Labour Party was in the majority, not a single Conservative member either voted against the Government or even, as far as can be discovered, voluntarily abstained. If the Prime Minister's purpose was to demonstrate his power and to bring strays to heel, he certainly succeeded. The vote was taken on a narrow issue—even narrower, apparently, than Mr Churchill himself had expected—but it did not prevent a number of members from expressing their indignation at being compelled to eat their words against their will and at being forced to choose between two principles that they had thought compatible—support for the continuance of the Government in office and support for the principle of equal pay for equal work.

This indignation is so natural, and the embarrassment from which it arises so acute, that the Government has been accused by some voices of abusing, or at least of straining, the normal constitutional usages. But this is not distorting constitutional usage,

it was following a constitutional precedent that is not only well established but also an essential part of the British system. What sets off the British system from all other systems of representative democracy is the power at lies in the Prime Minister's hand to challenge the House of Commons, on any issue that he may select, to the electorate. A British Government has the power

to insist that Parliament shall do its bidding, with the sanction that, if not, either the Government or the Parliament, or possibly both, shall cease to exist. It does not follow that a wise Government will regard every disagreement that may arise between it and the House of Commons as an issue so vital as to require this treatment. But it is entirely for the Prime Minister to decide which issues are vital. And it is right that it should be so; for it is this provision of the unwritten constitution, so seldom reproduced elsewhere, which has given Britain its fruitful synthesis of freedom and efficiency. In this country, in the intervals between appeals to the sovereign people, power rests where responsibility also lies, and we are spared the miseries of rule by irresponsible assemblies which have afflicted other democracies. No British Government can escape a rendering of its stewardship to the sovereign people; and so liberty is secured. But so long as it is not repudiated by the people, a British Government is master not only of the administration but also of the legislative process; and so there is an opportunity for consistent and efficient government.

By a curious coincidence, an almost exact parallel with the events of last week can be found in the proceedings of the House of Commons just a hundred years earlier. On March 16, 1844, when a Factory Bill was under discussion, Lord Ashley moved an amendment to limit the labour of women and children to ten hours a day. The amendment was resisted by the Government on the ground

that the women did not want it, and that it was administratively unworkable. On a division, Ashley won by nine votes. But a few weeks later, the Prime Minister, Peel, called upon the House to reverse itself, saying that, if the result were not as he wished, he "would retire with perfect satisfaction into a private station." The House obeyed by 277 votes to 159. "The majority," Ashley wrote, "was one to save the Government, not against the question of ten hours."

The political science of the matter is worth insisting upon, not only for its own interest, but because of its close relevance to the problems of re-establishing democratic government where it has been cast down. The principle upon which Mr Churchill relied last week, the power of the Executive to dissolve the Legislature on any issue that it chooses to take to the people, is the reason, more than any other in the field of rules and usages, why British democracy has worked well while democracy in other countries has worked badly. It is a principle not only to be maintained here but to be recommended for export. It is just as important that democracies should be able to govern with foresight and with authority as that they should be free.

But if the political science of the matter is one thing, the politics of it is another. Mr Churchill acted well within his rights and in accordance with precedent. But did he act wisely? The answer can only be that he did not.

This answer does not rest on the fact that the present circumstances are unusual and that there is virtually no regular Opposition. It is true that, in present circumstances, the House of Commons does not enjoy even its usual limited possibility of voting against the Government. Only a negligible minority wants to unseat the Government, and there is no alternative to take its place. But it is also true that the Government could hardly dissolve Parliament on the eve of the invasion of Europe. Both threats are bluffs, and if either side is the gainer thereby in freedom of action, it is Parliament, as is shown by its rising rebelliousness. Yet the Coalition was formed to make the Government stronger than usual, not weaker, and it would be wholly illogical to deny it, for that very reason, the use of the principle that is the main source of any Government's strength. A coalition has more, not less, right than any other Government to insist on having its way when it deems insistence necessary.

The unwisdom of Mr Churchill's action does not rest on any such complicated reasonings, but simply on its effect on public opinion. His professed purpose was to emphasise national unity; his achievement is to create doubts where there were none before. If the Prime Minister insists that the removal of Mrs Cazalet Keir's amendment is an issue of equal importance with his conduct of the war, his insistence makes it so in constitutional practice; but nothing can make it so in the estimation of public opinion. If the Government had taken the line that the amendment wrecked the Bill, and that the House of Commons must therefore either take it out or lose the Bill, there might have been some grumbling, but no more. The course the Government has actually taken has made it look more than a little ridiculous.

Ever since Mr Churchill returned from his convalescence in Morocco he has exhibited signs of a petulant temper that is most unlike him, usually the most magnanimous of men. While at one moment he exhorts the nation to keep its mind on the main issue, at other moments he goes out of his way to exalt trifles to an importance they do not deserve and would never have received but for his attention. The intervention of an independent candidate at a by-election, the impatience of the public over the delays of planning policy, a Government defeat by one vote on a single clause of a Bill having nothing to do with the war effort—these are hardly worthy of the notice of the captain-general of the nation. To rush at them with a flurry of hard words and over-strong actions is not to convince the doubters or rally the waverers; it is to humiliate what should be his most cherished supporters, to irritate the unconcerned and to sadden his friends. A people like the British, in an emergency like the present, will never hold it against their

leader that he insists on having his own way in the big things that are essential to the life of the nation. It is when he begins to insist on having exactly his own way in the little things which, important in their own sphere, are certainly not vital to the commonwealth, that they start wondering whether he is quite the man he was.

It is not only in the relations between the Government and both Houses of Parliament that there is a deterioration, but also apparently in some of its internal relations. There is much talk of Mr Eden resigning the Foreign Office. The reason given is that he finds the physical burden of combining this office with that of Leader of the House of Commons too great. It may well be believed that the double burden is too heavy, but no politician in his senses would prefer the Leadership of the House to the Foreign Office—least of all Mr Eden, whose heart is in diplomacy—if his choice were wholly free. That his choice is not wholly free and that there is an element of pressure in the matter is made clear by the attacks that are being made upon Mr Eden in some sections of the press. Nor is it very difficult to guess the source of the pressure. It is known that Mr Eden is much disturbed by the recent growth of a phenomenon that is very familiar in British political history and has rarely failed to be noxious—the conduct of diplomacy from No. 10 Downing Street. Mr Eden's loyalty to the Prime Minister and ability to collaborate with him are both unquestioned and of long standing. Some new element has been injected into the relations in recent months—or perhaps it would be more correct to say some old element returning with renewed vigour.

That element is Lord Beaverbrook, who was with the Prime Minister in Morocco and is believed to have been his close adviser since he returned. It is said that in the Cabinet changes that would follow Mr Eden's departure from the Foreign Office, Lord Beaverbrook would cease to be Lord Privy Seal and take some more substantive office. Lord Beaverbrook does not believe in planning; and one of the matters at issue between the Government and both Houses of Parliament is the slowness of the progress that is being made in planning the use of land. Lord Beaverbrook is a believer in "strong" diplomacy and splendid isolation; and there is talk of the departure from the Foreign Office of Mr Eden, who, whatever his other faults may be, is a convinced advocate of negotiated diplomacy as opposed to arbitrary *coups de main*. Lord Beaverbrook is of a peremptory temperament which achieves its results by overwhelming opposition instead of seeking to conciliate it; and the Prime Minister begins to make constitutional mountains out of Parliamentary molehills. Lord Beaverbrook, in his piratical days at the Ministry of Aircraft Production, used to forbid his subordinates to co-operate with anyone; and the re-waxing of his star coincides with a new determination on the Prime Minister's part to exact submission from any of his followers who differ from him.

It is difficult to believe that these things are coincidences. The advice the Prime Minister has been getting is bad advice. If it goes on, it will finish by doing the impossible—that is alienating him from a large section of the country. There has probably never been a Prime Minister who has enjoyed such an enormous fund of credit with the people as Mr Churchill. But he has been drawing on it recently at a very rapid rate. The leadership of the war is not in question; but for every one elect who, two months ago, suspected that the Government was needlessly obstructing reform or who doubted whether Mr Churchill is the man to lead the country in peace as well as in war, there must now be three or four. Until now it has always seemed so probable as to be almost certain that Mr Churchill would win the first post-war General Election, even with the handicap of having the Conservative Party behind him. Now, for the first time, it begins to look doubtful. The day is still very far distant when either Parliament or the people will refuse to do what Mr Churchill wants, if he insists upon it. But in bowing to his will, Parliament can give warning of the electoral wrath to come. Mr Churchill's majority last week was large; but not large enough to drown the warning.

## Russia in the Far East

MANY people, thinking of the Far Eastern scene, take it for granted that, when the German war is over, Russia will be ready to join the Grand Alliance of China, Britain and the United States and bring the Japanese to a speedy defeat. They see in Russia's abstention only a justified concentration on the Western war, and prophesy a speedy abandonment of neutrality when the Russians have recovered their freedom of action. The most recent exchanges between Russia and Japan can be interpreted in this sense. The Soviet Government has scored a remarkable diplomatic victory in compelling the Japanese, 26 years before their lease expires, to abandon their oil and coal concessions in Northern Sakhalin and to withdraw at once, receiving in return only the ludicrously small compensation of 5,000,000 roubles for their property and a promise of an annual delivery of 50,000 tons of oil for five years after the end of the Pacific War. Since the Japanese rely on Sakhalin for almost a quarter of their domestic supply of oil, the complete immediate stoppage of deliveries is a serious loss to their straitened economy. The Russian victories in the West have had their first repercussion in the East. It is not at all to Japan's liking.

Yet can one assume that this is the first step towards Russia's participation in the Far Eastern war? If so, what is to be made of the other evidence of Russia's reviving strength—the news of fighting between Chinese and Outer Mongolian forces on the borders of Sinkiang? The Chinese claim that they were cleaning up a nest of Kazakh brigands in the Altai Mountains, and were attacked by Outer Mongolian troops while doing so. *Tass* states that the Chinese in Sinkiang have been driving Kazakh settlers into Outer Mongolia, and that during these forced expulsions, they crossed the frontier and attacked and bombed Outer Mongolian towns. In these circumstances, *Tass* adds,

the Soviet Government, in virtue of the Treaty of Mutual Assistance between the USSR and the Mongolian People's Republic, concluded on March 12, 1936, will be compelled . . . to safeguard the security of the territory of the Mongolian People's Republic.

As Outer Mongolia has been since 1924 a virtual dependency of Moscow, and Sinkiang, after a decade under Russian influence, is now again controlled from Chungking, trouble on the Sinkiang-Outer Mongolia frontier is trouble between China and Russia. Frontier incidents do, of course, occur. The frontiers are poorly marked, and the frontier peoples are nomads. The important point is that this particular violation has given rise to fighting and to a Russian *démarche* against China. Thus, in reasserting their reviving strength in the Far

East, the Russians are apparently ready to use it as much against Chungking as against Tokyo.

The shape of Russian policy in the Far East in the time of the Czars was easy to define. The Russians expanded their spheres of influence at the expense of China. By 1903 they were in possession of the Chinese Eastern Railway across Manchuria and the tip of Laotung Peninsula, with Port Arthur and Darien, and had also occupied Southern Manchuria (after the Boxer Rebellion), and showed no intention of withdrawing. They were driven from these advanced posts by the victory of Japanese imperialism in the Russo-Japanese War. Up to 1914, it could be said that Russian policy in the Far East, whatever its twists and turns and temporary alignments, was fundamentally hostile to China and Japan and would involve conflict with them both.

The policy of the Soviet Union is harder to define. The policy of expansion in Manchuria was apparently abandoned. There was no protest against the Japanese occupation of Manchuria—on the contrary, the Chinese Eastern Railway was handed over. Yet this period of Russian withdrawal should be interpreted in terms of weakness, rather than of deliberate policy. In the early thirties, a separate Far Eastern Army was built up, and the industrialisation of Siberia accelerated. The Russian-Manchurian frontier was strongly reinforced, and a Treaty of Mutual Assistance with Outer Mongolia was informally concluded as early as 1934—just as the Japanese were penetrating into Inner Mongolia. At about the same time, Russian influence became paramount in Sinkiang. This military and diplomatic reinforcement of Russia's extended land frontier against the Japanese occupying forces was put to the test repeatedly in 1938 and 1939, when the Russians got the best of a sporadic undeclared war on the borders of Manchuria.

Since 1941, neutrality has suited both countries—Russia because it has been involved in the West, Japan because it has been involved with the West. The Pact of Neutrality signed in 1941 has governed Russo-Japanese relations and the two countries have underlined their peaceful intentions by recognising each other's predominant position in Mongolia and Manchuria respectively and by agreeing on the demarcation of the Manchurian frontier. Thus, for the last twenty years, Russia has pursued a policy of tolerance and relative passivity in its relations with Japan—yet first weakness, then preoccupation elsewhere lay behind this policy. If the recent Sakhalin agreement reflects new strength and a new sense of freedom, there is nothing in past policy to suggest that the Soviet Government is prepared to make a permanent policy of tolerating the Japanese encroachments in Manchuria. But

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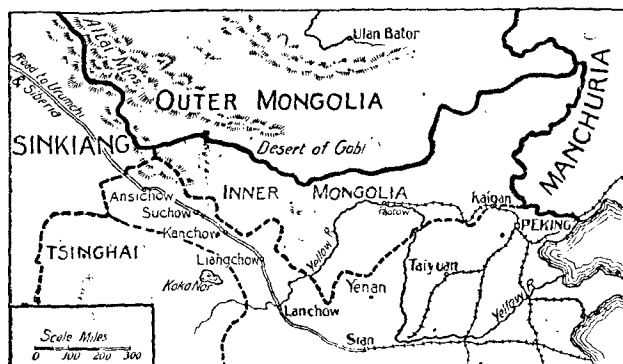
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when Japan has been eliminated, what then? Will the Russians return to the traditional Russian policy of expanding influence in Manchuria? And if this were to happen, would the old collision between Russian and Chinese interests recur?

It is not easy to answer with any certainty, for the history of Chinese relations with the Soviet Government is anything but clear. In the first days of the Revolution, Russia abandoned all concessions, privileges and extra-territorial rights. It hoped for social revolution in China, and the Chinese Communists supported the Kuomintang in its struggle for a united democratic Chinese nation. But in 1927, the Kuomintang under Chiang Kai-shek broke with the Communists, and for nearly a decade a sort



of desultory civil war dragged on between them. This was the period of Russia's greatest withdrawal from the Chinese scene. But with the Japanese advance into Manchuria and Inner Mongolia and the increasing threat to North China, Chinese resistance came to be a factor in Russia's own defence policy. The Chinese Communists were encouraged to make their peace with Chiang, and in 1937 the Russians signed a Non-Aggression Pact with China a few days after the outbreak of the Sino-Japanese War. Some supplies were sent to China, but Russia's policy was at no time enthusiastic and China's plight did not once interfere with Russia's need for Japanese neutrality. To-day, if the attitude of the Chinese Communists is any index, the Russians are even less enthusiastic about Chingking.

It may be that Russia is ready, once the European War is over, to join the Allies in the Far East to hasten Japan's defeat and then to negotiate in agreement with

them a peace which gives some hope of putting an end to the anarchy which has reigned in the Far East ever since the old Chinese Empire began its slow process of disintegration. It may be so—but there is nothing in the history of the last twenty years to suggest that it certainly will be so. The evidence points to isolation rather than to co-operation; to the policy of the lone hand and the defence of Russia's purely national interests. It is not difficult to guess what these might be—no immediate entry into the war against Japan, but possibly the giving of the *coup de grâce*; the restoration, in return, of Russia's old spheres of influence in Manchuria to safeguard Vladivostok and the Trans-Siberian Railways; a consolidation of Russian influence in the border lands of China—in Sinkiang and the Mongolias; support for a Government in North China that would be amenable to Russian influence, even if this prevented Chinese unity.

Such an outcome of the Far Eastern struggle would be little short of disastrous. It could not give any permanent security, any more than could a similar policy in the 1900's. Yet Britain and America should see that from the Russian standpoint it is logical and defensible. The Russians have borne the brunt of the fighting in Europe, and it is only natural that they should wish to see their Allies take the edge off the Japanese attack. Their geographical position makes it certain that if they entered the war against Japan at this stage they would again have to bear the heaviest share of the land fighting. And if there are criticisms of their policy for its self-regarding quality, they are surely entitled to ask why they, alone of the Powers, should be asked to pursue an altruistic policy in the Far East. No record in the Far East is very clear. Nor will it resolve the conflict to say that all the Powers should support the Chinese Government, since the happenings in Mongolia suggest the possibility that all the Powers may not finish the war recognising the same Chinese Government.

These are all matters of speculation. They may turn out to be bogeys—or they may not. Even if this proves to be the direction of the Soviets' policy, it does not in the least follow that they will be unwilling to reach an accommodation with the very different desires of the Western Allies. But the one essential preliminary to an accommodation with Russian policy is for the Western Allies to understand its springs and motives. In Europe Anglo-American diplomacy has had to make some embarrassing adjustments—and will doubtless have to make more—because of the baseless assumption that Moscow wants exactly the same things as London and Washington. The same mistake must not be made in the Far East.

## Budget Prospects

THE financial year just ended was a remarkable one for wartime. Though the scale of the war unquestionably increased, the deficit was actually lower than in the preceding year. The Chancellor budgeted for a deficit £45 million higher than in 1942-43, and he has realised one £53 million smaller. The revenue, which provided 50.1 per cent of the expenditure last year, and was estimated to provide 50.5 per cent this year, amounted in the event to 52.5 per cent. That, in such a war, it has been possible to improve on a record already so good is a tribute to the soundness of British public finances.

The figures are also a reflection—for the first time in this war—of accurate budgeting. The fact that the actual result is £99 million better than was expected is fully explained by two items—an excess of £67½ million in the yield of customs and excise and an excess of £53½ million in the omnibus item of Miscellaneous Receipts. The expenditure was only £30 million above the Budget estimate—an error of less than one per cent—and the yield of all the Inland Revenue taxes combined was within one-fifth of one per cent of the Chancellor's estimate last April. Some part of this last result must, however, be put down to coincidence. A "round-figure" estimate of £500 million was assigned to EPT and NDC; but the yield has turned out to be £500,114,000.

This close estimation is not only a refreshing change from the constant and apparently deliberate under-budgeting of the earlier war years; it is also a reflection of the fact that the war, on the financial side at least, has reached a plateau. Expenditure is no longer increasing. This is shown by the following table of the expenditure on Supply Services—much the largest part of the total—in each quarter of the last four years:—

SUPPLY SERVICE EXPENDITURE

|          | (£ million) |         |         |         |
|----------|-------------|---------|---------|---------|
|          | 1940-41     | 1941-42 | 1942-43 | 1943-44 |
| I.....   | 613         | 985     | 1,198   | 1,304   |
| II.....  | 875         | 1,111   | 1,229   | 1,305   |
| III..... | 1,012       | 1,168   | 1,364   | 1,324   |
| IV.....  | 1,137       | 1,238   | 1,505   | 1,474   |

The trend is even more clearly revealed by tabulating the amount by which the expenditure of each quarter exceeded or fell short of the same quarter of the preceding year:—

|          | (£ million) |         |         |  |
|----------|-------------|---------|---------|--|
|          | 1941-42     | 1942-43 | 1943-44 |  |
| I.....   | +372        | +213    | +106    |  |
| II.....  | +236        | +118    | +76     |  |
| III..... | +156        | +196    | +40     |  |
| IV.....  | +101        | +267    | -29     |  |

The definition of expenditure has not been quite uniform throughout the four years. In 1940-41, and to a large extent in 1941-42, supplies obtained from the United States were included in expenditure. When these supplies became available on Lend-Lease terms, they disappeared from the British Budget. And to the extent that some varieties of goods have been removed from the Lend-Lease list, they are now presumably making a reappearance in expenditure. Reciprocal Aid, or Reverse Lend-Lease, must have been a much larger item in 1943-44 than in any previous year; this, of course, figures as part of the British Government's expenditure. Assistance received from Canada has also had a chequered statistical career. In the earlier years of the war, the value of goods received from Canada was debited to expenditure, since a debt was incurred to the Canadian Government in respect of them. This was also the practice on the expen-

crease will be repeated. The Civil Estimates are up by £19 million, and the war expenditure can hardly be expected—especially in view of the Canadian factor—to show anything but an increase, if only because of the gradual increase in wages and other personnel costs. Total ordinary expenditure, which was £5,788 million in the year just ended, will probably not fall far short of £6,000 million in the year just beginning—on the assumption, which is the only prudent one, that another full year of supreme effort should be provided for.

How will the Chancellor provide this sum? His revenue this last year brought in £3,039 million. Some increase is to be expected next year, even without any adjustment in the rates of taxation. A year ago, the Chancellor estimated that this "natural" increase, which is a response of the revenue to the gradually rising money total of the national income, would amount to £289 million. It may be somewhat less this year, but there is no reason why it should be much less. There is, however, the additional factor of "pay-as-you-earn." In the normal course, the income tax collected under Schedule E in the twelve months just beginning would have been based, for the majority of persons, partly on the incomes of 1942-43 and partly on those of 1943-44. Because of the passage of the two "pay-as-you-earn" Acts, the tax collected will in fact be based on the incomes of 1944-45. This means, of course, that the amount collected will be higher than it would otherwise have been, since the total earned in wages and salaries has risen steadily. How much higher is one of the Chancellor's secrets, but it can hardly be less than £50 million. On the probabilities as they are now visible, the Chancellor may be able, without any changes of taxation, to budget for a revenue of over £3,300 million, to set against his expenditure of £6,000 million. This would raise the ratio of revenue to expenditure to 55 per cent, a much higher figure than was attained by this country in the last war or by any other free country in this war.

It might, however, be rash to conclude from this that no increases in taxation are likely. There is no limit to well doing, and though it may be a good rule of thumb to regard a revenue ratio of over 50 per cent as satisfactory, there is nothing sacred about it. The continued buoyancy of the duties on tobacco and alcoholic drinks must be a standing temptation to any Chancellor, and a further increase in these should not be ruled out. But it would seem unlikely that there will be any major change in the Inland Revenue taxes. There is no case for an increase in direct taxation, and even less for a reduction. Nor is it likely that the Commissioners have yet carried their investigations into post-war tax problems sufficiently far to have given rise to any immediate proposals for changing the structure of taxes. There have been some rumours of a change in the basis of motor vehicle taxation. The case for a departure from the horsepower tax is a very strong one, and if the alternative can be found, this year's Budget would clearly be a good time to make the change. But it may be doubted whether there is yet sufficient agreement on the form that the alternative ought to take.

Taken together, the omens are for a Budget of few changes. And that, at this stage of the war, is in itself a sufficiently remarkable phenomenon.

| REVENUE                                       |                |                          |                |
|-----------------------------------------------|----------------|--------------------------|----------------|
|                                               | (£ millions)   |                          |                |
|                                               | Actual 1942-43 | Estimated 1943-44        | Actual 1943-44 |
| Income tax.....                               | 1,006.8        | 1,175.0                  | 1,183.6        |
| Sur-tax.....                                  | 75.4           | 80.0                     | 76.0           |
| Estate, etc., duties.....                     | 93.3           | 100.0                    | 99.5           |
| Stamps.....                                   | 15.3           | 17.0                     | 17.7           |
| N.D.C.....                                    | 30.6           | { 500.0 }                | 33.4           |
| E.P.T.....                                    | 346.9          |                          | 466.7          |
| Other Inland Revenue.....                     | 1.0            | 1.0                      | 1.0            |
| Total Inland Revenue.....                     | 1,569.3        | 1,873.0                  | 1,877.9        |
| Customs.....                                  | 459.5          | 525.3                    | 560.8          |
| Excise.....                                   | 425.3          | 450.2                    | 482.2          |
| Total Customs and Excise.....                 | 884.8          | 975.5                    | 1,043.0        |
| Motor vehicle duties.....                     | 28.5           | 25.0                     | 27.3           |
| Canadian Gov. Contribution.....               | 224.7          | ...                      | ...            |
| Post Office (net receipts).....               | 12.4           | 0.4                      | 0.4            |
| Wireless licences.....                        | 4.6            | 4.7                      | 4.8            |
| Crown lands.....                              | 1.0            | 0.8                      | 1.1            |
| Sundry loans.....                             | 4.1            | 4.1                      | 6.5            |
| Miscellaneous receipts.....                   | 90.5           | 24.0                     | 77.7           |
| Total Ordinary Revenue.....                   | 2,819.9        | 2,907.5                  | 3,038.5        |
| Self-Balancing—Post Office.....               | 102.5          | 110.6                    | 110.6          |
| EXPENDITURE                                   |                |                          |                |
|                                               | (£ millions)   |                          |                |
|                                               | Actual 1942-43 | Budget Estimate, 1943-44 | Actual 1943-44 |
| Interest and management of National Debt..... | 310.8          | 375.0                    | 364.7          |
| Payments to N. Ireland.....                   | 9.2            | 9.5                      | 9.0            |
| Other Cons. Funds.....                        | 7.4            | 7.5                      | 7.2            |
| Total Consolidated Fund.....                  | 327.4          | 392.0                    | 380.9          |
| Supply Services.....                          | 5,295.8        | 5,364.1                  | 5,407.5        |
| Total Ord. Expenditure.....                   | 5,623.2        | 5,756.1                  | 5,788.4        |
| Sinking Funds.....                            | 14.2           | ...                      | 10.3           |
| Total.....                                    | 5,637.4        | 5,756.1                  | 5,798.7        |
| Self-Balancing—Post Office.....               | 102.5          | 110.6                    | 110.6          |

diture side in 1942-43, but an item of £225 million (one billion Canadian dollars) was entered on the revenue side in respect of the gift made by the Canadian Government in that year. In 1943-44, Canadian goods have been available on what amount to Lend-Lease terms, so that both the gift on one side of the account and the corresponding expenditure on the other have disappeared. If allowance is made for these Canadian items, it would appear that the revenue increased in the year just over, not by £218.7 million, as would appear on the face of the figures, but by £443.4 million; the increase in the expenditure was not £165.2 million, but £389.9 million. The plateau of expenditure is thus not quite so flat as would appear at first sight—the gradient is still slightly upwards.

The cost of the National Debt amounted to £54 million more in 1943-44 than in the previous year, and the in-

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## NOTES OF THE WEEK

### Warning to Strikers

Mr Bevin has given the strongest possible warning to the strikers whose activities are impeding the industrial effort and threatening to delay decisive military operations. He gave no indication of the action which the Government proposes to take, but, to judge from the tone of his speech and the gravity of the coal situation, it is clear that, unless there is an immediate resumption of work, drastic measures will be introduced against both the present and future strikes. Mr Bevin was almost literally quoting Lear—

I will do such things—  
What they are, yet I know not; but they shall be  
The terrors of the earth.

Mr Bevin is meeting the miners' leaders and the Trades Union Congress, and there will be some plain speaking. The crisis has arisen largely through the inability of union leadership to exercise its authority over the rank and file. As Mr Bevin pointed out, the whole structure of negotiating and arbitration machinery is threatened if either side fails to honour its agreement (the significance of the issues involved is discussed in an article on page 473). The personal position of the Minister of Labour, who has been identified with the industrial arbitration machinery, is also jeopardised, and Mr Bevin's resignation at this critical stage would be disastrous. The strikes themselves are diminishing in intensity. Many of the Yorkshire miners, 90,000 of whom have been on strike for over a week, are now drifting back to work. The coal strikes, together with the continued decline in output from other reasons, has led to the imposition of fuel cuts on industrial users. Not so devastating in its effects, but equally unfortunate, is the strike of Tyneside, Clydeside and Huddersfield engineering and shipyard apprentices over the proposed direction of an apprentice to the mines. Mr Bevin promptly issued call-up papers for the Services, and the strike is now petering out. He denounced the stoppage as the work of "a few irresponsible mischief-makers," who have been widely labelled "Trotskyists"; they have also been active in the Yorkshire minefield. In the present mood of industry, it is all too easy for provocation of this type to develop, and firm action to check it is necessary. There are constitutional ways of settling such disputes. In the meantime, the strike position has caused the Yorkshire miners to ask for a postponement of their decision on the Government's wage plan. This means a further delay in settlement, but it appears that the scheme, even without Yorkshire, is doomed. The executives of South Wales, Northumberland, Scotland, Lancashire and Cheshire have recommended their lodges to vote against it. Rejection would leave the coal crisis further from solution than ever; more outbreaks of strikes and unrest must be expected, and an all-round worsening of the situation, unless something definite can be done now to stop the rot.

### Into Roumania

Roumania is the second enemy country to see land fighting inside its own frontiers. So far Marshal Koniev's army has advanced only a few miles beyond the 1941 frontier. But the advance is bound to gain speed and momentum when the German "pocket" in the Odessa area is reduced and General Malinovsky can join Marshal Koniev in the Balkan pursuit. Immediately after the Russians crossed the Roumanian frontier Mr Molotov stated that the Russians had entered Roumania only because military necessity had forced them to do so. But Russia did not aim at acquiring any part of Roumanian territory or at "changing the existing social order of Roumania." After last week's Russian official utterances, in favour of a postponement of the dynastic crisis in Italy, this is an important declaration of policy. "Law and order" is the guiding principle of Russian policy in Roumania as well as in Italy. But the problem is not as plain as it might appear. No matter what the intentions of Russia might be, a social crisis is likely to develop in Roumania, if only because it has been overdue for so long. Even if the "social order" survives the shock, a political crisis is certain. It is hardly conceivable that the Antonescu regime could survive

defeat. Mr Molotov's statement of Russia's good will has rightly been welcomed in this country, especially as his statement was preceded by consultation with Britain and the United States. But this is not enough. The entry of the Russians into Roumania poses again the question whether Allied policy aims at co-operation in the whole of Europe or at its division into spheres of influence. If exclusive spheres is not the aim, then a Balkan Advisory Council, similar to the Italian Advisory Council, poor though the precedent is, should be set up.

### Spheres of Influence?

Russian foreign policy has so far seemed to lean towards the line of spheres of influence. To say this implies no judgment, one way or the other, on Russian policy; it is merely a reading of the facts as they have appeared. In eastern Europe Russia considers itself to be sole executor, though the other Allies may be consulted. There has been consultation on Finland and Roumania. In both cases, for obvious military reasons, initiative and responsibility have fallen to the Russians. On the Polish issue the Russians have officially rejected all suggestions of Allied mediation, though until recently Marshal Stalin was still exchanging views with Mr Churchill. In the light of this policy recent exchanges over the problem of Italy appear somewhat odd, for the chief charge made against Allied policy in Italy by *Izvestia*, in a recent article, was the allegation that Russia had not been consulted on Italian matters; that is, *Izvestia's* complaint is that the British and the Americans have behaved in Italy as if they regarded that country as their "exclusive sphere." This is certainly an exaggeration, though the Italian Advisory Council has been ineffective, and its influence on the internal position in Italy less than modest. Because of this the Russians decided that they are entitled to maintain direct diplomatic contact (*de facto* but not *de jure*) with Marshal Badoglio's Government. But, more than that, they have also, in effect, laid responsibility for the policy of exclusive spheres of influence at British and American, not Russian, doors. All this reflects the confusion that prevails in Allied policy. It seems very desirable that the position should be clearly defined. If there are to be exclusive spheres of influence, let it be said openly. If no exclusive spheres are to exist, let there be no exclusiveness anywhere—either in Italy nor in eastern Europe.

### Reorganisation at Algiers

With the Second Front just ahead, General de Gaulle has succeeded in consolidating his position, both politically and militarily. The Communists have at last joined the National Committee by an ingenious compromise, in virtue of which General de Gaulle indicated his choice of delegates, and this choice was endorsed by the Communist Party. The inclusion of the Communists has led to some Ministerial changes, of which the most important are the appointment of M. Diethelm as Commissioner for War and of M. Le Troquer as Delegate for the Administration of Liberated Metropolitan Territories. The first act of the reconstituted Committee was to entrust itself with the general direction of the war and to appoint General de Gaulle "Chief of the Armies." The National Committee now represents all the non-collaborating groups in France, and the extent both of its authority and of its contacts with occupied territory entitle it to recognition as a provisional government. The Western Allies will gain little by continuing to postpone this issue, since the entry into the Cabinet of the Communists probably presages more complete Russian recognition, just as the Russian recognition of Badoglio foresaw the Communists' decision to co-operate with the Italian Government. Recognition would also strengthen the hand of the British-American authorities in dealing with the military and political problems raised by the opening of the Second Front. Here General Eisenhower has the right to insist on the fullest collaboration, and can secure it far more easily if he can negotiate with a French

authority whose position is not equivocal. This is the sphere in which decisions are most urgently needed. What, for example, is the effect of General de Gaulle's new position on the authority of General Giraud? How far will M. Le Troquer's appointment affect joint decisions on the post-invasion pattern of French co-operation with the Allied military authorities? The Allies have every reason to be cautious over certain trends—and personalities—in French politics, but they are far more likely to make their opinion felt if the underlying issue of authority is not left in the air.

### The Cost of Schooling

The Education Bill has been passed through its Committee stage in time for Easter. The remaining hurdles were taken by the Commons with ease and speed after last week's spill over equal pay. This is not to say that the last obstacles were unimportant. Indeed, the method of financing reforms in the social services, as between central and local powers and as between public and private agencies, which was the chief issue, covers a much wider field than education, like the question of equal pay, which it comprehends. The claim of the church schools for better treatment was met, apparently, to the satisfaction of all, by the offer of special terms to raise loans at low rates. The suggestion that the proportion of expenditure borne on rates should be cut from about 45 per cent to 30 per cent was rejected, not because the present and prospective distribution of burdens between central and local funds is regarded as satisfactory, but because the whole question, as it affects all local services, is due for review. Three possible courses are open. The first, and probably the least desirable, is to put upon the Exchequer much the largest part of the cost of services which the local authorities continue to administer. The second, and least promising, is to tap new sources of local income. The third, and most practicable, is to maintain the rough 50-50 division of costs between rates and taxes for such services as continue to be administered by the local authorities, but to reduce the total burden on the rates by transferring both the cost and the administration of, say, health, in addition to public assistance, bodily to the national Exchequer.

### Lenin and Ercoli

The shaky throne of the House of Savoy has now been propped up by a new pillar—the Communist Party of Italy. Like Lenin, who in 1917 returned to Russia after many years of exile, the Italian Communist leader, Ercoli, has come back to his country after a very long stay in Russia itself. But unlike Lenin, who preached revolution as soon as he stepped on to Russian soil, Signor Ercoli at once called for reconciliation between the democratic opposition and the Italian Romanovs. His appeal came only a few weeks after the conference of the democratic parties held at Bari demanded the immediate abdication of King Victor Emmanuel. The demand was voiced most loudly by the Communists; and it was echoed with strong conviction by respectable liberals and moderate conservatives. The first reaction to Ercoli's appeal among the parties of the democratic opposition seems to be bewilderment. What was remarkable in this tragicomic incident was the quickness with which Signor Ercoli "readjusted" his views to the attitude taken by *Izvestia* only two days before he gave his speech. The Soviet Government, *Izvestia* stated, favoured a compromise with the throne. Signor Ercoli was left in no doubt over what he therefore ought to favour. True, the Comintern has been dissolved; and this particular instance of Soviet intervention in Italian affairs will be resented by the Italian Left, but not by the Italian Right. Even so, the fact that a strong and influential political party is able so easily to change sides on a matter of principle merely in order to align itself with foreign diplomacy is surely a symptom of political demoralisation. Post-war Europe will need genuine political movements and genuine political leaders, not puppets. On this showing, little political stability can be expected from the fact that in some European countries there will be strong Communist movements—ready to exploit issues of domestic policy for purposes that have nothing necessarily in common with the interests and ideals of their peoples.

### Best Foot Forward

The puzzle about the appointment of Mr Robert Foot, Director-General of the BBC, to be whole-time chairman of the Mining Association, is not why the coalowners have

chosen him, but why he was ready to go. It is most disturbing that high officials of the BBC, with the reputation of competence, always seem to pack up their bags and leave, sooner rather than later. Perhaps on this occasion the division of work between Director-General and Editor-in-Chief, a new arrangement, did not prove suitable, though judgment must be reserved on this until it is known whether Mr Haley, Mr Foot's successor, will also continue to be Editor-in-Chief. The Mining Association's intention of putting its house in order was stated, in principle, last month when its Central Committee announced agreement on proposals to introduce schemes in every coal district for achieving maximum efficiency in each district "as a whole." The appointment of Mr Foot, from outside the industry, is the first earnest that practical steps may soon be taken; but there is a long way to go before it will be really believed by the general public that, this time, the mineowners do intend to fulfil their old, old pledge to reorganise their industry. When the latest wage awards have been straightened out, wages per ton of coal sold will have nearly doubled since 1939; and the inability of the industry to produce the coal required for wartime purposes is a plain warning that, unless productivity can be appreciably increased, it will not be possible, guarantee or no guarantee, to maintain the new wage level without charging artificially high, and industrially disastrous, prices to consumers. Indeed, the imperative need for higher efficiency to make possible both higher wages and higher output at lower prices has been evident for a generation. For a decade the mineowners have been pledged to reorganise the industry. Why have they now promised, of their own accord, to do much more, and brought in Mr Foot, a man of honesty and determination, to do it for them? The answer is probably a double one. First, it will be impossible to reverse the wartime trend in wages without an amount of industrial strife that cannot even be contemplated. Secondly, the alternative of nationalisation, often proposed, has now become very real because of the failure to deliver the goods in wartime. The test of the new mood will come when it is realised inside the industry, as it has been for a long time outside the industry, that it is not possible to carry through the needed grouping of technical resources in each coalfield



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without carrying through a corresponding pooling of the present widely-spread financial ownerships; and that if financial pooling is done in such a way as to burden the reorganised industry with too heavy prior charges, based on past earnings, the reform will have defeated its own ends, whatever its technical success.

### Thunder on the Right

While the progressive wing of the Mining Association appears to be succeeding in pushing through a positive policy for the coal industry, the progressive wing of the Conservative party has also produced a similar plan; and in this plan compensation to merged concerns will be given in equity shares, not prior charges. Coming almost together these two events are significant. The thunder of Reform is being stolen from the Left in a vital matter. The Tory Reform Committee, in their "National Policy for Coal," make no bones about the need for prompt and drastic reorganisation in order to make possible the required improvements in productive efficiency. They propose that the industry should be compelled, within the first year of the programme, to produce schemes of amalgamation that would reduce the present number of coal undertakings by about four-fifths (from 950 to 200 or so); and they look forward eventually to a further reduction to no more than 40-60 undertakings in all. In the best report that this Committee has so far put out, the case for technical grouping and financial mergers is frankly and factually stated. Between the wars the industry sought a way out of its difficulties in two directions: by contracting its size, through the elimination of the least economic pits; and by increasing its technical efficiency. But both processes went very much too slowly; and the piper was paid, alternately, by the miners and by the consumers. Output per man shift in the years before the war, though higher than it had been, was still only two-thirds of what it was in Germany, Poland and Holland. Only three-fifths of the coal was cut by machinery, compared with four-fifths in the United States and with practically the whole of the output in Germany and Belgium.

The war revealed the nakedness of the land. Before France fell the British coal industry was hard put to it to supply home and Allied needs. Now when France is rising, and the new demands of liberated Europe are ahead, the industry cannot fully serve domestic demand, and its stocks have run out. No plan may do very much in the short run. But a beginning must be made, if only because, with its higher and guaranteed national wage levels—which the Committee blesses—the industry will be disabled when the war ends unless its technique and organisation are overhauled. For nine peacetime years it was organised by statute to restrict output and keep up prices. Now, the Tory reformers suggest, without apparently the Mining Association's disapproval, that it should be instructed by statute how to increase its productivity, by its own efforts, at competitive prices.

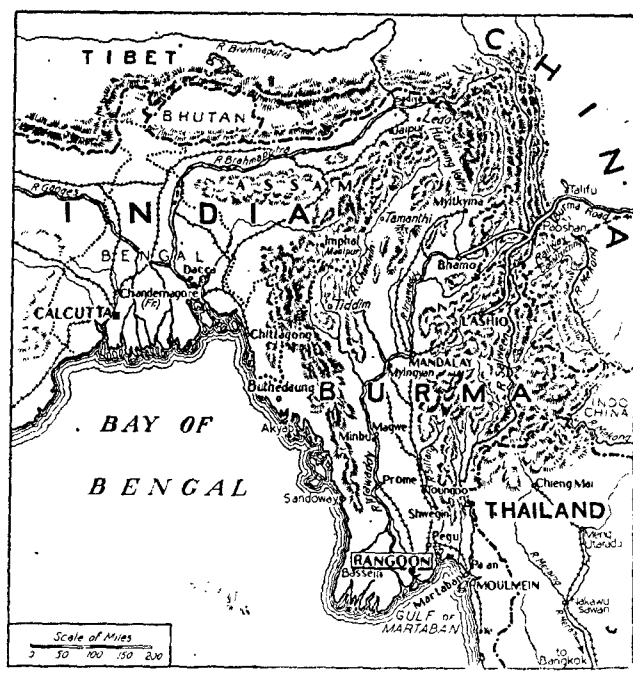
### Feeding India

The biggest single charge made against the authorities on account of last year's tragic famine in Bengal, and in other parts of India, was lack of foresight. Missionaries and other social workers, it is said, foresaw, from their knowledge of India, what would happen as early as the previous December. If this is so, it should be known now whether the tragedy will be repeated this year. Mr Casey, Governor of Bengal, has toured his Province in person, and gives good news of his findings. The rice crop, which was poor last year, is excellent. Transport and distribution, which then practically broke down, are under control. There is enough food, the Governor says; the only task is to distribute it, and for this only co-operation and the organisation that now exists are needed. In other words, there will be no excuse if famine comes again. Yet Mr Casey should not be taken too closely at his word. The people of India live on the smallest of margins. Tiny surpluses moved over great distances enable subsistence to be sustained. The slightest shift in consumption, the slightest fall in sales to the market, the slightest hold-up in traffic, the slightest refusal of Provinces or traders to play their part, and the result is starvation for many. If last year's transport difficul-

ties have been overcome for certain, wonders have been done with depleted and inadequate rolling stock. By the liberal use of gold, inflation has been checked and the incentive for food hoarders to hold on for higher prices has been whittled down by this, and by the threat of imports. The situation can probably be summarised thus: famine need not happen this year—at least to no greater extent than in a normal year—but it is not impossible. And the effects upon popular psychology of the still small Japanese advance into India have yet to be measured.

### Battle of Communications

News from the South-East Asia theatre of war in the last week or so has been, on the whole, disquieting. Since the announcement two weeks ago that Japanese troops had crossed the Burma-India frontier the situation seems to have changed slowly for the worse. The death of General Wingate, in charge of the airborne threat to the Japanese communications, deep behind the attackers, is a severe loss. After the long series of defeats in the earlier stages of the war in the Far East, General Wingate inspired a confidence among Allied troops that, with practical training, robbed jungle warfare of its strangeness and uncertainty. Without this new-found confidence the combined operations now being carried out behind the lines of the Japanese would have been impossible. It will be in itself a defeat if the legacy of confident efficiency left by General Wingate is now dissipated. The struggle for control of the communications linking Imphal with the interior of Assam (see *The Economist*, March 25th, page 394) is still in the balance. Official communiqués have, on the whole, been uncommunicative. The Japanese attack, however, appears to be developing from a two-column approach from the south



and east of Imphal into a larger scheme, the number of prongs increasing as the Allied forces go back. Tiddim, the southern terminus of the road leading back to Kohima through Imphal, has had to be evacuated. It appears that the Japanese forces must be attacking in some strength, since reinforcements from Imphal were sent south to cover the getaway. The speech of General Auchinleck, the Commander-in-Chief, to the Indian Legislative Assembly, was not entirely reassuring. The outcome probably depends as much on the rate of progress of the Allied columns advancing southwards from Ledo, and on the exploits of the Wingate Chindits, as on the strength of the defences of Imphal to the west. Of these there has been little recent news—except that, disturbingly, stories have come back of aerodromes being defended by RAF clerks and fitters.

### On Air

It is a portent that all three Great Allies should be in conference at this crisis of the war on the same peacetime topic. Mr Adolph Berle, United States Assistant Secretary

of State, and Dr Edward Warner, of the United States Civil Aeronautics Board, have come to London to discuss post-war aviation with Lord Beaverbrook; while similar talks are going on in Washington between representatives of the Russian and American Governments. In a sense, the discussions are not between like and like. The United States and the Soviet Union are continents; their domestic air routes are trunk lines. This country is a small island; and it is appropriate that these talks should have been preceded by an informal conference of British Commonwealth and Empire countries last October. At that conference unanimous agreement was reached. Though no announcement has been made of the scope of this agreement, it is significant that the Canberra Agreement of last January between Australia and New Zealand proposed, for civil aviation on Empire routes, either international or Commonwealth operation; and insisted that Allied strategic points and bases manned in common during the war should go back entirely to pre-war ownership. It is not likely that Britain, the United States and the Soviet Union will agree now upon joint world flying; it is certain that the internal routes of each will be reserved for its own fliers; but it is reasonable to suppose that they will be able to work out between them a satisfactory accommodation of neutral flying rights in each other's spheres. The test case to be defined will be the status of Commonwealth and Empire routes.

### Tell the Troops

Speaking to the Institute of Journalists on Monday, Mr. Arthur Greenwood, MP, reviewed the Government's demobilisation policy, as stated by Mr. Churchill in his recent broadcast. Probably any scheme for demobilisation, the principles of which are announced while the details of its operation remain a secret, is bound to cause trouble. False hopes at the end of a weary war become convinced feelings of personal right, and disillusionment may, at a later stage, have worse results than mere disappointment. Mr. Greenwood would agree with this. He pointed out that the practical operation of the two principles accepted by the Government was bound to involve some exceptions and some adaptations. Age and length of service could not always get exclusive priority, especially where skilled work was needed in building or in industry—or, alternatively, in the Services.

The demobilisation scheme should be as simple as possible, but it is bound to be complicated in operation. The Government does not propose to issue its scheme at the present time, perhaps with justification. On the other hand, well before the time of demobilisation, all those affected should understand where they stand.

Mr Greenwood appealed to the Government to set clearly before the fighting Services and their families the complexities and pitfalls of the problem, for which there is no one simple solution.

### Argentine Puzzle

Confusion reigns in the administration of Argentina. The belief that high issues of foreign policy or internal reconstruction underlie the kaleidoscopic shifts of government is hard to sustain in face of the very personal character of the events of recent weeks. Foreign policy and internal reconstruction are not really urgent matters for the time being. The country is prosperous and as a result politically indifferent. In the foreign field, the Farrell regime has broken the united pan-American bloc by securing the recognition of Chile, Paraguay and Bolivia; and the extraordinary comments made by General Perlinger, the new Minister of the Interior, on the international situation reflect an almost light-hearted indifference to the future policy of the United States. He said in effect that the war was by no means over, that the Great Allies would probably fight each other before the fighting was done, and that the only sensible course for smaller nations was to keep clear of trouble. Yet even if the larger issues can be dismissed, it does not seem that political stability is any nearer; and although palace intrigues are by their nature obscure, it seems probable that by loosing a wave of militarist nationalism Colonel Peron, President Farrell's *éminence grise*, was creating a Frankenstein's monster and is now involved in a personal struggle for power. To consolidate his own position, he has already dissolved the GOU, the group of xenophobic "young

colonels" who helped him to office. But in General Perlinger, a notorious pro-Axis man, the spirit of the more extreme of the extremists is alive and active. General Perlinger, counted an extremist under the Ramirez regime, but now apparently a "moderate" in contrast to Perlinger, has resigned from his position as Mayor of Buenos Aires—complaining that General Perlinger had tried to reduce the city's administration to a department of the Ministry of the Interior. If General Perlinger takes a similar line over foreign policy—there is still no Foreign Minister and the General's excursions into foreign policy have already been noted—it looks as though a collision between the Minister of the Interior and the President himself were more than likely. The regime can hardly carry on in this state of internal perturbation. Colonel Peron will have either to suppress his ebullient Minister and go the way of "moderation" or capitulate to this week's version of extremism.

### Caribbean Conference

The first conference called by the Anglo-American Caribbean Commission has now completed its final session in Barbados. In its purely advisory capacity, the conference has made several constructive suggestions and recommendations. The next steps obviously lie with the two Governments. On them, too, depends the future of the conference system in the administration of the West Indies, no less than that of the various recommendations. The proposal to the Governments to set up a permanent secretariat—an office and a typewriter have long been the first aspiration of international bodies towards ultimate permanence—is clearly a feeler, put out to gauge its reception in London and Washington, and it is likely to be judged, both in the capitals and in the colonies, not so much on its own merits as on the extent that it is thought to foreshadow a request to move from advisory to administrative functions. As for the suggestions of the seven sub-committees, unanimously adopted by the conference, their proposals were mainly concerned with the economic welfare of the region. The expansion of local food production, side by side with the in-

## WILL'S THREE CASTLES CIGARETTES



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creased use of protective foods in the home market, made up an important part of the programme for agriculture. Towards these ends, and to assist export production, suggestions are included for Government acquisition of under-developed areas for cultivation by small tenant farmers, and for the post-war establishment of purchasing and marketing commissions operating for the benefit of producers and consumers. On the subject of public works, a major problem is raised in those areas where serious unemployment will be created by the end of the present large-scale military construction for war purposes. The Commission considers that public works in the region should be undertaken by means of special administrative machinery operating a comprehensive Caribbean development scheme. In each colonial area the Government concerned should take powers to zone and plan the use of the land, and, if necessary, to acquire it by compulsion at fair rates of compensation. Industry and trade in the West Indies have also been fully considered. Industry, it is recommended, should be expanded, on new as well as existing lines. The only qualification to this expansionist policy is that no industry should be encouraged or developed that cannot survive without the protection of tariffs, subsidies, or monopoly privileges over more than a limited period. The conference did not explore to what extent this proviso would nullify the main recommendation. In general, these recommendations clearly involve a much wider approach to the economic problems of the Caribbean than has hitherto been taken. Inevitably, they raise the question whether programmes of this nature could be carried out by nearly a dozen different administrations of two nationalities, brought together only in an advisory conference, or whether some beginnings of central administration will not have to be contrived.

### Higher Pension

On the Pensions (Increase) Bill in its Committee stage after Easter, the Commons will discuss a Government amendment to provide higher pensions for certain Civil Servants and retired officers of the armed forces. The amendments tabled by the Chancellor of the Exchequer are based on estimates of the increased cost of living since 1935, when the scales for these pensions were last stabilised. Consequently, the amendments are an adjustment of existing pensions to recent conditions rather than the inauguration of a new scheme or scale of benefit. Pensions of £200 a year and less will be increased by 10 per cent, those of between £200 and £400 by 7½ per cent, and those of between £400 and £600 by 5 per cent. Various adjustments to the very lowest income-groups among pensioners are also proposed, and the upper income-limit may also be raised, according to individual circumstances. These increases, which are certainly not prodigal in their generosity, will, if accepted by the House, be applied to Civil Servants, teachers, police, firemen, local government officers, and some smaller categories of public servants. The proposals were foreshadowed by a statement by the Chancellor of the Exchequer on December 3rd of last year, during the debate on the pensions of retired state servants. An amendment to the Address was then discussed, but was withdrawn on a Government assurance that legislation would be brought forward

to provide increases for the lower ranges of pensions in order so far as may be practicable to mitigate really severe hardship. The emphasis was then put by Sir John Anderson on the adjustment of pensions only in cases of grave hardship. And most of the real distress in the wartime years has been among pensioners unable to work. Pending the comprehensive social security scheme and the general revision of pensions that the Government's Beveridge room boys are presumably busy working out, this conditional assurance was clearly necessary to avoid any misinterpretation of the Government's present intentions. These proposals will be welcomed by the public as well as the pensioners, as a stop-gap, so far as they redress real grievances. But they touch only a proportion of pensioners, and nothing is more needed in the field of social reform than a general settlement of the pensions problem—which is bound to be costly, because the nation, as its average age increases, will become more and more a nation of pensioners.

### A Plan for Wales

The Welsh Reconstruction Advisory Council is a Government-appointed body. Set up in June, 1942, it was

instructed to proceed "in conformity with the general examination of reconstruction problems" by the Government. The slow pace of Government progress has from the start cramped the Council's style; it has also been hampered by reticence on the part of South Wales' major industries. But in spite of these limitations, the Council's first interim report contains many useful suggestions. The report has a familiar ring. Wales has been surveyed and resurveyed time and again in the past ten years, and the problems of a formerly depressed area in the transition from war to peace are now widely recognised. What is needed—and the Council stresses this point—is an indication that the Government is prepared to weigh the problems in a national balance. The assumptions are made that economic policy will be directed to the maintenance of employment; that there will be a measure of control over industry and labour, including the location of industry, and that a central planning authority, as recommended by the Barlow Commission, will be set up. The temporary nature of the present employment boom is stressed, and the warning given that the continued demand for the products of mining and heavy industry in the immediate post-war period may lead to a feeling of complacency and delay much-needed changes in organisation and method. Rationalisation and modernisation are especially urgent in the tinplate industry, though it may mean less employment for the industry's workers. For the coal industry, the Council urges the planned development of the coalfield as a whole, with the opening of new pits, drainage and increased mechanisation, and the development of an integrated fuel policy. Though its view that there will be an expansion of coal exports at the end of the war is probably correct, this may conflict with the proposals for conservation and utilisation of coal resources, and in particular the development of electricity and electro-metallurgical industries. The prohibitive price of electricity is described as one of the main deterrents to new enterprise, and schemes for cheap generation from coal are proposed, but the Council does not feel that the Severn barrage offers any immediate solution. As well as cheap electricity, the provision of modern factory buildings, improved communications—in particular across the Severn—adequate housing, better amenities, and facilities for technical education, must be given priority if new enterprise is to be attracted, and the area is to acquire the industrial balance it has always lacked. The Council deals also with agriculture, education, the tourist trade, and youth services. This is very much an interim report, but it serves a very useful purpose in bringing the problems before the public and suggesting lines on which they can be tackled.

### Shorter Note

The Prime Minister has given the following account of casualties (excluding deaths from natural causes) to all ranks of the British Empire Forces during the first four years of war:—

|                      | Killed* | Missing | Wounded | Prisoners of War | Total   |
|----------------------|---------|---------|---------|------------------|---------|
| United Kingdom†      | 120,958 | 29,469  | 93,622  | 143,947          | 387,996 |
| Canada               | 9,209   | 2,745   | 3,583   | 4,360            | 19,997  |
| Australia            | 12,298  | 11,887  | 29,393  | 20,760           | 74,338  |
| New Zealand          | 5,622   | 884     | 11,315  | 7,896            | 25,717  |
| South Africa         | 3,107   | 279     | 6,475   | 13,966           | 23,825  |
| India‡               | 5,912   | 17,810  | 13,230  | 72,848           | 109,800 |
| Colonies             | 1,635   | 15,130  | 1,903   | 7,218            | 25,786  |
| Total British Empire | 158,741 | 78,204  | 159,219 | 270,995          | 667,159 |

\* Including died of wounds or injuries.  
† Including overseas personnel serving in these forces, in particular from Newfoundland and Southern Rhodesia.  
‡ Including casualties to the Hong-Kong and Singapore Royal Artillery.  
§ Including 58,221 officers and other ranks missing but presumed to be prisoners of war.

Mr. Churchill also gave the following figures of casualties to merchant seamen in British ships during the four years:

|                                                     |        |
|-----------------------------------------------------|--------|
| Deaths (including deaths presumed in missing ships) | 26,317 |
| Internees                                           | 3,997  |

Total ..... 30,314

Civilian casualties in the United Kingdom during the first four years of war (excluding casualties at sea) were:—  
Killed, 49,730; injured and detained in hospital, 59,371.  
Total, 109,101.

## AMERICAN SURVEY

### Bulwark of the Farm Bloc

(From a Correspondent in Iowa)

Des Moines.

THE youngest and strongest of the three general farm organisations in the United States is the American Farm Bureau Federation, with nearly 700,000 farm families as paid-up members of one or another of the 43 State organisations or the one in the territory of Puerto Rico, and with an influence on Congress far beyond its numbers.

The Congressional Farm Bloc was organised in the Farm Bureau's Washington offices in 1921, scarcely a year after the National Federation had been formed by the State Federations, which in turn had been built upon the County Farm Bureaux. These Bureaux had grown up rapidly in the period 1911-1920 to help support and extend the bringing of education to farmers by means of demonstrations in the field—a work first undertaken as a project of the Federal Department of Agriculture in 1904.

The strength of the Farm Bloc then and since has been founded on political co-operation on matters touching agriculture between Republican legislators from the North and West and Democratic legislators from the South. The Bloc no longer has the definite personnel and cohesion that it had in the early 1920's, and the farmers' percentage of the population has continued to decline—but even so, two million organised farmers still swing more weight with Congress than 10 million organised city workers.

Lately, labour and liberal opinion in the cities (along with one of the national farm organisations, the Farmers Union) has been profoundly disturbed by the direction in which this weight has been swung. The farm-labour consensus which made the New Deal victories of 1932 and 1936 possible has been dissolving before their eyes, and American Farm Bureau support, once a pillar of the Roosevelt Administration, has been brusquely pulled out from under the Farm Security Administration, the President's ideas on agricultural price ceilings, and the subsidies to hold down the cost of food to consumers. Most of the other agricultural organisations have shared the Farm Bureau's attitude.

Critics of the Farm Bureau have built up a case compounded of assorted truths and misconceptions. In their view, the Farm Bureau does not speak for the farmers, but for a small minority of wealthy, businessmen-farmers, who have no objection to subsidies in themselves (such as the AAA payments for limiting production) but object violently to subsidies for consumers or for poor farmers (such as the Farm Security loans).

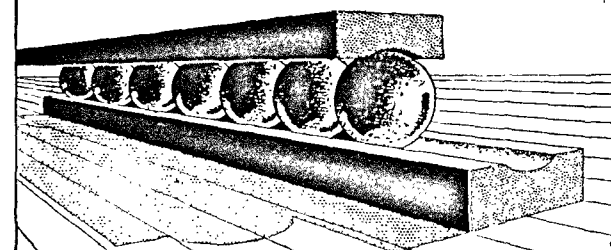
These critics make much of the fact that the first county Farm Bureau was started by the Binghamton Chamber of Commerce in New York State, with financial help from the Lackawanna Railroad, and they draw from this and similar transactions the conclusion that the whole Farm Bureau idea was concocted to lure the farmers away from their "natural ally," labour, into an organisation that the business-minded could control. The critics also point to the anomaly of a private pressure group being built around a public educational service as the Farm Bureau is built around the County "Extension Services," in a number of States by law, and in others by custom. Thus the "County Agent," "Farm Adviser," or "Extension Director" (as he is variously known) is supported in part by Federal, State, and County tax money and in part by the County Farm Bureau, under arrangements which often leave the Farm Bureau directors with more authority over him than any of his public official superiors, though the Federal share of the cost of the Extension Services has been increasing for a long time and the Farm Bureau's relative share decreasing.

The tie-up, critics claim, has tended to make the Extension Service primarily interested in the type of farmer who leads or belongs to the Farm Bureau, especially in States where the flexible part of the County Agent's salary is the Farm Bureau contribution. But that strikes a Farm Bureau member as a welcome bit of local self-government in a world rapidly becoming bureaucratised. As "proof" that

the whole organisation was "sold out to the capitalists" from the start, more extreme opponents cite an innocent remark by an early Farm Bureau leader about the Bureau "preventing unrest" among farmers, and a scandal of the 1930's when a paid official misused his position by taking money from various large corporations to advocate their point of view in Farm Bureau literature. Many farmers are indeed capitalists, risking considerable property as well as labour on their managing and forecasting abilities—but that does not mean that they like to have a corrupt employee sell them some other capitalist's bill of goods under false pretences.

But with the possible exception of the South, where caste and class lines are sharper, the class struggle analysis of the Farm Bureau has little relevance. Roughly half its membership is in the Corn Belt, which is the stronghold of commercial farming on family-sized farms. A Corn Belt tenant farmer (unlike a Southern sharecropper) owns considerable livestock and farm machinery. Hired farm labour outside the operator's family is found only on the larger farms and then is frequently an intermediate stage on the way toward tenancy or wage work in the cities rather than a permanent class status. In the Corn Belt, the Farm Bureau is the big farm organisation: Farmers Union strength is mainly in the wheat areas to the west, and National Grange strength mainly in the North-east. In the Corn Belt, all sorts of farmers belong to the Farm Bureau, even farm labourers if they wish. Over 50 per cent of the Farm Bureau members in Illinois are tenants rather than owners—a higher

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percentage than holds among farmers in the State as a whole.

The typical Farm Bureau set-up, where County annual meetings elect delegates to State conventions, and State conventions elect delegates to National conventions, does tend to favour leaders over rank and file, and farmers with the leisure that comes of hired help over those who must do chores personally every day or else impose on a neighbour. But to many a Corn Belt farmer, this does not mean undemocratic exaltation of the more prosperous farmer; it means getting the best management brains to carry out a policy common to all.

Farm Bureau policies take form in discussion among farm members in individual townships. County Farm Bureaux reconcile divergent views and pass them on to the State convention, which considers and passes them on to the National convention—and if State organisations do not like the National decision, occasionally they stick to their own policy anyhow.

Thus the fight against the Farm Security Administration was mainly the South's battle. The Federation President, Ed O'Neal, is an Alabamian. The Federation gave its support to a policy of drastic reorganisation of the FSA, but the Ohio and Vermont State Farm Bureaux disavowed even that, and the Iowa Bureau remained friendly to the FSA locally (in Dallas County, Iowa, the vast majority of FSA "clients" belong to the Farm Bureau), while taking the Southern Farm Bureau's word for it that all was not well with FSA as administered in the South.

In the fight against consumer food subsidies, a Farm Bureau questionnaire showed 93 per cent of Iowa Farm Bureau members opposed to this type of subsidy, and 87 per cent of all farmers in a number of sample townships. A private sampling poll of the Gallup type showed a smaller weighted sample of all Iowa farmers split 47 per cent against, and 40 per cent for consumer food subsidies. The 1943 National convention found all the State Farm Bureaux opposed to them.

But the Farm Bureau is by no means the outright inflationist that the price ceiling and subsidy fights suggest. To Farm Bureau members, consumer subsidies are inflationary, and of a type to leave farmers in a particularly bad relative position when they are removed. To them, farm prices are as essential a tool of production policy as are wage scales and industrial prices, and they resented deeply the prolonged failure to put ceilings on wages and the continuing failure to tax away the inflationary gap.

The Farm Bureau has long had its notions of fiscal morality, and they are neither those of the New Deal nor those of the market place. Back in 1932, the Farm Bureau opposed the National Grange's farm relief plan because it contained a subsidy. Then and in 1933-35 it championed plans which collected the farm relief money from the food industry that was benefited. The government cheques of the 1930's, while welcome, always made thrifty farmers uneasy: they knew they could not last. With returning farm prosperity, they want to get back on a commercial basis. If they cannot make money on straight market prices now, they reason, when can they ever?

The fact that the Farm Bureau's perennial national president, Ed O'Neal, is (now) an anti-New Deal Southern Democrat and big cotton planter, and its perennial vice president, Earl C. Smith, is a conservative Illinois Republican and big farm operator, is proof to some critics of reactionary tendencies, but the definition of "reactionary" is a chameleon, and many of the State Farm Bureau chieftains are not reactionary by any reasonable standard.

Mr O'Neal was re-elected for another two-year term this past December, possibly for the last time—he is 68—and Mr Smith does not wish to succeed him. If the lightning should strike Alan Kline, the new Iowa Farm Bureau president (recently in England for a visit), the overtones would be somewhat different at the national headquarters.

And in these same recent years when the gulf has been widening between the American Farm Bureau Federation and labour and the New Deal, the Federation has been moving closer to liberal international trade policies and international political co-operation. "We favour," resolved the Farm Bureau's Directors in October and the National convention in December,

the United States of America assuming its rightful share of the responsibility for co-operation with other nations in:

- Holding aggressor nations in check after the end of the war.
- Maintaining world trade policies that will give opportunity to all nations to obtain the materials necessary to maintain a sound peacetime economy, and
- Providing the opportunity for political and economic

freedom for all people—to the end that a just and lasting peace may be maintained among the nations of the world.

This from an organisation whose foreign policy long consisted in advocating subsidised dumping of farm surpluses abroad to "make the tariff effective for farmers"!

## American Notes

### The Right to Vote

Both Congress and the Supreme Court have taken action affecting the right of American citizens to vote. President Roosevelt has decided, with reluctance, to allow the complicated compromise on the soldier vote to become law without his signature, despite his doubts whether the measure would, in fact, assure Service men and women the same opportunity to vote as if they had been at home. A few days later the Supreme Court overruled one of its own earlier decisions, and ruled that negroes may not be excluded from voting in party primaries on account of their race. In principle, at least, the Court appears to have been more tender of the rights of citizens than Congress. The soldier vote Bill provides, briefly, that in order to take part in the November elections a soldier stationed overseas must request a ballot from his home state. Only if he applies before September 1st, and does not receive a ballot by October 1st, may he use the ballot provided by the Federal Government, which will list only candidates for Federal offices. In addition, the Governor of the voter's state must have certified by July 15th that the use of such Federal ballot is permitted. In his Message, Mr Roosevelt argued that these conditions largely nullified the provision establishing a Federal ballot, and urged Congress at least to delete the required state certification, pointing out that as Congress had not hesitated to affect state law in order to protect Servicemen's property rights it might do as much for their political rights. Beyond this, the degree to which the present law will extend the right to vote depends on the action of the states. Many have not as yet taken any action to legalise Federal ballots, and it is believed that in the end a majority of the states may not count them. In his Message Mr Roosevelt appealed to the states to take the steps necessary to make the Bill as effective an instrument for overseas voting as possible.

To appreciate the importance of the Supreme Court decision on negro participation in party primaries it is necessary to remember that in the South, where the bulk of the negroes live and where, in effect, there is only one party, the Democratic, any effective choice between candidates must be made at the primaries rather than in the final elections. Justice Reed, who wrote the majority decision (the vote was 8-1), overruled an earlier decision that the Democratic party is a private organisation with the right to govern its own membership, and said the Court was agreed that primaries are a part of Federal elections, therefore subject to Federal control, and that under the terms of the Sixteenth Amendment the right to vote cannot be abridged by any state on account of race. To lay down a principle in Washington does not immediately affect practice in Alabama or Louisiana. The poll tax still exists in some southern states, and public opinion—to put a polite name on it—may still discourage all but the hardier negroes. But in the long run the Court's action to extend the right to vote may be more important than the cumbersome measure Congress has evolved to complicate the participation of Service men and women in the November elections.

### Willkie in Wisconsin

This week's primaries in Wisconsin are widely regarded as the acid test of Mr Willkie's chances for the Republican nomination. That he himself believes them to be vital, if not crucial, is shown by the time and energy he has devoted to his campaign. From all accounts he has made a good impression, despite the lethargy of local party leaders and the graveyard silence of his opponents, which might have intimidated another candidate into a similar wait-and-see policy. Governor Dewey, General MacArthur and Lieutenant-Commander Stassen have all been entered in the primaries by their supporters, but of the three only Lieutenant-Commander Stassen has gone so far as to say he will accept the nomination if it is offered. In his speeches Mr Willkie has continued to urge the Republican party to

take a stand for international co-operation to maintain a just and permanent peace and for the protection of human values at home, instead of reverting to nationalism and economic Toryism, or, what seems even more likely, avoiding any clear-cut position at all. The advantages and disadvantages of this line appear fairly evenly balanced in Wisconsin. The tradition of the La Follette family and their Progressive movement stands, of course, for isolation, although it is not clear how strong the La Follette influence still is. On the other hand, the La Follettes were notably liberal on domestic issues, and Mr Willkie's progressive Republicanism might be expected to find a more responsive electorate in Wisconsin than in some other Republican strongholds. The results of another election held last week may also score in Mr Willkie's favour. This was in Oklahoma, where a by-election for the Federal House was held (not a party primary for the nominating convention, which is the present business in Wisconsin). In this election, the Democratic candidate not only repelled the attack of a diehard Republican but actually increased the Democratic majority. The moral of this result, which Mr Willkie was quick to draw, was that "you can't beat something with nothing," that the magic of "the trend boys" is no substitute for a policy and a candidate. It certainly is too soon to speak of stemming the Republican tide. Oklahoma is normally Democratic, and an increase of approximately 3,000 in the Democratic majority over the bare 300 of 1942 is no decisive omen, particularly as it probably was due in some part to the superior vote-catching qualities of the present Democratic candidate. But undoubtedly it has shaken the reputed belief of some Republicans that they can win with any candidate so long as he can read and write. If Mr Willkie makes a good showing in Wisconsin, it will provide a further salutary jolt to the Old Guard when the party gathers to select a candidate and frame a platform in Chicago this June. If he does not do well, his chances of getting the nomination, already less than they were, will fall still farther.

### Conscripting the Barrel

Although the manpower problem itself has grown increasingly pressing, there are no signs of the President's proposal for a National Service Act emerging from its Congressional pigeon-hole. As a result, the Army has taken a hand, with a proposal by the Under-Secretary of War that the 3,500,000 men graded 4-F, that is, physically or emotionally unfit for active service, should be enlisted as reservists and directed to war-work, with the provision that if they refuse they should be called up and placed in labour units. In its most drastic form, this might involve forcing men to work for private employers at Army rates, and it is difficult to believe that the pressure groups opposed to the authoritarianism of a National Service Act would find such a solution any more agreeable. Mr Patterson spoke of an "actual danger" on the manpower front, and it is reported that in some categories war production is falling off because of labour shortages. Nevertheless, it is difficult to speak of a real manpower shortage with a reserve of over three million men, many of them in non-essential work, and many more millions of women. The present stringency is compounded of the Army's decision to call up more of the men under 26 who have so far been exempted for occupational reasons; of the drift of both men and women from essential work into jobs which hold more promise of peacetime permanence; of excessive deferments; and of the failure to evolve any effective machinery for directing labour. In a sense it is the penalty of plenty, for were the situation worse, there is no doubt that a civilian solution of the problem of directing men and women would be found. In default of this, there may be a half-hearted resurrection of the old "work or fight" doctrine, although in the case of older men and the unfit it would appear to be even less suitable and more unpopular than it was when directed at younger men. But that there will be wholesale conscription into mobile labour battalions at this stage of the war appears most unlikely.

## THE WORLD OVERSEAS

### Latin American Trade Unionism—I

THE nations of Latin America will take an important part in the forthcoming meeting of the International Labour Office, as well as in the deliberations of the World Trade Union Congress which is scheduled for early this summer.

Economically, the nations of Latin America are "backward." Although there has been a wide movement towards self-sufficiency and industrialisation during the last decade and a half, most of the Latin countries of the New World are still agricultural and to a large extent have one-crop economies. In addition, most of the countries south of the Rio Grande have had but little experience with political democracy as Britain and America understand it. Finally, in many of them the question has been complicated by involved racial problems.

Although the countries involved represent many stages of economic, social and political development certain common features stand out. Labour organisation in Latin America has tended to concentrate in certain kinds of industry. In almost every country the strongest organisations have been in transportation. In Mexico, Argentina, Chile, Brazil, unionism first saw the light of day on the railroads and in the ports. The Argentine railroad unions, "Union Ferroviaria" and "La Fraternidad," have, since the advent of labour organisation, been the core of the trade union movement in that country, and have been the rallying point for other unions. In Chile, the port workers' and sailors' unions have played a somewhat analogous rôle, while in Mexico the railroad workers have always been at the centre of the labour movement. This tendency is even more marked in nations which are industrially more backward, such as Costa Rica.

Mining has been another centre of organisation. Mexico and Chile are, perhaps, the best examples. In the latter, the copper and nitrate miners of the north have been organ-

ised, sometimes haphazardly, sometimes tightly, for nearly fifty years. On the other hand, the Mexican petroleum workers have been among the most militant trade unionists of that country since the beginning of the Revolution, and their part in the nationalisation of Mexico's oil industry was decisive. More recently, the strike of the Bolivian tin miners has gained international attention.

The textile industry, in those countries in which such an industry has existed, has been a favourite field of union activity. In Peru, the textile workers have been the core of unionism, while in Brazil they have also been in the forefront.

It is natural that these industries should have been the main centres of Latin American labour organisation, since transport, mining and the textile industry have been the principal industrial elements in an otherwise agricultural community. What is perhaps not so easy to understand at first has been the apparent difficulty of organising the

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workers in the agricultural industries, which are still the corner-stone of the economic life of these nations. For example, in Argentina and Chile, as well as in Peru, there has been practically no attempt to organise the peasants, who are held in semi-serfdom. Mexico is the great exception, but then there has been a major social revolution in Mexico during the last thirty years.

Such organisation of agricultural workers as has occurred has been along characteristic lines. The organised workers have been those employed in the great commercialised crops, dominated by foreign capital. Sporadic organisations among the United Fruit Company employees in Colombia and various Central American countries, as well as among Cuban sugar workers, are typical.

The fact that organisation has occurred in foreign-owned agricultural enterprises rather than in domestic ones, points to another very characteristic feature of labour organisation in Latin America. Almost without exception they have been nationalistic. This nationalism, until the advent of the Good Neighbour Policy on the one hand and the Third Reich on the other, expressed itself in constant attacks—economic and political—upon foreign capital and foreign “imperialism.” During the twenties and early thirties “imperialismo yanqui” was the favourite whipping horse for labour spokesmen. In more recent years, Latin American labour has felt that the Nazi menace to them, both as organised workers and as members of “mongrel races,” was urgent enough for them to drop their old antagonism to the Americans and the British, and to line up behind the struggle against the Axis. Aided by the change in the US official attitude, as demonstrated in the Good Neighbour Policy, Latin American labour has become the strongest supporter of the United Nations.

This nationalistic feature of the trade unions, especially in older days, was probably a prime factor in their success. It is, on the face of it, strange that there should be organised labour movements of one quarter million and one million members respectively in such relatively backward nations as Argentina and Mexico. Organised labour's nationalism helps to explain this phenomenon. A strike against a foreign-dominated company could usually gain widespread popular support where a similar move against

native industry might be completely quashed. Or, more generally, agitation against “foreign imperialism” might gain support from among nationalist-minded middle-class people to whom labour organisation might otherwise be anathema. The general strike in the port of Buenos Aires at the end of the last war—which was aimed primarily at British and American interests—springs to mind in this connection. Walk-outs in Chile, Mexico and among the banana workers of Costa Rica also support this theory.

This factor of labour nationalism is perhaps only a phase of a broader aspect—the intensely political nature of Latin American trade unionism. It is impossible to recall a single Latin American instance of what US labour would call pure and simple unionism. Trade unions are almost without exception tied up with some political group—in or out of the Government as the case may be. Before 1914 the anarcho-syndicalists held the predominant position in Latin American organised labour, and such centres of union strength as existed—Argentina, Chile and Brazil—were largely dominated by anarchists. At the same time a counter influence was exerted by the Socialists, who in most instances had rival union organisations.

The period between 1914 and the present has seen three political developments in the trade union field. First there has been the utter collapse of anarcho-syndicalist influence to an extent that, although unions of this tendency do exist, they are of little importance.

The second feature has been the growth of what, for lack of a better name, can be called “Marxist” influence—both Socialist and Communist. The Socialists came to dominate the Argentine movement—the stablest trade union movement in the region. Communists and Socialists shared the leadership in Chile and Cuba. The more or less Socialist Aprista Movement in Peru was the dominating influence there, though the Communists were of some importance. In Costa Rica, the Communists have had the field almost to themselves, while in Colombia they were the strongest element. Thus, to a large degree, the fortunes of the unions have depended on the rise or fall of these political groups.

But another political factor has also evolved in this period—Government intervention in labour organisation. This intervention reached its apogee in revolutionary Mexico, where for a time each succeeding regime had its own pet labour organisation which prospered for a while, but later, with the advent of a new administration, gave way to a new group.

In recent years other governments have experimented in sponsoring the organisation of labour. The Vargas regime in Brazil has a highly organised system of almost compulsory unionism under government sponsorship. Even in Peru, which has had one of the most reactionary regimes in South America, the Government has experimented with government-aided unions to counteract those sponsored by Aprista, the perennial opposition. Other examples of governments sympathetic to labour unionism are the recent Leftist administrations in Chile and the Batista regime in Cuba.

All of these features—concentration in particular industries, a nationalistic outlook, an intense political nature—are characteristics of labour organisations in “backward” countries everywhere, whether in Latin America or in China or in West Africa. The movement has been strongest in those countries which are most advanced industrially. Thus Argentina, Chile, Cuba and Mexico are the outstanding centres of labour organisation. And, even if the Brazilian Government were not patronising—while at the same time controlling—its organisation in that country, it is likely that Brazilian unions would be prospering. The history of the movements in these countries will be sketched in another article.

## Mineral Poverty in Eire

[FROM OUR DUBLIN CORRESPONDENT]

THE reduction of all sorts of imports caused by the war has led to much investigation of possible home-produced substitutes. The principal limiting factor on the production of substitutes is the narrow range of available raw materials. Mineral deposits have been worked in Ireland for hundreds of years and the mineral resources of the country have been carefully studied in the course of the last century. There is a certain amount of popular belief in the existence of vast

quantities of untapped mineral deposits, the development of which was impeded by political causes in the unhappy past. A useful service to realistic thinking on Irish economic problems has been discharged by the publication by the Stationery Office of a “Short Review of Irish Mineral Resources,” prepared by Mr D. W. Bishopp, of the Geological Survey of Ireland. This survey, which shows the value of Irish mineral resources against the background of demand, market price and cost of production, will do much to remove popular misconceptions on the subject.

Ireland is very poorly endowed with coal. Only four rather small coalfields are at present being worked. The fields in County Kilkenny yield anthracite coals which are inclined to be sulphurous. The more accessible seams have been exhausted, and the seams now being worked are narrow and, in some cases, much disturbed by folding and faulting. The total production of anthracite is about 100,000 tons yearly. The Arigna field in County Leitrim provides coal of a higher volatile content which can be used for raising steam. The seams are narrow and the best seams have been worked out. Annual production amounts to about 60,000 tons. The Munster coalfield is large, but its working presents many difficult problems. It could not be worked except at very high cost. This cost, though prohibitive in peacetime, might be worth incurring in times like the present if output could be rapidly expanded. This, however, is impossible. The conclusion is inescapable that Eire must continue to import coal in large quantities unless some substitute fuel can be found to take its place. The experience of the war years does not suggest that turf can replace coal except within narrow limits.

There is evidence that, in the past, many metallic ores were mined in Ireland, but no such ores were being mined at the outbreak of the war. In the middle of the nineteenth century copper, lead, zinc, iron and pyrites as a source of sulphur were mined. The working out of the most profitable parts of the deposits and the reduction in the price of metals caused by the discovery of new sources of supply brought these activities to an end. A small and purely temporary revival took place under the stimulus of the high prices during the last war. Copper is widely distributed over the country, but the deposits are too scattered and poor for commercial development. Lead, zinc and silver are also widely distributed in small quantities, but it is extremely doubtful whether it would be profitable to reopen the old mines in view of the present price of these metals and of current cost of production. Abundant iron ore is to be found at Lough Allen, but the phosphorus content is high, and its concentration in the parent shales is low. Exploitation would consequently be very costly. No other deposits of iron ore capable of commercial development are known.

A large number of non-metallic minerals are to be found. Many of these are being successfully exploited by private enterprise. Slates, clays, structural materials, road metal, brick-clay and gravel are widely distributed. Fireclay is found in the coalfields. Ornamental marble is being worked in small quantities. The abundant supplies of limestone are used for building, for agricultural liming, and as a raw material in the successful new cement industry. The small deposit of rock-phosphate in County Clare has proved very useful since the reduction in the import of phosphate fertilisers during the war, but it is quite inadequate to supply the total demand. Extensive gypsum deposits of good quality are to be found in County Cavan. Other non-metallic minerals which are commercially exploited are barytes, sulphur ore, glass-sand and ochre.

### Future Developments

The general conclusion to be derived from the survey is that there is no great future for mineral development in Eire. A rapid expansion of the output of coal would be impossible except at a completely prohibitive cost. The field for expansion in the case of copper, lead, zinc and silver is extremely limited. The non-metallic minerals are abundant and should continue to be profitably worked for some time. There is no possibility of any further mineral deposits being discovered by a study of the surface, as the geological survey of Eire has been unusually thorough. The realisation that Eire is badly endowed with minerals should direct attention to the necessity of exploiting as efficiently and intelligently as possible the great natural fertility of the soil. A soil survey on the same lines as the Survey of Mineral Resources is long overdue. Such a survey should form the basis of post-war agricultural policy.

## NOTHING LIKE LEATHER



CHEMICALLY this is not true. Leather is a protein and so are wool, silk, hair, nail and horn! The manufacture of leather is a highly-skilled and complex craft which has developed slowly but surely through centuries of trial and error. The hides must go through many treatments before being tanned. Tanning converts the soft skin into durable leather, but it is not the end. The leather must be brought to the required degree of pliability and finally dyed or finished to obtain the wide range of effects, say, between an army boot and a bright bedroom slipper, a fancy handbag and a Sam Browne belt. All these many and varied processes have been developed by the leather industry, but gradually, as the chemistry of leather has become better known, the chemist has been increasingly brought in, replacing the old agents for leather treatment, lime, animal excreta, eggs, offal and crude fats, with standard alkalis and sulphides, pancreatic enzymes, disinfectants, purified and analysed fats, the chrome tanning process and so on. Most of all, the chemist is helping the leather manufacturer to understand the principles of his processes, to speed them up and standardise them. The excellence of British leather is universally recognised, and British chemists are among the first in the field of leather research. Professor H. R. Procter, known affectionately as “the father of leather chemistry” led a pioneer school at Leeds University from 1890-1913 and the work he initiated has been pursued and developed all over the world. Leather remains the best material for footwear and all the white races walk in leather—in normal times! So the old saying that there is nothing like leather is still true.



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## Russia at War

### Plan for Farming

ON March 15th the Council of People's Commissars issued the agricultural programme for 1944. The plan fixes this year's acreage at 7½ million hectares more than the area sown in 1943. (The total proposed acreage is not given.) The programme does not cover the Ukrainian areas to the west of the Dnieper, Byelorussia or the provinces of Leningrad and Kalinin recently freed. Thus the proposed increase in acreage covers roughly the provinces of Smolensk, Orel and Kursk, the eastern Ukraine, the Donetz and the Rostov province, and possibly some parts of the northern Caucasus. The total sown area of these regions, (not including the northern Caucasus) used to be about 25 million hectares; the provinces of Orel and Kursk alone accounted for 6,000,000 hectares. If, after the liberation of these lands, the year's increase in the sown area of the whole of the USSR is not to be more than 7½ million hectares, then the conclusion must be drawn that only perhaps a third of the normal acreage in the freed areas will come under the plough this year. At least two-thirds will for the present remain uncultivated.

Farming in the rest of Russia is labouring under the cumulative effects of wartime dislocation, as well as of the special adversities of the past year. True, the Government's survey of 1943 pays a brief tribute to the farmers who have "coped successfully with the work"; but it goes on to describe the actual conditions in the following words:

The unsatisfactory work in 1943 in the machine and tractor stations led to non-fulfilment of the plan of tractor-work, a lowering of the level of mechanisation, delay in field work, and non-fulfilment of the plans for ploughing and crop-cultivation.

The survey confirms reports about last summer's severe drought in the south of Russia, on the Volga and in the steppes of Kazakhstan. But it rightly points to the "lowering of the level of mechanisation" as the more important, because more permanent, difficulty. The technical basis of Soviet farming has been shattered by the mobilisation of motor equipment for war purposes. In a country where about 75 per cent of the ploughing and about 50 per cent of the sowing used to be performed by mechanical means the switch over to more primitive methods of work could not fail to cause a serious fall in productivity. The survey speaks of a sharp decline in the yield of cereals and industrial plants.

The war has made heavy inroads, not only into the mechanised equipment, but also into the cattle population of the countryside. The decree of March 15th orders a stop to the mobilisation of draught animals. Nor even the Governments of the various Republics have now the right to call up horses.

There is also the shortage of manpower. In the course of 1943 male labour in farming still continued to be replaced by female labour on a mass scale. Even so, the reserves have proved to be inadequate, and the quality of labour has suffered badly. There has been shallow ploughing and sowing. Infection of the land with weeds has become a plague on most collective farms. In the dry and important agricultural areas around the Caspian Sea, which depend so much on careful irrigation, the networks of canals and water reservoirs have fallen into neglect, because the hydro-technicians had been directed to other work or called up. Elsewhere irrigated areas have changed into marshes. For the first time since the beginning of the war, the Government now issues a warning about the sharp decline in the yield of cotton, the staple crops in the dry Central Asiatic Republics and in the south of Kazakhstan.

The sad tale of the losses of Soviet agriculture could be carried on almost indefinitely. It is told officially with a high degree of frankness. The remedies suggested are not all new. There is the insistence on repair of tractors, on

the production of spare parts and on a rational use of machines and animals. There is, further, the emphasis on incentive wages for the tractor drivers and for other technical staffs. There are the admonitions to the leaders of the collective farms to take care of the stocks of seeds, as well as other highly technical instructions to the farmers; and attached to them are strict timetables for the sowing campaign. All these detailed orders are planned and fixed at the centre, from where they are issued and broadcast to the peasants of "one-sixth of the world."

Besides those routine orders, which were evidently not too effective last year, there are also some new measures that indicate changes in agricultural policy.

In recent years a big effort has been made in the eastern territories to change over from spring to winter grain. Scientific laboratories were said to have produced special sorts of frost-proof grain which could be grown in Siberia. It was hoped that the higher yield of winter wheat compared with spring wheat would partly help to offset the loss of the Ukrainian winter grain. This policy is now, at least partly, reversed. The collective farms in the east have now been ordered to restore the cultivation of spring grain within one or two years.

Another wartime experiment carried out on a very large scale, mainly in Turkestan, was the reduction in the cultivation of cotton in favour of rice-growing. The experiment was clearly necessitated by dire scarcity of foodstuffs. The result has not been up to expectations; the mixture of cotton and rice on plantations has also very badly affected cotton harvests.

This policy, too, has now been reversed. The growing of rice is to be drastically reduced; and an energetic effort is to be made to bring the output of cotton up to pre-war standard. Self-sufficiency in cotton has for many years been an important plank in the Russian agricultural programme.

Another new feature in this year's plan is the campaign for sugar-beet. At least four-fifths of the Soviet Union's sugar-beet used to be grown in the now liberated areas of the Ukraine. Since 1941 the Soviet population has been starved of sugar. The recent regulations aim at the reconstruction of the sugar economy and at securing for the state absolute control over all available beetroot supplies. Beetroot fields may therefore be cultivated only within the radius of 20-25 kilometres from the state's reception depots.

Most of these measures are, no doubt, expedient; and they will be carried out with drive and energy. But they are hardly more than palliatives. In the short run, no remedies can possibly be found for the losses in manpower, machines and cattle; and even in the long run administrative measures are no substitute for a broader programme of agricultural reconstruction. The need for such a programme is likely to become more and more pressing on economic as well as on social and political grounds.

#### Kolkhoz and Moujik

Collective farming needs for its existence the tractor, the lorry and the harvester. Without technical equipment the Kolkhoz is merely nominal. Manual work and the draught animal form the technical conditions of small-scale individual farming. The war has inevitably weakened the coherence of collective farming. Within the framework of the Kolkhoz the cultivation of small and privately owned plots of land has now developed with new momentum. Technical retrogression makes it for the time being impossible for the Government to stem the expansion of the "private sector" within collective farming.

The decree of March 15th, significantly, says nothing of this crucial problem. The immediate future of collective farming depends, however, on the speed with which the Government will be able after the war to replenish stocks of agricultural machinery and cattle. This it may do either, quickly, by importing tractors, lorries and cattle from abroad or, slowly, by rebuilding from Russia's own resources the technical backbone of the collective system. If this second course is taken, Russian agriculture is almost certain to find itself in considerable difficulties during the years immediately after the war before its technique is restored. Stagnation is, in addition, likely to be accompanied by a partial renewal of "individualist" tendencies in the countryside. The *kolkhoznik* has not yet completely ceased to be the *moujik*.

## THE BUSINESS WORLD

### Arbitration and Industrial Unrest

THE industrial front is more unsettled to-day than at any time since the war began, and the coal industry is, as always, the main seat of the trouble. Many factors, some physical and some psychological, have contributed to the present industrial unrest. War weariness, boredom, apathy, the feeling that the war is won, the desire to safeguard post-war standards, and a general sense of frustration in the industrial field, akin to the frustration caused by the suspension of political activities—the cumulative effect of these factors is not inconsiderable. And the mood of restlessness has been played upon and accentuated by irresponsible elements.

To explain is not to excuse. Apart from the detrimental effects on war production and industrial morale generally, one of the major difficulties in the present situation is the inability of the union leaders to control their rank and file. This weakness of authority constitutes a threat to the whole structure of negotiating and arbitration machinery; the grave consequences of a breakdown of this machinery were described by Mr Bevin in a speech on Tuesday. When the coal industry's National Tribunal was set up in July of last year, the settlement of disputes on a national rather than a district level was hailed as a great advance. Yet rarely has an industrial award given rise to so much disturbance as the Porter Tribunal's decision on mining wages. Both sides were pledged to accept the award, whether they liked it or not. But rather than leave the negotiations to their union machinery, for further reference if necessary to arbitration, the miners expressed their dissatisfaction by the time-honoured but, in wartime, unconstitutional, method of withdrawing their labour.

Is an arbitration award only to be regarded as binding if its terms are favourable? To judge from recent events this would seem to be the prevalent attitude. If this is so, it is a poor prospect for industrial peace. But it would be wrong to judge the success or failure of wartime arbitration machinery solely from these events. Apart from the Porter award and the National Arbitration Tribunal's award on engineering wages, which was the ostensible (though not the fundamental) cause of the Barrow strike last October, the awards of arbitration tribunals have been received without stoppage of work.

British tradition and practice are opposed to the idea of compulsory arbitration, and there is in peacetime a wide range of machinery for conciliation and the voluntary submission of disputes to arbitration. But in wartime, the voluntary principle has had to be abandoned in favour of compulsory arbitration.

The record in this war has so far compared favourably with that of the last war. From August 1914 to August 1918, 15,542,000 working days were lost through stoppages—nearly half the disputes occurred in 1917-18. In four years of the present war, up to August 1943, only 4,761,000 working days were lost. Professor A. L. Bowley, whose figures these are, estimates that, taken over the whole of industry, the time lost by strikes works out at an average of less than half a day per worker employed. The improved record in this war has been primarily due to the co-operation of the trade unions in production, but it is probably true to say that arbitration has been a contributory factor in maintaining industrial peace.

It is interesting to compare the experiences of arbitration in this war and the last war. Strikes and lock-outs were first made illegal in 1915, and a system of compulsory arbitration established under the Munitions of War Act. The Tribunal was limited to workers actually engaged on munitions production, and excluded mining and transport workers. Between the passing of the Munitions Act in 1915 and the end of the war, 8,000 awards were issued, and in the majority of cases they were accepted without cessation of work. Humbert Wolfe, in his "Labour Supply and Regulation" (Carnegie Endowment Series) comments:

The machine of compulsory arbitration, combined with a reasonable use of the munitions tribunal did . . . go a long way to keep the industrial position steady in respect of purely industrial matters.

The same expedients have been adopted in this war. The Minister of Labour's Joint Consultative Committee declared:

In this period of national emergency it is imperative that there should be no stoppage of work owing to trade disputes.

On its recommendation the National Arbitration Tribunal was set up in July, 1940, under the Conditions of Employment and National Arbitration Order. The Order provides that disputes which cannot be settled by normal negotiating machinery should be referred to arbitration and that in industries where there is no provision for arbitration the disputing parties may either set up their own machinery or else refer to the National Arbitration Tribunal.

The National Tribunal, appointed by the Minister of Labour, is composed of three independent members, one of whom is the chairman, and one representative each of employers and workers selected by rota from representative panels. No panel member may serve on the Tribunal if the claim concerns an industry in which he is interested. Since July, 1940, the Tribunal has heard over 500 cases, of which all but a few have been submitted by the workers. It has dealt with claims affecting practically every industry, even those which have their own machinery, and has considered disputes ranging in importance from claims concerning a small individual employer to claims of nationwide importance, such as those of the engineers and shipbuilders. It is difficult to make any precise analysis of the Tribunal's work, because many of its findings have separate parts, and even where a claim is rejected, the finding may contain a recommendation which affects the whole industry. A recent attempt at analysis showed that by January, 1944.

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out of 488 cases heard, 110 awards were in favour of the claim, 164 claims were partly won, and 209 rejected, while no award was made in three cases. But this calculation does not enable any precise conclusions to be drawn.

Arbitration is, very properly, usually regarded as a last resort, though there has been a tendency to refer to the Tribunal trivial disputes which should be settled by negotiation. In 1942, 52.7 per cent of the stoppages were settled by direct negotiating machinery, 36.1 per cent by the workers returning to work on the employers' terms, 8 per cent by conciliation and only 1.8 per cent by arbitration. In 1940, the proportion settled by arbitration was even lower—only 1.2 per cent. But the fact that machinery exists and is, on the whole, regarded as fair, has undoubtedly been an advantage for the workers.

Many criticisms have been made about the arbitration machinery, and certain proposals for improving its operation have been put forward. It has been said that Tribunals are composed of outsiders, with insufficient knowledge of industry and industrial relations. It is true that anyone with a knowledge of mining could have foretold that trouble would result from a disturbance of the relation between day and piece workers' wages, but Lord Porter, to do him justice, recognised this danger when he urged the need for a fundamental overhaul of the industry's wage structure. Most of the recent wage claims have been based on the relative level of wages in other industries, and each increase granted has the effect of stimulating fresh claims. It may be hard for a Tribunal in this "catch-as-catch-can" process to assess the relative importance of industries, and it is not really its function to do so. On balance, the advantages of having an impartial and independent Tribunal outweigh the possible disadvantage of lack of expert knowledge. It is, however, essential that a Tribunal should have access to expert advice and that the parties should have faith both in its capacity and in its impartiality.

It has also been said that the Tribunal's findings are couched in obscure legal language which the workers cannot understand, and that it is too slow and cumbersome in operation. The charge of obscurity arose out of the engineering award, but the difficulties over this award were due to the complexity of engineering wages rather than to the phrasing of the award. In fact, the National Arbitration Tribunal has never taken more than three weeks to announce its decision after a claim has been submitted to it. Delays occur at an earlier stage, and there is no doubt that local delays, especially in the engineering industry, have exacerbated grievances and led to stoppages over disputes which could, and should, have been settled by negotiation. The Amalgamated Engineering Union is now considering methods of speeding up local machinery for settlement, and recently the Trades Union Congress suggested the establishment of regional tribunals, to consider local grievances and thus save the main Tribunal's time.

Criticisms of this nature are very minor in substance compared with the more fundamental issues raised by arbitration. One such issue is the question of trade union recognition. It obviously facilitates the Tribunal's work if

it can deal with the recognised representative organisations of either side, and difficulties have sometimes arisen when a union is not recognised by the employer as a negotiating body. There is already a considerable demand among unions for legal recognition and protection such as is provided for American unions under the Wagner Labour Relations Act, and this is likely to be one of the trade unions' major postwar demands.

A more immediate issue is the question of how an award can be enforced, and what sanctions should be adopted against those who fail to comply. Mr Bevin has often appealed to strikers to respect trade union authority. But trade union authority cannot be enforced at a pistol point. Individual workers can be prosecuted—up to the end of August 1943, 14,000 men and 3,000 women had been prosecuted for various offences, mainly in connection with the Essential Work Order and direction to work. It is impossible to prosecute, imprison or fine a hundred thousand miners, and it is equally impossible to pick out and punish the ringleaders. The knowledge of "safety in numbers," as well as their instinctive sense of solidarity, has been responsible for the spread of many strikes; moreover the strike is still looked upon as the workers' "only weapon," and when the same leaders who taught them how to use it, now tell them not to strike, many of the rank and file are confused.

The right to strike has, in theory, been given up by labour in wartime, under the pressing consideration of national unity to win the war. It might be argued that, since full employment depends upon the cooperation of labour, the strike should be outlawed in peacetime as well, and the machinery of compulsory arbitration retained. Many trade union leaders are probably thinking along these lines when they speak about continued "control over labour." The coal owners and the miners' representatives recently agreed to pledge themselves to maintain industrial peace in the coal industry for a period of 4½ years, though the whole scheme is in danger of foundering in the districts.

But, however logical and theoretically desirable, compulsory arbitration would certainly not be practical politics. The review of the National Arbitration Tribunal's work suggests that it has, on balance, been moderately successful in its objects, but it would be unrealistic to think about its prolongation into peacetime. Compulsory arbitration was abandoned after the last war, and voluntary machinery set up under the Industrial Courts Act of 1919. This was one of the recommendations of the Whitley Committee, which foresaw, optimistically and wrongly, an era of industrial peace and co-operation. If the experience after the last war is to be avoided, it will be necessary to build up and strengthen the voluntary negotiating and conciliation machinery for individual industries, some form of national tribunal could be retained as a last resort, though, even so, it would probably have to be shorn of its compulsory powers. The collective bargain is the foundation of British industrial relations and the best means of determining labour's terms of employment, but it is in essence voluntary and flexible.

## Business Notes

### The Franc Rate

The problem of the franc rate falls into two distinct parts: that of the period of the liberating military operations and that of the more permanent alignment of the franc with other world currencies. The two are not entirely separate. As was argued in *The Economist* of February 5th, the rate immediately applied is likely to acquire the rigidity of established fact, and in fixing it the wider considerations which must go to discussion of the longer-term problem should not be overlooked. Nevertheless, it can be said that the exchange problem in the phase of liberation falls into a category of its own. It should be treated as part of the problem of supply and of competition for consumer goods and services in the liberated areas. From this point of view it will evidently be desirable to place the value of the franc at as high a level as possible, for by so doing the purchasing power of the armies of occupation for the depleted supplies of the liberated areas will be reduced. But the solution of this problem cannot be left to the rate of exchange alone. Even if a rate of 200 francs to the £ be fixed—and a more

favourable rate for the franc can hardly be contemplated—the franc expenditure of the Allied forces should be drastically limited by some such device as blocking part of their pay. Moreover, the liberating armies should, as far as is compatible with the problem of transporting munitions and other stores of the first priority, be followed by supplies of foodstuffs and consumer goods. The muddle, to give it no worse name, which has occurred in Southern Italy cannot all be laid at the doors of the exchange rate of 400 lire to the £. The competition of officers' messes for local foods would probably have lost little of its keenness if the rate of exchange had been 300 lire to the £. The delay in issuing specific instructions to the Allied forces against denuding the country of its foodstuffs and in getting in supplies for the troops are faults of administration for which the choice of an exchange rate provides no convincing scapegoat.

The fixing of an exchange rate between metropolitan francs and other Allied currencies will fortunately not fall

to the local Allied commanders. Their troops will take with them not sterling and dollar military notes, but franc currency issued under the authority of the Committee of National Liberation. It is mainly for the Committee and its experts to decide the rate at which this currency will be made available against sterling and dollars. That decision has not yet been made and is still the subject of keenest debate in French circles. Those favouring a high exchange value for the franc base their contention mainly on the relative modesty of the rise in French wages. The minimum wage in France is roughly 60 francs a day. Even at 200 francs to the £ this is a very low figure. There are other experts who have worked out a parity of 280 francs to the £ as having some semblance to economic realities. At the other extreme are calculations which would give the franc a parity of 500 to 600 francs to the £, based on relative changes in circulation and prices and confirmed by the respective quotation for franc and sterling notes in the free Swiss market. That is a debate which had best be left to the French. But to which Frenchmen? Will the United States accept the rate fixed by the Committee of National Liberation, or will General Eisenhower be free to make his terms with some other authority in metropolitan France? A clear-cut decision on this political aspect of the problem would go some way towards a satisfactory solution.

### New Building Methods

There is, perhaps, no single industry that is more in need of adopting new methods and processes than the building industry. After the war, the pressing housing shortage will call for the utmost speed in construction and the improvement in the general standard of housing for an effort to reduce the real cost of new houses. Neither of these aims can be achieved by the traditional practices of the building industry. The possibilities of building houses more speedily and more economically are at present under investigation by an inter-departmental committee under the chairmanship of Mr George M. Burt, appointed in September, 1942, by the Minister of Health, the Secretary of State for Scotland and the Minister of Works. In its first report,† issued on March 31st, the committee has published the results of a survey of methods, other than the traditional, used during the inter-war years. Later studies will deal with the so-called prefabrication of houses and with other new methods of construction. Since the experience gained in new methods of construction during the inter-war period was small, and was mainly confined to alternative systems of walling—the great majority of the 4,500,000 houses erected in Great Britain between 1919 and 1939 were built by traditional methods—the committee has recommended a programme of research and development. This is now being carried out by the Ministry of Works and the Department of Scientific and Industrial Research. In the view of the committee, research may reveal advantages in a greater measure of standardisation of the parts of a house. Hence,

investigation should be directed not only to the development of forms of construction and of the use of new materials, but also to that degree of organisation in the workshop and on the site which will be essential if the full benefits offered by standardisation are to be obtained.

At the outset of its deliberations the committee reached the conclusion that the building industry, in its depleted stage, would be unable fully to meet the demands likely to be made upon it, and that methods of construction alternative to the traditional ones would be required. Its conclusion has no doubt influenced the Government's decision to supplement the construction of permanent dwellings by the erection of up to half a million factory-made houses, as a means of relieving the shortage as speedily as possible after the war. The Government's decision is undoubtedly sound and its initiative in calling for an investigation into building methods is to be commended. But in view of the controversy that the decision has aroused, it is a pity that the committee has not yet been able to issue its findings on prefabrication and on other new methods of building.

### The Challenge Accepted

In contrast to the opposition expressed by Mr Coppock, secretary to the National Union of Building Trades Opera-

† "Post-War Building Studies, No. 1. House Construction." 152 pages. H.M. Stationery Office. 2s. net.

tives, Sir Malcolm Stewart, chairman of the London Brick Company, Ltd., accepts the challenge of the factory-made house in the spirit of progress. At the annual meeting of the company, when he had to inform shareholders of the unfavourable impact of the war upon its profits, he said:

It is no good decrying prefabricated structures; it is up to us to produce progressively something better and get it accepted as such by the householder. . . . Let us recognise that a situation has arisen which calls for the building of prefabricated houses in an emergency and prepare to meet any threatened competition by reducing the cost to the utmost and improving the design and amenities of the traditional brick house. Thus we can give the public the homes I believe they really want and at a price they can afford to pay.

In Sir Malcolm Stewart's view, it is not so much the walls and the roof of a house that cause delay and heavy expense, but the fittings. Hence he advocated the fullest possible use of prefabrication for fittings; these could be greatly reduced in cost by mass-production and assembly on panels at the factory, ready for delivery to and erection on site. Further, the houses to be built—they must be built in adequate numbers to justify the mass-production of fittings—should be carefully designed and dimensioned to receive the prefabricated fittings. Sir Malcolm Stewart's faith in the survival of the brick, based on the scope for reductions in the cost of the traditional house, is also a measure of past neglect, due to convention and inertia. His faith may be justified; but, as he himself readily concedes, it must be justified in the fire of competition, not merely with the temporary prefabricated houses to be constructed by the Government, but also with alternative walling materials. Competition is likely to be keen, and the investor in building materials, like the prospective tenant or owner of a house, might miss opportunities in sticking to the brick, by overlooking the attractions of the industries engaged in the production of materials, such as cement, plaster board, timber and, possibly, metal and asbestos sheets, as well as of fittings, such as heating installations, refrigerators, kitchens, bathrooms and the rest.

### Lamport and Holt Valuation

The announcement by the board of Lamport and Holt Line that they had refused an offer of 22s. 6d. for the stock units of 6s. 8d. has caused quite a flutter in the market for shipping shares. Shortly before the news became known the units had stood at 15s., which was about the highest for a considerable term of years. The net liquid assets, mostly in cash, at the end of last year were equivalent to about 18s. 7½d. a unit. If the written-down value of the fleet and the Government Tonnage Replacement account were taken in at par and the contingency reserve counted as being freely at the disposal of the directors, the figure would be raised to about 25s. 6d. It seemed evident that the directors were not stretching their discretion unduly in withholding from the proprietors the right to decide for themselves whether the offer should be accepted or no, although, as a matter of principle, the question should plainly be submitted to them. Since then it has been disclosed that the offer was made by United Molasses, and it is stated in all sorts of quarters, apparently on the best authority, that a reasonable "going concern" valuation of the 6s. 8d. units, including Conference rights and all other intangibles, is 40s. a unit. Granted that United Molasses would probably not be much interested in Conference rights and goodwill, the gap between 25s. 6d. and 40s., or some £1,942,000, calls for explanation. So far as tangible assets are concerned, the only ones which appear to be capable of under-valuation are fleet £267,548, investments £334,930—stated to be worth more—and debtors less reserve of £565,080. The average dividend of the past decade has been 4.1 per cent, and the average disclosed earnings 8.05 per cent, but the corresponding figures for the four years 1935-38 were 2.25 per cent and 3.5 per cent. As to the future, the chairman, Sir Philip Haldin, has not been noticeably less insistent than his conferees on the need for increased allowances if the industry is to be in a position to compete after the war. If the 40s. valuation has in fact any official basis, the proprietors ought to be informed of it and an explanation given to them of where the additional value resides. If it is in tangible assets, it is a very different matter from being a mere valuation of prospects in an uncertain future. The shareholders have a right to know much more precisely than within the limits of, say, £3 million and £5½ million what net tangible assets they own. It is likely to influence their opinion about the efficiency of the management.



### Cornish Mining Claims

The memorandum of the Cornish Tin Mining Advisory Committee on metalliferous mining in the Duchy is little better than a plea for the maintenance in being of the four principal mines, Geevor, South Crofty, East Pool and Castle-an-Dinas, at any price. It is maintained that the cost will be small—and in view of the size of the industry this is probably true—but this is not a sufficient justification for establishing a precedent which will be seized upon by larger applicants for favours. The Committee produces arguments which resemble the special pleading of agricultural interests and of the Cotton Report: the industry cannot function, owing to the fluctuations of metal prices—this really means that the average price obtainable under competitive conditions is too low; there is no alternative employment for Cornish miners; the "wealth" represented by the unmined tin will be lost to the country and the export business of the mining plant manufacturers may be lost. But the country cannot afford to base its policy on a maintenance of the *status quo* if that means an unjustifiable cost to the community.

In addition to these arguments, the Committee does advance two points which may have substantial importance: the need to maintain the Cornish mines as a training ground and research centre for the British mining engineer, and the need for a radical revision of the taxation of wasting assets. The former point might warrant a small subsidy. But there are limits to the number of industries which the nation can afford to subsidise, and agriculture has already staked large claims. The revision of the taxation of wasting assets is a matter of some urgency—as is that of all industrial taxation. The present tax policy is given as the main cause for the decline in British mining, and, if this is so, the Committee would have done well to concentrate their attention on stating the case for revision. They seek exemption from tax for the first three years of development, a substantial allowance for pre-production expenditure and a percentage depletion allowance, presumably for the life of the mine. These seem large claims, for it must not be supposed that Britain would be justified in making concessions which may be necessary in the Dominions or in other countries where the same alternative means of employing the factors of production do not exist. If a reasonable revision of taxation reduced the deficit, after meeting capital charges, to a point at which it could be covered by a subsidy from the educational authority, it might be worth while to maintain the Cornish industry. If not, other means must be sought of providing employment for displaced miners which will be less burdensome to the community.

### Hitting the Bull's Eye

London's Salute the Soldier target of £165 million was duly passed—by a margin of £447,623. This magnificent balance between planning and achievement is too exact to avoid all suspicion of having been managed. Applications for Government issues received on Monday of this week were allowed to swell the total and it may be presumed that in the final stages certain strategic reserves were brought up and used. For the sake of verisimilitude a final result of £447,623 under the target would have been preferable to the one actually announced. Up to the end the technical task of neutralising the exceptional flow of funds caused by these heavy subscriptions to Government tap loans was successfully performed. In that process of balancing the volume of bank cash, the pre-encashment of Treasury Deposit Receipts by the banks played a considerable part. The debt return for March shows that during the month £102 million of TDR's were encashed prior to maturity, and the bulk of these encashments must have taken place in the final week of the month. The debt return also indicates how the subscriptions made during London's week were distributed among the various Government loans. The totals for the month, which must be largely dominated by the figures for the final week, show that 2½ per cent National War Bonds brought in £118,645,000, 3 per cent Savings Bonds £51,875,000 and National Savings Certificates a net figure of £16,350,000.

### Tax Certificates

It seems doubtful whether Sir John Anderson's decision to extend the period of effective surrender of tax reserve certificates from two to five years is much more

than the removal of an anomaly. It appears that hitherto the mere fact that certificates were surrendered in payment of tax falling due more than two years after the date of issue of the certificate meant that the holder lost the whole of the interest on the certificate and not merely the excess over two years. The certificates are only to earn interest for a maximum of two years and are only to rank for that period as capital employed in the business for purposes of EPT. Since the whole attraction of the certificates lies in the tax-free interest and the protection from EPT exactions, it would appear that the extension of what may be called the "tenderable life" to five years will offer no active inducement to taxpayers to take up a largely increased amount of the certificates. Since, however, companies which are already paying EPT will not be allowed to better their position by holding assets in any other form, it is, perhaps, not improbable that they will continue to regard a purchase as a convenient form of interest-free loan to the Government. However, they will, presumably, not buy up to the limit, since they will still hope for the disappearance of EPT at 100 per cent before the expiry of five years from now. None the less the Exchequer may be able to obtain a further proportion of future taxation some time in advance by this expedient. The net expansion in the amount outstanding during the two years to December 31, 1943, was some £630 million, which is a clear indication of the popularity of the certificates with companies and the surtax payers.

### Licensing of Agents

Thanks to excellent co-operation between the Board of Trade and the Stock Exchange Committee, it will be possible to dispense with a large proportion of the agents' licences required under the Prevention of Fraud (Investments) Act. The Committee has, in recent years, thoroughly "vetted" all applications for inclusion on its General Register of agents for sharing commission. Further, all applications come up for renewal yearly. The Stock Exchange is, therefore, prepared to give some sort of guarantee of the status of these agents, and the Board of Trade has decided that, subject to a further undertaking to be given in writing to the Committee, those on the General Register need take no action under the Act. The undertaking required is threefold: (1) that the business of dealing in securities is concerned only with transactions with members of bodies recognised under the Act, with a number of specified institutions, with an exempted dealer or the holder of a licence under the Act or with the manager or trustee of an authorised unit trust, or, as a principal, effecting transactions with those engaged in stock exchange business; (2) that the applicants do not hold themselves out as dealers in securities; and (3) that they are not concerned in the distribution of circulars relating to securities. A large proportion of those on the General Register will be able to give this undertaking. So far as these are concerned, a great deal of work will be saved and what remains will be done by the Stock Exchange. For the rest, a licence, or membership of a recognised body, will be required. This will, in practice, probably mean membership of the Association of Stock and Share Dealers. That institution had adopted the practice of halving its entrance fees to those on the Stock Exchange General Register, but it is understood that they have agreed to suspend this concession, which would seem undesirable, for the time being. Although the Bye-Laws of ASSD appear in general very well conceived, it seems probable that a number of minor points, mainly arising from the possibility of the control of members by other members, will call for discussion with the Stock Exchange Committee.

### Coal Dust Suppression

It is good to learn, from reports of a conference recently held in Cardiff, that satisfactory progress is being made with measures for dust suppression in the South Wales coalfield. Under a recent order, colliery undertakings can be instructed by the Ministry of Fuel to introduce into their seams methods of water infusion which reduce the coal-dust content. This method is still largely in the experimental stage. There is so far little evidence by which to judge its efficacy, and perhaps too little scientific and controlled assessment of the results of varying degrees of water infusion into the seams. But it marks an important

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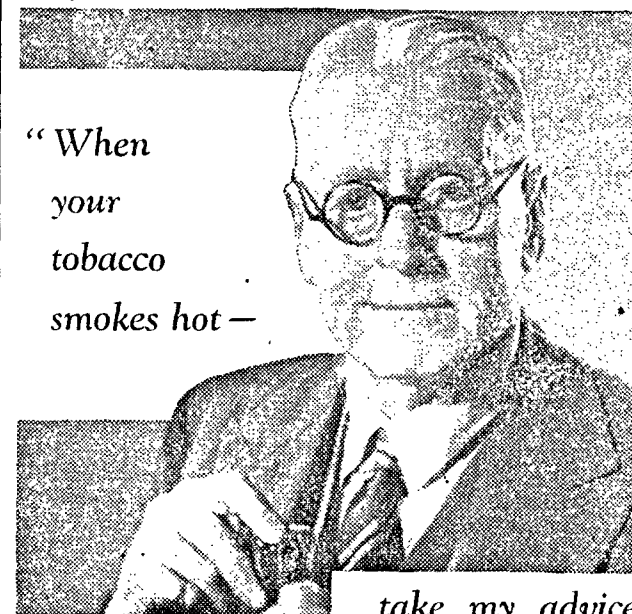
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If we were still making our pre-war chocolates — Black Magic, Chocolate Crisp, Aero Milk Chocolate, Dairy Box, Smarties — there would be something in it.

But we're not.

We're making good chocolate, but so are other people. If you can't get Rowntree's, you can still get your ration of good chocolate.

"Good" was not quite our idea of what chocolate should be when we had a free choice of ingredients and all the skilled workers we needed. "Good" would not have satisfied us then. Nor would it have satisfied you.

Perhaps it doesn't now.

But there's nothing to be done about it till the war is won.

Then, when we are again free to set our own standard, we are going to set it higher even than before; for we're still learning. If then you couldn't get the things we shall be making, you might well think yourself hard done by. But for the present, we won't say we're sorry for you.

To be absolutely honest, we're more sorry for ourselves.

**ROWNTREES**

advance, not only from the point of view of miners' health, but as a means of conserving the industry's man-power. Many thousands of miners are hoping for release, as sufferers from pneumoconiosis (the broad term covering diseases contracted by inhalation of coal-dust), and out of 1,152 cases heard by the Silicosis Medical Board between July 1, 1943, and February 1, 1944, 693 certificates had been granted; over half were men in anthracite mines where the risks are greatest. In this matter, prevention and re-habilitation are complementary. It is useless to cure men, merely in order to send them back to the same disease-producing occupation; and it is useless to send men into the pits if they have potential lung trouble. The medical examination of new entrants (now compulsory) should include radiography, and all miners should undergo periodic X-ray examinations. The problem of re-employment is a national one—to discover industries, locally, which can provide suitable work for miners no longer fit to mine. "Light work" has always been the bane of Workmen's Compensation in an area where employment is mainly in heavy industry. As a first step, the Ministry of Labour might well draw up a list of jobs which can be performed by semi-fit miners, and collect information about ex-miners, sufferers from pneumoconiosis, now in other industries; their present state of health compared with when they left the mines; and the type of occupation which is suitable at the various stages of the disease. This information could form the basis for a planned scheme of the re-allocation of ex-miners to other occupations. Unless preventive measures advance more rapidly than the spread of the disease, the problem will take on increasing dimensions in the future.

#### South Africa and Free Gold

The South African authorities have recently become vocally aware of the problem of free gold markets. Their ruminations on the subject have been invariably interesting, not always coherent and certainly not consistent. Mr Hofmeyr, the Minister of Finance, speaking of South Africa's participation in the international currency schemes now under discussion, stressed that the Union's attitude would be guided by two considerations affecting its own interests. The first was the extent to which any White-Keynes compromise scheme (Mr Hofmeyr said that South Africa had not yet heard of one) would safeguard the position of gold. The second was the extent to which such a scheme would help in the restoration of international trade. Mr Stallard, South African Minister of Mines, speaking in the Senate on the same day as Mr Hofmeyr made his speech to the House of Assembly, was definitely antagonistic to the currency schemes, because

if bancor or unitas or any other arbitrary paper money is established after the war, we in South Africa will not sell our gold for any fixed quantity of this paper money.

What Mr Stallard wants is a free gold market, because

where there is a free market the price is very much greater than the fixed price.

If Mr Stallard had studied the Keynes and White plans he could hardly have dismissed them as "paper money" schemes providing some alternative to gold. But for some such plan, the prospect for gold in the future monetary set-up would be extremely dim. Mr Stallard might also ask himself what the free price of gold would be if the United States did not underpin the market by its readiness to buy at the fixed price of \$35 per ounce. He should also beware of converting the current rupee price for gold at the official rupee exchange rate. In so far as the abnormal rupee price is a reflection of inflation, it may involve a lower exchange value for the rupee after the war, and conversion into sterling and dollars might not in those circumstances give such a glittering answer.

It is evident, however, that South Africa insists on sharing some of the profits of the exceptional rise in the gold price in India and the Middle East. General Smuts declared this week that negotiations to this end had been opened with the British Government. His announcement contained some amusing contradictions. He spoke of the "black market" in gold, and of the concern which the authorities entertained about the abnormal prices quoted for the metal in India and elsewhere. He pledged support to "fighting" this black market, but also said that South Africa must share the profits being made in it—and must achieve both ends without selling directly to it. At present the South African Reserve Bank has first pick of the Union's current produc-

tion of gold, and the balance is automatically sold to the British Government at the official price of 168s. per ounce. It is this South African gold which the British authorities are using to make their sales in India at prices which have admittedly risen to the equivalent of over £16 per ounce. South Africa now wants to re-negotiate this war-time contract for the disposal of its gold, and to share in the special profits being made by these sales. It may be pertinent to recall that the proceeds of these gold sales go to cover Allied expenditure in the war against Japan, and thus avert a danger of which the Union was very much aware in the difficult days of 1942. The proceeds of these sales of gold are used to buy materials in India, the prices of which have risen even more sharply than the price of gold. The British Government can, therefore, hardly be accused of profiteering on its gold operations. It is difficult to know what to make of the South African pronouncements; the Kaffir market has reacted by a general marking-up of prices.

#### Bombay Bullion Prices

There has been a sharp reaction in the prices for silver and gold on the free Indian markets. In the second part of last week the Indian Reserve Bank ceased to sell gold at a rigidly held price, but declared itself prepared to sell 100,000 tolas, or 35,000 ounces, a day, and asked for bids for this metal. In this way the Reserve Bank's selling price became automatically adjusted to the market price. The market price, after touching a record of Rs. 80 12 annas on Wednesday of last week, began to decline on Thursday, when the change in the Reserve Bank's selling policy came into operation. By the close of the week the quotation had come back to Rs. 72 13 annas under the combined influence of a further reassuring statement on the military situation in Manipur State by General Auchinleck and of a stern warning addressed to bullion speculators by Mr C. E. Jones, the Finance Secretary. Mr Jones limited his remarks to safe generalities, saying that the Government of India would take "drastic measures to deal with the situation." In the prevailing circumstances, with many speculators able to take substantial profits on gold bought previously, these two statements had their effect. It should not be supposed, however, that mere threats of this kind can have any lasting influence on the situation. Given the continuance of monetary inflation in India and the inevitable limitation of the supplies of bullion used as anti-inflationary solvents, the underlying trend of bullion prices is likely to continue upward. By this week that trend had begun to reassert itself again. Silver prices have closely followed those of gold. From a high of Rs. 139 per 100 tolas the quotation fell to Rs. 132 at the end of the week, but has been rallying again this week. There has as yet been no report of official sales of silver, though it is widely reported in India that the Government, in addition to purchasing 16 million ounces from the National Bank of Iran has also made arrangements for importing silver from the United States.

#### Wheat Supplies

Since wheat will have to play a crucial part after the war in the relief of poverty-stricken and food-denuded areas, the size of the supplies likely to be available is of major importance. The latest survey of the wheat position, published by the Food Research Institute of Stanford University, California, shows that stocks at the end of the 1942-43 season in the four chief exporting countries—the United States, Canada, Australia and Argentina—were the highest on record; they were 1,694 million bushels, against 634 millions at the end of the 1938-39 season. But the survey also shows that the consumption of wheat in these countries has risen substantially in the current season, mainly as a result of its use for feeding and industrial purposes. In the United States, especially, domestic consumption in the first half of the current season about equalled the quantity normally used during a full year. In view of this rise in consumption, the Food Research Institute expects stocks in the four exporting countries to be substantially lower at the end of the current season than they were in the summer of 1943; nevertheless, at the estimated total of 1,160 million bushels, they would still be nearly double the stocks at the end of the last pre-war season. With average crops this year the four countries should therefore have available substantial quantities for export and relief. Russia's crop, apparently, was a short one last year and needs to be supplemented by

imports. Continental Europe, on the other hand, had the best wheat and rye crops of the war; it compensated, to some extent, for the reduction in the supply of other foods. This year's crops, both in Russia and Europe, cannot be estimated, but it is a safe guess that those, as well as other countries, will require heavy imports and that the surplus likely to be available in exporting countries will be badly needed.

#### Tungsten and Antimony

The Chinese Ministry of Information has published a survey of China's trade, which in one of its passages refers to tungsten and antimony. Before the war China was the world's largest source of supply of these two metals, which are of great importance in war and peace, the one as a steel alloying element—mainly for high speed steel—and the other as a hardener of non-ferrous metals, especially of lead. At times during the inter-war period China's contribution to the world's supplies of the two metals exceeded four-fifths; its more normal contribution was nearly one-half of the tungsten and slightly over one-half of the antimony. But as a result of China's export difficulties since 1937 and the almost complete stoppage of exports since the closing of the Burma Road in 1942, the production of the two metals has been appreciably increased in other countries. In tungsten, expansion appears to have been most marked in the United States, Bolivia, Argentina and certain other areas, including the Iberian Peninsula; in antimony, production has risen substantially in North and South America, chiefly in Mexico and Bolivia. The antimony supplies of the United Nations from extra-Chinese sources have, in fact, proved large enough to meet essential requirements throughout the critical stages of the war; as long ago as March, 1943, the United States War Production Board was able to relax restrictions on civilian consumption. In tungsten a similar stage has now been reached and, according to an official announcement, the WPB will reduce its purchases from both home and foreign sources from April 30th next, the one through the suspension of premium price payments and the other through the discontinuation of some of the special inducements to production and the scaling down of orders. Some, but by no means all, of the much increased war-time tungsten and antimony output of producing areas outside China has undoubtedly been secured at costs which, in normal times, would be uneconomic. China's position on the world markets for the two metals may therefore be considerably weaker than it has been in the past. This, no doubt, accounts for the suggestion by Dr C. Y. Wang, a leading Chinese authority on the two metals, quoted in the survey of China's trade, that "international agreements on output quotas be concluded, so that China may have a reasonable share in the world antimony and tungsten market." But the discovery and development of new and rich deposits outside China should be a permanent gain insofar as increased supplies at reasonable prices will encourage the consumption of the two useful raw materials after the war.

#### Films in Industry

As a result of its extensive and successful use of films by the Services and the supply departments as a means of instruction and propaganda, British industry has come to realise their value for education, for staff training in industrial research, and for propaganda at home and abroad. Wartime experience has shown that knowledge can be imparted speedily by a well-made film and that, for example, it can be used to take the public "on a tour" of a factory, giving, in 15 or 20 minutes, as vivid an impression of the processes of manufacture as a personal visit to the factory, which, in any case, is needs confined to a few. Moreover, such films can be shown in any office, showroom or canteen by the portable sound projectors now in use. The modern salesman who goes abroad will in future be able to take with him a few reels of film revealing—by picture, sound and suitable commentary in the language of the country concerned—much better than he can explain the firm he represents and the goods he wishes to sell. Nor is the cost of such films prohibitive; they can be made from £1,500 for a simple, straightforward single-reel film. It is reported that one large concern engaged in the production of instructional films is receiving so many orders—amounting almost to a scramble—for commercial films to be made after the war

(Continued on page 488)

## INDUSTRY MUST FACE THE FACTS ABOUT COAL

# The shortage is now **CRITICAL**

What is the root cause of this crisis, the greatest emergency that industry has had to face since Dunkirk? Simply that the war now nears its climax. The Services are calling for more and more transport, and the war effort for more and more coal.

There is no easy way out of this difficulty. The needs of the Services, for coal and transport, must be met, and both those needs cannot but grow with every passing day.

### WHAT YOU HAVE TO DO—NOW!

- ◆ Face the facts as we did after Dunkirk. Then the peril was plain to see. Now it is still concealed.
- ◆ Call on your workers for the effort necessary to keep up your present output *with the greatest possible cut in your use of every sort of fuel.* Gas, electricity, steam—they all come back to coal.
- ◆ Make it plain that the choice now facing you—and every other industrial or commercial management—is to

## Use less COAL or GO WITHOUT

- ◆ Finally, see to it—yes, for yourself!—that no coal wagon spends a moment longer in your place than it must.

ISSUED BY THE MINISTRY



OF FUEL AND POWER



## COMPANY MEETINGS

THE PRUDENTIAL ASSURANCE  
COMPANY, LIMITED

## SATISFACTORY RESULTS

## REMARKABLE GROWTH DUE TO PRIVATE ENTERPRISE

## SIR GEORGE L. BARSTOW'S REVIEW

The ninety-fifth annual general meeting of the Prudential Assurance Company, Limited, was held, on the 30th ultimo, at 142, Holborn Bars, London, E.C.1, Sir George L. Barstow, K.C.B. (chairman of the company), presiding.

The Chairman said:

## ORDINARY BRANCH

In the ordinary branch the premiums were £15,861,761, an increase of £888,936 as compared with the preceding year. The net new sums assured, including group life and overseas business, exceeded £27,250,000. While the home new business shows a small decrease, the overseas new business at £10,750,000 shows an increase of over £2,000,000.

Of our annual premium income in the ordinary branch, over 10 per cent. arises from group business and over 15 per cent. from overseas business.

The surplus, including £280,885 brought forward from last year, is £2,584,133. The allocation of this amount is set out in the directors' report.

The directors have declared a bonus in respect of participating policies which become claims by death or maturity of endowment during 1944 at the rate of £1 per cent. for each December 31st on which such policies were in force subsequent to December 31, 1939.

## INDUSTRIAL BRANCH

In the industrial branch the premiums were £27,737,864 as compared with £26,275,143 for the previous year. The death claims were £8,453,549 and the claims by maturity of endowment were £8,019,639. The volume of cash surrenders has remained at the low level of the previous year, and it is hoped that the economic conditions prevailing in post-war years will be such as to ensure the present low rate of both lapse and surrenders being reduced still further.

The expenses of management for 1943, which include the cost of service at the homes of the people both as regards the collection of premiums and the payment of claims, amounted to 24.91 per cent. of the premiums, a decrease of .86 per cent.

Since the initiation of the profit-sharing scheme a sum of over £60 million has been allotted for provision of bonuses to the industrial branch policyholders. The claims paid in this branch last year included over £2,900,000 by way of bonus representing, on the average, an addition of more than 20 per cent. to the amount that would otherwise have been payable in respect of these claims.

The surplus in the industrial branch, including £340,940 brought forward from the previous year, is £4,960,485. The allocation of this sum is set out in the directors' report.

The directors have declared a bonus in respect of claims arising by death or maturity of endowment during 1944 at the rate of 16s. per £100 sum assured under participating policies issued by the Prudential for each December 31st on which the policy was in force subsequent to December 31, 1939, provided that at least one year's premiums have been paid when the claim arises.

## GENERAL BRANCH

In the general branch the premiums received were £2,879,726, an increase of £158,591.

An increased volume of fire and accident insurance was transacted by our branches and agencies overseas, and this section of our business has again been profitable.

It is perhaps not generally realised that underwriting profits derived from this source and interest earnings on the corresponding overseas assets together constitute part of this country's invisible exports. Although our own share in the total is not yet large, reliable estimates have placed the sum produced by British insurance as a whole at a figure comparable with the value of visible exports of any of the major industries. Moreover, in contrast to the export trade in general, it has contributed on an increasing scale to the national resources throughout the war. The desirability from the national point of view of maintaining, and if possible expanding, the invisible exports of insurance after the war is manifest.

The surplus in the general branch, including £185,971 brought forward from last year, is £315,186. Details of the disposal of this surplus are given in the directors' report.

## PRIVATE ENTERPRISE

This brief survey of the company's operations during 1943 reveals continued progress of which we have every reason to be proud. We have become so accustomed to remarkable figures that it is salutary to recall that our organisation began in a small way. Careful management and the initiative of private enterprise have been the factors mainly responsible for its growth.

Throughout all the fluctuations of national fortune, slump and boom, peace and war, the British insurance companies render substantial assistance in stabilising the national economy. This factor is exemplified in the replacement of losses incurred by individuals, the safeguarding of commerce, the steady employment figures within the industry and the regular flow of funds available for investment.

A product of private enterprise, insurance in this country operates within a framework of public control, exercised by the Board of Trade and, in the case of industrial assurance, also by the Industrial Assurance Commissioner responsible to the Treasury. Its operations are governed by Acts of Parliament, the guiding principle of which is a very considerable measure of freedom of action for the offices combined with the obligation that detailed statements concerning their affairs be periodically rendered to the Government. Normally these returns are published year by year and are available to the public. With this measure of control, which leaves room for healthy growth, we have no quarrel. We may ask ourselves, however, what purpose further control would have beyond mere restriction.

## SOCIAL INSURANCE

At our last annual meeting I referred to the Government's provisional decisions in regard to those changes in social insurance which directly affect our business. A White Paper dealing with the proposed comprehensive health service for the nation has recently been issued, and a further White Paper is expected very shortly dealing with other aspects of an extended social insurance scheme.

During last year the industrial life offices issued a booklet with the object of rectifying the many misunderstandings which exist and the mis-statements made on the

subject of industrial assurance. This booklet, while not an exhaustive study, deals, in a moderate compass and in non-technical language, with the more important aspects of the business and should be of assistance to anyone desiring to form a sound judgment on this subject.

## INVESTMENTS

As you will have observed from the report, our total assets now exceed £400 million, having increased during 1943 by nearly £16,000,000.

As might be inferred from references to our investment position in recent years, the channels available for the employment of our ever-growing funds continue to be limited almost completely to subscriptions to British Government issues, with the result that our holding of these securities now surpasses £173 million and represents more than 42 per cent. of our total assets. Included in this amount is the sum of £109 million, which up to the end of 1943 this company had subscribed to War Loans issued in this country since the outbreak of war. It has been our practice to support the various Savings Weeks which have been organised throughout the country, and we have made arrangements to continue this practice during 1944 in support of the "Salute the Soldier Campaign." We have also subscribed more than £3,200,000 to War Loans issued elsewhere within the Empire.

I must again draw your attention, however, to the adverse effect on the average rate of interest on the company's funds resulting from this growth in our holding of such low yielding investments. This effect is accentuated by the tendency, also previously mentioned and still continuing, for borrowers who are in a position to do so to convert high-yielding stocks to a lower rate of interest.

Whether the present level of capital values, attributable to the highly controlled financial economy which the war has made necessary, can continue after the war depends on factors which it is difficult to foresee. It may well be that when some of the restrictions at present in force are relaxed, a reaction to lower prices on the part of fixed interest bearing securities may follow. But as a large part of our investments consists of securities redeemable at definite future dates, variations in the intermediate market values are of little real significance, provided that the securities are intrinsically sound and do not have to be sold before maturity.

## FINE WORK OF THE STAFF

The record of the company's progress in 1943, which it has been my privilege to bring to your notice this afternoon, is the result of a very fine year's work on the part of all grades of the staff.

The claims of National Service are such that less than one-third of the pre-war staff now remains to carry on the company's business. I may add that at the present time no member of the home staff is employed solely in obtaining new business, although in pre-war years a considerable number were so engaged.

It says much for the inherent soundness of our organisation, for the energy and resourcefulness of the remaining members of the permanent staff, to whom I have just referred, and for the keenness and application of the large body of men and women who have assumed the duties of those temporarily absent from our ranks, that the prompt and efficient service which the public expect of us has been maintained.

Shareholders will have an opportunity on a subsequent resolution to express their appreciation of the services of the management and staff, but I cannot refrain, as I am speaking, from paying my own tribute to their invaluable work, both at home and overseas.

The report and accounts were unanimously adopted, and the formal business having been transacted, a vote of thanks to the chairman, directors and staff terminated the proceedings.

April 8, 1944

THE ECONOMIST

481

## THE BANK OF SCOTLAND

## STRONG LIQUID POSITION MAINTAINED

## POST-WAR RECONSTRUCTION AND REHABILITATION

## LORD ELPHINSTONE'S SPEECH

The annual general meeting of the proprietors of the Bank of Scotland was held within the Head Office, Edinburgh, on the 4th instant. The Rt. Honourable Lord Elphinstone, K.T. (governor of the bank), presided.

In submitting the directors' report the Chairman said: My Lord, Ladies and Gentlemen,—I assume that as usual we may hold as read the report by the court of directors of the affairs of the bank as at February 29th last, a copy of which you have all no doubt received.

At the outset I would like to refer to the honour of knighthood recently conferred by His Majesty the King upon our colleague Sir John Craig. This further recognition of Sir John's outstanding position in industry has given the utmost satisfaction to the members of the board, and I am sure the stockholders would wish to be associated with us in extending to him most cordial congratulations.

## THE BANK'S BALANCE SHEET

Compared with a year ago, our deposits show a moderate increase of £1,400,000 against an expansion of over £10 million during the previous year. As I explained a year ago, we had at that time the benefit of substantial credit balances on certain public accounts which are now with another bank in ordinary rotation. The average annual increase over the two years is therefore approximately £6,000,000.

In keeping with the general trend there has been a further large increase in our note circulation to a figure bordering on £9,000,000. Expanding wages bills and the increased requirements of Services personnel no doubt are the main reasons for this, but we would like to see the surplus notes in the hands of the public returned promptly to the banks and made available, as deposits, for Government loans in support of the war effort. It is particularly to be hoped that this may be done during the "Salute the Soldier" Campaign for War Savings.

## LIQUID ASSETS

It is very necessary that a strong liquid position should be maintained, and throughout the year, as always, we have observed orthodox principles with a substantial margin to spare. Assets in cash, bank balances, cheques in transit, money at call and short notice and bills discounted (including £350,000 of Treasury bills) amount to nearly £20 million, which is equivalent to fully 26 per cent. of our total liabilities to the public. Adding thereto our holding of £8,500,000 of Treasury deposit receipts and our investment portfolio of over £40 million, we have liquid resources of £69 million, equal to 90 per cent. of our public liabilities. Most of the wartime increase in our resources has been placed at the disposal of the Government in one form or another.

## ADVANCES

Our advances show a further decline of £589,000 at £7,840,000. This in no wise indicates unwillingness on our part to accommodate suitable borrowers. Actually our advances to customers in Scotland are considerably higher than they were a year ago, but this has been more than offset by the repayment of certain large loans in London. Accommodation is being given liberally, mainly for the production of war supplies and other essential purposes, but for ordinary trading the requirements of our customers are of course much below

normal. All known bad and doubtful debts have been fully provided for.

BANK'S PREMISES AND CHARITABLE  
PROPERTY

The figure at which the properties of the bank stand in our books is regarded as much under their actual value. Our properties have been maintained in good condition, and we have made suitable provision against the cost of post-war renovations and improvements.

## RESULTS FOR THE YEAR

|                                                     |          |
|-----------------------------------------------------|----------|
| The nett profits show an increase of £10,695 at ... | £248,819 |
| Add the balance carried forward from last year ...  | 157,342  |
|                                                     | £406,161 |

This has been dealt with as follows:

|                                                        |         |
|--------------------------------------------------------|---------|
| Applied to reserve for contingencies                   | £85,000 |
| Transferred to trustees for officers' pension fund ... | 30,000  |
| Dividend at 11 per cent. per annum, less tax...        | 132,000 |
|                                                        | 247,000 |

Leaving to be carried forward £159,161

## THE OUTLOOK

During recent months much has been said and written by leading authorities regarding post-war problems and plans for their solution, and with these exhaustive reviews before us it would not serve any useful purpose for me to attempt to traverse the ground again in detail. So far as the bank is concerned the figures I have given indicate, I think, very clearly that we are favourably placed to play our part in post-war reconstruction and rehabilitation, and I would like to emphasise, quite definitely, that we are anxious and willing to do so. Our roots as a bank go down deep into the history of Scotland—next year we shall reach our 250th anniversary—and to us the prosperity and development of Scotland are naturally matters of intimate concern and abiding interest. We fully recognise that the future of our country depends upon the state of world trade no less than upon the energy and enterprise of her business leaders and the diligence and industry of her people. We appreciate the good work which bodies such as the Scottish Council on Industry are doing in directing attention to the opportunities which the post-war years hold for the development of Scottish crafts and industries. Meantime we must concentrate our energies and employ all our resources in the immediate and imperative task which still lies before us, namely, the winning of the war.

## THE STAFF

Like all other businesses, we have had further calls upon us for the release of men and women for national service. The maintenance of an efficient banking service in these circumstances is fraught with difficulties, but we are pleased to say that our remaining staff, permanent and temporary, are responding admirably to the task. To them and to the executive, managers and agents, we offer this expression of appreciation and thanks. We

record with deep regret the death on active service of a further seven members of our staff, and to their bereaved relatives and friends we extend sincere sympathy. To all our staff, both men and women, who are on National Service, and especially to those who have the misfortune to be prisoners of war, we send greetings and sincere wishes for a speedy and a safe return.

## THE RESOLUTION

I now have pleasure in moving that the report and balance-sheet as submitted be adopted, and that a dividend for the past half-year at the rate of 12 per cent. per annum, less income-tax, be now declared, payable on 15th current, making with the dividend paid in October last 11 per cent. for the year, less income-tax, the same as for the previous year.

The motion was agreed to. The Lord Elphinstone, K.T., and the Lord Henry Scott were unanimously re-elected governor and deputy-governor respectively for the current year.

Sir Michael Nairn, Bart., D.L., and Sir John Craig, C.B.E., D.L., were re-elected ordinary directors.

Mr H. L. Usher, C.A., and Mr R. Arthur Morrison, C.A., were reappointed to conduct the audit of the bank's books for the current year, and a vote of thanks to the chairman terminated the meeting.

JOSEPH NATHAN AND  
COMPANY, LIMITED

## PENICILLIN PRODUCTION

The forty-fourth annual general meeting of Joseph Nathan and Company, Limited, was held on the 30th ultimo, in London.

Mr Alec Nathan (the chairman) presided.

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

The profit and loss account shows little change on last year; this must always be the case whilst E.P.T. is 100 per cent. and we are earning our standard profits. The net profit is £84,298 which, when added to the £27,650 brought forward from last year and after deducting the preference and preferred ordinary dividends, leaves £40,948 available for distribution—the sum of £20,000 having been allocated to general reserve, which now amounts to approximately two and a half times the ordinary capital. The directors have decided to recommend that the dividend on the ordinary stock shall be paid free of tax.

## DEMAND EXCEEDS SUPPLY

The Glaxo Laboratories have had a satisfactory year. More and more of the company's activities have been diverted to work of direct national urgency and importance through the increasing demands of Departments of State and of the Services for the production of non-proprietary food and pharmaceutical preparations. The public demand for the baby foods and the medical and pharmaceutical products of the company has far exceeded our capacity to supply under present conditions. The policy of "research and manufacture, all directed to the production and sale of products of undoubted utility," as mentioned in the chairman's speech in 1941, has been and is still being carried out.

The company can justly claim considerable satisfaction for the part they have played with the other members of the Therapeutic Research Corporation in the development and production of penicillin. Stockholders should not accept as correct statements made by unauthorized people, particularly in regard to a monopoly in its manufacture and production. Exactly the opposite prevails; there is complete exchange of resources, information and

## LONDON BRICK COMPANY, LIMITED

### EFFECTS OF ADVERSE CONDITIONS

### PREFABRICATED AND TRADITIONAL HOUSING

#### SIR MALCOLM STEWART'S REVIEW

The forty-fourth annual ordinary general meeting of the London Brick Company, Limited, was held, on the 30th ultimo, in London.

Sir P. Malcolm Stewart, Bt., O.B.E., Hon. LL.D., D.L., J.P. (chairman of the company), in the course of his speech, said:

The profit on trading is down by £27,963 after taking credit for the dividend from Clock House Brick Company, Limited, earned over the past two years. Nothing has been placed to general reserve, as against £25,000 in the previous year. Again, no provision has been made for depreciation.

The board recommend the payment of a dividend on the ordinary stock of 10 per cent.

#### PREFABRICATION PROBLEMS

Prefabrication has received much publicity. The Minister of Works, Lord Portal, has accepted this method of construction to meet an emergency in a transitional period. There has been some concern among those interested in the supply of materials for the construction of traditional housing lest the prefabricated house should displace the standard type of house we are accustomed to, or, at any rate, reduce the demand for such houses.

If the problem is looked at in the right light it should be realised that the Government's decision to embark on prefabricated housing is not inspired by any question of choice of type, but is due to the determination to provide as quickly as possible accommodation of a temporary character for those young people returning from the war and others dispossessed of their homes by blitz. In a word, the effort is to provide homes ready for occupation at the earliest moment and on the largest scale practicable. If the matter is thus envisaged it is clear that all concerned should place first this national need in an emergency.

You are doubtless forming the question in your mind, how will the priority and prestige given to prefabricated building under the aegis of the Government affect the manufacturers of building materials, particularly our company, as the largest brick makers in the world. The degree of detriment to the manufacturer of building materials will, in my opinion, depend considerably on the reaction of the professional services, the building operatives, the manufacturers of materials and particularly the numerous small building contractors.

#### A NEW COMPETITOR

We have to face a new competitor entering the field offering speed of assembly and possibly lower first costs, but whose production, however designed to please the eye and conveniently fitted up, will lack certain fundamental requirements and amenities. The prefabricated house gets a wonderful start while the traditional house gets away later from scratch. How can it win the race? By confirming to owners or tenants that brick houses are more comfortable and pleasant to live in. It is no good decrying prefabricated structures, it is up to us to produce progressively something better and get it accepted as such by the householder. I am not afraid of the issue; there are several helpful factors in our favour apart from the pleasing results which can be produced by building in brick when an experienced architect is employed.

The public like a brick house; it gives a sense of permanent security and of solidity not to be obtained from any temporary structure. Bricks have established themselves for domestic construction and have

stood the test of thousands of years. They will survive competition so long as they are best fitted to the purpose to which they are put.

The most pressing need is to reduce the cost of the traditional house. This must be accomplished to the maximum degree to make possible the granting by Government of reasonable subsidies, the finding of sound finance and the establishing of fair purchase price or rent. The most effective method of reducing the cost is to tackle first the heaviest items. Everyone who has had experience of house building on a modest scale will know that while the walls can be run up and the roof placed quickly there is an interminable delay in fitting up and decorating before occupation can be enjoyed. A variety of tradesmen have to fiddle about with fittings which never fit, and much time is wasted and costs increased. This is the common experience. I do not say this applies to those large-scale contractors who have practised standardisation.

#### NEED FOR CONTINUOUS PRODUCTION

Now, to overcome these difficulties it will be essential to apply prefabrication in respect of fittings to the greatest extent possible. Fittings can be much reduced in cost if mass produced and assembled on panels at the factory ready for delivery to and erection on site. But those who manufacture them must be assured in advance of bulk orders to permit of full and continuous production, always essential to low costs. Further, an adequate number of houses must be contracted for at a time by local or other authorities or parties. Lastly, and this is a prerequisite, the batches of houses to be built must be strictly dimensioned in respect of every part designed to receive the prefabricated fittings. Here lies opportunity for reducing the cost and building-time of traditional housing and of retaining all the comforts to which we are accustomed.

#### THE PUBLIC DEMAND

The employment of prefabrication as indicated need not prevent the use of variety of style or treatment of facade. We have it on the authority of the Prime Minister, himself a practised bricklayer and for a time a member of the Bricklayers' Trade Union, that the prefabricated houses to be built will be owned by the Government and that a limited life is allotted to them. They may be regarded today as temporary buildings, but I predict the time test of their survival will depend on the degree of satisfaction they give to their occupants and the opportunity of changing to something better. In this country we are, generally speaking, lamentably slow in providing for obsolescence. Let us recognise that a situation has arisen which calls for the building of prefabricated houses in an emergency and prepare to meet any threatened competition by reducing the cost to the utmost and improving the design and amenities of the traditional brick house. Thus can we give the public the homes I believe they really want and at a price they can afford to pay.

Further, let us not forget the Government over some ten years propose building three to four million houses as part of their permanent programme, and the trade unions are increasing the number of operatives to meet this demand which will require bricks in great quantities. We are already seriously at work on schemes of expansion to provide for the anticipated increased demand.

The report and accounts were unanimously adopted.

## UNITED GLASS BOTTLE MANUFACTURERS, LIMITED

### RESULTS OF PROGRESSIVE POLICY

#### SIR WALROND SINCLAIR'S REVIEW

The thirty-first ordinary general meeting of the United Glass Bottle Manufacturers, Limited, was held at the registered offices, 8, Leicester Street, W.C., on the 30th ultimo, Sir Walrond Sinclair, K.B.E. (the chairman), presiding.

The chairman said:—Ladies and gentlemen,

As indicated in the directors' report, the form of the accounts has been modified to bring them more into line with modern practice and in accordance with the recent recommendations of the Institute of Chartered Accountants. While certain of the main items are not directly comparable with those relating to the previous year, our substantial liquid resources are now shown more clearly, as are the reserves and current liabilities. I feel confident that the alteration will meet with your approval.

Trading profits of the six subsidiary companies which formed the original amalgamation in 1913 and operated thereafter under finance agreements, amounted to £348,474, after providing for depreciation, excess profits tax and other reserves. This shows little variation from the previous year. Interest and dividends at £61,692 received from our investments yielded about £4,000 more than in the preceding year.

#### DISTRIBUTION OF 12 PER CENT.

The net profit for the year, after charging debenture interest, income tax and sundry other items set out in the profit and loss account, amounted to £203,276 compared with £194,752 for 1942. You will observe that this year we have introduced an appropriation account, to which has been carried the net profit, together with the credit balance of £65,152 brought forward from the previous year, thus giving us an available surplus of £268,428 compared with £260,674 a year ago.

The dividend on the preference capital absorbed £45,051, and a dividend of 3½ per cent. was paid on the ordinary capital in September last, which took £19,548. The directors now recommend that £21,890 be transferred to debenture redemption reserve, £78,019 to general reserve, a final dividend of 6 per cent. together with a cash bonus of 2½ per cent. (making a total distribution on the ordinary capital of 12 per cent., less tax, for the year), which will absorb £47,473, and carry forward to the current year the credit balance of £56,447.

#### BALANCE SHEET STRENGTH

Turning to the balance sheet, you will observe that current assets have now been grouped, as have current liabilities and provisions. This illustrates very clearly the net liquid position. Current assets are shown to exceed current liabilities, including provision for the dividends set out in the report, by £986,000. The principal changes are noteworthy increases in the holding of Government securities, which appear at £224,983, in addition to £300,000 represented by tax reserve certificates. I might add that since the closing of the accounts a further investment of £100,000 has been effected in British Government securities. Cash and debtors are also higher, but stocks, stores, etc., show a reduction.

The substantial investment of £1,158,792, representing the cost of shares in subsidiary companies other than those referred to earlier in my address, contributed during the year under review the very satisfactory return of slightly over 4½ per cent., after allowing for excess profits tax and income tax.

Having regard to its intangible nature, our directors have decided, after very full consideration, that the item patent rights,

trade marks and goodwill, valued in the balance sheet a year ago at £178,019, should be written off entirely, and, as you will see, this has been done by a transfer of an equal amount from general reserve. I am sure shareholders will approve this decision, which further strengthens the balance sheet position. Despite the elimination of this nominal item, the total assets increased during the year from £4,707,012 to £4,840,217.

#### SUBSTANTIAL RESERVES

Turning to the liabilities' side of the accounts, you will observe that after deducting the amount of £178,019 to write off these patent rights, etc., and including the £78,019 transferred to general reserve out of the past year's profits, the reserves and undistributed profits remain at the substantial figure of £702,648.

The only item amongst current liabilities and provisions that appears to call for particular comment is that of trade creditors, which shows an increase of £170,825 over the previous year's figures. As I explained last year, owing to the regulations applicable to the use of timber, customers are called upon to make a cash deposit, which is in due course returnable, in respect of each case invoiced to them, and it is this practice which is mainly responsible for the increase in creditors. It is also to some extent reflected on the other side of the accounts in the amount of cash we hold, to which I have previously referred.

I think it can be justly claimed that the accounts now submitted are indicative of a progressive policy, particularly in regard to the earnings shown for the past year and the position disclosed by the balance sheet.

#### LARGER TURNOVER

The year under review brought no relief from the very considerable difficulties under which our business has been conducted, but notwithstanding these difficulties our volume turnover during 1943 was higher than in the preceding year, although, due to increased costs with no compensating increase of selling prices, the profit ratio was lower. Important economies have, however, been effected during the year and these have, to some considerable extent, offset the higher costs.

When hostilities cease and full disclosure can be made of the achievements in this industry during the period of the war, the record of this company will afford reason to be proud of your association with this enterprise. Meantime, we have the knowledge that we are contributing our quota to the national effort.

#### TRIBUTE TO OFFICIALS AND STAFF

As a corollary, this reflects the ability and energy of our joint managing directors, Mr. T. C. Moorshead and Mr. H. J. Judd, who, as stated in the directors' report, were appointed to their office last May, to Mr. S. S. Kenyon our worthy secretary co-opted to the board in November, the efficiency of the whole of the executive under them, and the loyalty and hard work of the staff and all our employees who have contributed to these results, and to whom my colleagues and I tender our very sincere thanks.

Finally, I would add that so far this year the volume turnover is being maintained, with costs showing a tendency to rise. Nevertheless, with due regard to war-time uncertainties and providing the general position does not deteriorate, we have reason to hope that we shall be able to submit another satisfactory account a year hence.

## SCOTTISH POWER COMPANY, LIMITED

### HYDRO ELECTRIC DEVELOPMENT

#### MR. WILLIAM SHEARER'S STATEMENT

The thirty-fourth ordinary general meeting of the Scottish Power Company, Limited, was held, on the 31st ultimo, in Edinburgh.

The Chairman, Mr. William Shearer, being indisposed, Mr. Ian C. A. Murray, vice-chairman, presided and read the speech prepared by Mr. Shearer, of which the following is a summary:—

You will recollect that last year I referred at length to the report of the Cooper Committee and to the introduction in Parliament of the Hydro-Electric Development (Scotland) Bill. The Bill became an Act on August 5, 1943, and the North of Scotland Hydro-Electric Board has since been established. The powers of the Central Electricity Board have been transferred under the Act to the new board, and it may be assumed that at no far distant date our hydro-electric stations will become selected stations.

#### SUPPLIES TO THE HIGHLANDS

I am glad to think that the benefits, actual and potential, of electricity supply to the Highlands of Scotland are being recognised in those quarters where previously the efforts of private enterprise to provide such supply were treated with disfavour. It is not without interest to reflect that when we were seeking powers for the development of hydro-electric resources, we suffered intense opposition, not only locally, but in Parliament on the ground that the intention behind our proposals was to utilise the Highlands as "the Power House of the South"—notwithstanding the fact that we had made adequate provision for all local requirements. An essential feature of the operations of the new board is the export of a substantial proportion of their output to the South.

Since I addressed you last year the question of the post-war position of the electricity supply industry has attracted increasing importance and publicity. We do not accept nationalisation nor so-called public ownership (either through the medium of regional boards or local authorities) as a solution, as we are convinced that private enterprise and the business management that accompanies it provide a highly efficient method of handling this important public service, particularly in areas outside the large centres of population.

The Report of the McGowan Committee contains logical and reasoned proposals which would establish the conditions necessary to speed up the efficient and economical development of supplies of electricity in the post-war period.

#### PROGRESS OF THE COMPANY

Let me now summarise very briefly the substantial progress we in this company have achieved:

We have secured a substantial reduction in the number of undertakings by the substitution of larger and more economic units and the elimination of duplicate powers where they exist in the same area.

We have established uniformity of forms of tariffs and have gone a long way towards complete uniformity of charges throughout our territories, which occupy over 40 per cent. of the total area of Scotland.

Except in isolated cases we have standardised voltages and systems of supply.

Diversity of load is a most important feature in the development of areas which to a substantial extent are rural in character. We have certainly not been unmindful of this aspect and have offered attractive rates for industrial development and concluded bulk supply contracts with local authority and company undertakers outside our group and immediately adjacent to our territories.

The report was adopted.

research in the production of penicillin among the five companies comprising the Therapeutic Research Corporation, I.C. (Pharmaceuticals), Limited, Kemball, Bishop and Co., and American producers. Stockholders—and the medical profession particularly—should note that the entire production for the present is reserved for the Forces.

The produce businesses, Geo. Bowles Nicholls & Company, Limited, Stewart, Limited, and Trengrouse & Nathan, Limited, have had a satisfactory year; each has had an increase of turnover and profit.

#### WORKS COUNCILS

During the year joint workers' and management committees, works councils, and efficiency bonus schemes have been instituted and are working in many of your businesses. They have given promise of yielding satisfactory results in the form of increased understanding by the workers of the problems of management and of their taking a more active and practical interest to increase efficiency and economy. With more experience, confidence and trust which will result with time, I am confident that materially beneficial results will be obtained by all parties—stockholders, labour and management.

The company owe thanks to the members of the staff both at home and abroad for their continued and persistent loyalty and self-sacrifice—particularly to the part-time workers at the Glaxo Laboratories and to members of the office staff of that company who, after office hours, have worked in the factory as packers. Without that splendid assistance the delivery of essential foodstuffs and medicines to the public and official bodies would have been considerably less. I am glad to have this opportunity of acknowledging, not only our thanks, but the debt of gratitude the public owe to these workers.

So long as this spirit of sacrifice, loyalty and determination for public good prevails, and provided the policy of the business is directed as ably in the future as it has been in the past, stockholders should, and I hope will, feel that the destiny of the company is in safe and prudent hands, which is the best surety for its satisfactory future progress.

The report and accounts were adopted.

## JAMES W. COOK AND COMPANY, LIMITED

The forty-seventh annual general meeting of James W. Cook and Company, Limited, was held, on 3rd instant, in London.

Mr W. J. Clarke (chairman and managing director) said that the result was better than the previous year. This had been assisted by the recovery of expenditure on damage repairs to property caused by enemy action, and was further due to the revival of work in the Port of London and to the strenuous efforts they were making to serve the various Ministries in every branch.

Their lighterage trade had been busy, and they sadly missed the use of the barges which had been taken from them by different Ministries for various good reasons. Their ships had continued on requisition for the whole year under review, and they had been entrusted with the management of other tankers, in common with others, by the Ministry of War Transport. Matters under discussion with regard to rates of hire and other points were still not concluded.

He would be failing in his duty if he did not say that he could give no promise for the future because of the violent fluctuations that occurred in traffic movements made in the national interest. All they could do was to keep alert and hold themselves ready to fulfil every demand made upon them.

The report was adopted, and a final dividend of 7½ per cent. and a bonus of 2½ per cent., making a total distribution of 12½ per cent. for the year, was declared.



## HADFIELDS LIMITED

## ALTERED CONDITIONS AFFECT OUTPUT

## MR P. B. BROWN ON THE OUTLOOK

The fifty-sixth ordinary general meeting of Hadfields, Limited, was held, on the 4th instant, at Sheffield.

Mr P. B. Brown, M.Inst.C.E., J.P. (chairman and managing director), presided and in the course of his speech said:

You will, no doubt, have observed from the report that your directors have elected Lord Dudley Gordon to the board of the company. In Lord Dudley Gordon we have one who is greatly esteemed by all coming into contact with him in business, scientific and Government circles. He has held with distinction important offices of president of the Federation of British Industries, president of the British Engineering Association, and vice-president of the Institution of Mechanical Engineers. Many changes have taken place in the nature of the work your company has been engaged upon since we last met. A considerable number of contracts have been curtailed or suspended. It is, however, satisfactory to have the assurance that these changes in programme are mainly due to the fact that ample stocks of many classes of munitions have already been accumulated. The altered conditions have, of course, had the effect of reducing our volume of output as compared with last year.

Some of the new classes of work upon which we are engaged call for the highest skill and technique. For instance, we are now producing large numbers of light and intricate alloy steel castings to be used in the construction of aircraft. These castings are subjected to the most stringent examination and testing before acceptance, and are proving to be more efficient and less costly than the parts that have hitherto been made as forgings. If those engineers who still retain doubts as to the reliability of steel castings could see what we are doing I am sure they would be enlightened.

I should like to congratulate our founders and metallurgists on their excellent work. It should be noted that much of this and other intricate work is now being done by women and semi-skilled men—all trained in our own works. You will, of course, realise that this training has called for a great deal of patience and perseverance on the part of our foremen and managers, and they well deserve our compliments and thanks.

## FINANCIAL POSITION

The financial position of your company at the end of 1943 is portrayed in the balance-sheet and profit and loss account. You will see that certain modifications have been made in the form of the balance-sheet. We have taken out certain provisions formerly included under the heading of "current liabilities" and placed them among the "reserves" accounts to which they properly belong. The provisions made towards works development and reorganisation being reserves created to meet future expenditure are, therefore, not strictly speaking current liabilities. As regards the pension schemes provisions, these represent the balance of the reserves created at the time of the initiation of the pension schemes, and as the current contributions are being charged against revenue, such reserves will not be required unless some exceptional circumstances arise during the next three years. A further change is the inclusion this year among the current liabilities of the provision for the payment of the final dividend recommended by the directors on the ordinary stock. These are the only alterations made in the form of the balance-sheet, and I hope they will have your approval.

Referring now to the figures, the fixed assets have decreased during the year by £76,158 represented by the difference between the charge for depreciation, plus

the obsolescence on plant, etc., scrapped, and the capital additions during the year. The current assets show a decrease of £525,607 compared with 1942, but, on the other hand, the current liabilities have been reduced by £635,268, resulting in an actual improvement in the excess of current assets over current liabilities during the year of £109,661. The total excess now amounts to £1,883,788, as against £1,774,127 in 1942. The net profit for the year is £9,585 less than that of 1942, which can be regarded as satisfactory, considering the production changes that have taken place during the year.

## CONSERVATION OF RESOURCES

I feel sure you will all agree that in order to be in a position to face with confidence the uncertainties and difficulties of the post-war years, the policy of building up and conserving the resources of the company is a wise one.

Day by day additional burdens are being placed on the shoulders of employers with their already depleted staffs. The much discussed "pay-as-you-earn" system for the deduction of tax from wages, which is now coming into operation, involves a considerable amount of extra work and some capital expenditure, but it is agreed by most of us that this is worth while if it removes the cause for annoyance and grievance under which our workers have been labouring for many months.

It may be remembered that in my address to you last year I drew attention to certain vital matters on which we were hoping to receive definite pronouncements by the Government. They referred to the manner in which it is thought the Treasury should make allowances from taxation on account of losses on stocks, deferred repairs, and the losses which must accompany the change-over from war to peace-time production. No decision has so far been announced, but it is hoped that the Chancellor of the Exchequer, in his forthcoming Budget, will take the opportunity of making equitable provisions to meet those contingencies, so that undertakings such as ours may be in a position to make their plans for the future with greater confidence.

## RECOVERY OF OVERSEA TRADE

Now that the war is approaching its climax many and various schemes of world reconstruction are being promulgated. The vital problem of how this country can recover and increase its pre-war overseas trade is one which will call for the collaboration of all classes of the community, traders, industrialists, bankers, merchants, indeed workers of every kind. The large number of trade union leaders who are in a position to influence the minds of millions of our workers we trust will rise to the occasion.

It is sincerely to be hoped that in the international agreements and in such Government controls as it may be found necessary to maintain, ample scope will be provided for the encouragement of private enterprise. It must not be forgotten that we are indebted to our inventors, pioneers, manufacturers, and merchants for the leading position this country has held in industrial matters for over a century.

## TRIBUTE TO MANAGEMENT AND STAFF

Before closing I wish to thank the members of our local board, managers, foremen, office staff, and workpeople for the invaluable help they have rendered and which has enabled us to present to you what I hope will be considered a satisfactory report of the year's working.

The report was adopted and a final dividend at the rate of 15 per cent., less tax, making 22½ per cent. for the year, was approved.

## ASSOCIATED ELECTRICAL INDUSTRIES, LIMITED

## RECORD RESULTS

The forty-fourth annual general meeting of Associated Electrical Industries, Limited, was held, on the 31st ultimo, in London.

Sir Felix J. C. Pole (the chairman) presided, and, in the course of his speech, said: I feel sure the proprietors will have noted with pleasure the strength of the balance-sheet, and particularly of the consolidated balance-sheet, now before you. The profit for the year was £695,266, that is after making full provision at current rates for all taxation payable in respect of the profits earned up to December 31, 1943. This compares with £686,527 for the previous year, an increase of £8,739. Your directors recommend a dividend on the ordinary stock of 10 per cent. per annum, less tax. If this recommendation is approved we should have paid a 10 per cent. dividend for eight consecutive years.

## STRONG FINANCIAL POSITION

A consolidated balance-sheet shows the position of the associated group of companies as a single unit, and I would again direct your attention to the strength of the group as demonstrated by the reserves and profit and loss accounts, which items have increased by £348,710 to £4,776,464, a total which represents 97 per cent. of our ordinary capital.

Circumstances still prevent me from giving any details of the company's activities, but I may tell you that we have again had a record year from the point of view of physical output and value of sales invoiced. All departments and sections of the organisation have made a major contribution to the demands of the war, and the research and engineering departments especially have been responsible for the discovery and improvement of specialised devices of great national—indeed international—value. The planning of manufacturing programmes to secure manufacturing efficiency and the various commercial and accounting problems have necessarily imposed a great strain upon the departments responsible for those sections of our business.

On former occasions I have told you that your company has always been most progressive in dealing with its employees. For the last 26 years we have had works, staff, and suggestions committees. The effect of this has been that, in spite of the great strain which the war has imposed on all our employees, another year has passed harmoniously without labour disputes arising. On our side we have maintained welfare, benevolent, and thrift organisations, and have done all we can to merit our wish to be regarded as good employers.

Since the outbreak of war 3,689 employees of the Metropolitan-Vickers Company have joined the Services. The loss of so many skilled and experienced manual and staff personnel, and their replacement by others, has been a difficult task.

## IMPORTANCE OF EXPORTS

On this occasion I do not propose to refer to post-war problems, beyond saying that they are receiving most careful attention. I should, however, like to make special reference to export business, which has been seriously curtailed by the war. In that connection I would like to endorse Lord Wardington's speech at the annual meeting of Lloyds Bank, when he said: "Of all the tasks before us none is more important than the re-establishment of our export trade. Without it we can neither eat nor work." We maintain a large and efficient organisation overseas, and when the time comes, as we hope it soon will come, we shall be ready to play our part in meeting the requirements of our valued customers outside this country.

The report was unanimously adopted.

## HALIFAX BUILDING SOCIETY

The ninety-first annual general meeting of this society was held, on the 3rd instant, in Halifax, Brig.-Gen. Sir Edward N. Whitley, K.C.B., C.M.G., D.S.O., D.L. (president of the society), presiding.

The Chairman, in the course of his speech, said: The total assets now amount to £129,229,049, which is the highest figure ever reached. Our reserve funds stand at the same figure as last year, £5,750,000, but the amount carried forward is increased by £105,853 to £631,751, bringing the total reserves and undivided profit to £6,381,751.

The balance carried down to the appropriation account this year is £2,418,597, as compared with £2,416,878 last year. Out of this sum we have paid or credited £1,919,360 in interest to the holders of shares; we have allocated £300,000 to war damage contribution indemnities; and we ask for your confirmation to-day of the proposed payment of a bonus of 5s. per £100 to monthly subscription investors and to holders of paid-up shares, Class 1, free of income tax to the members.

## PROVISION FOR LIABILITIES UNDER WAR DAMAGE ACTS

In respect of the society's liabilities under the War Damage Acts, it seems to your directors prudent to provide out of the profits of this year for the whole of the remaining balance, and we believe that the sum of £300,000 will enable us to discharge our present liability and we trust we shall not need to make any provision of this kind in future. Under the War Damage Acts compensation will be paid in the case of a totally demolished house by a "value payment" based on the value of the house at March, 1939, but if the house is capable of restoration and should be restored, a "cost of works payment" will be made. The Acts provide that in the case of "value payments" interest will be paid at the rate of 2½ per cent. per annum, while in the case of a "cost of works payment" no interest will be paid.

We have decided that, until further notice, we will accept the Government rate of 2½ per cent. on the mortgage in place of the rate stated in the mortgage deed in cases in which the member's property is totally destroyed and is not restored, from the date of the destruction till the "value payment" is received or, in the case of a house qualifying for a "cost of works payment" and rendered uninhabitable for more than six months, for so long as it is uninhabitable. We have had many letters from our borrowing members expressing their great appreciation of this concession.

## REDUCTION IN INTEREST RATE ON LOANS

One other important decision which the directors have recently made has been to reduce to 4½ per cent. the rate of interest to be charged on loans on residential property.

I regret that there is no decision yet with regard to the part that is to be played by private enterprise in post-war housing. I realise that it is necessary for some local authorities to build houses, but the private builder has had a very difficult time during the war, and with his knowledge and experience should have every encouragement and a full share of the priorities for labour and materials.

Turning to the future, it is impossible to say whether the war in Europe will end during the current year or not, but this is certain: that our society is in an extremely strong liquid position. Our organisation is in good working order in spite of the large numbers of our staff who have joined the Forces or who have been called up for work of national importance. We can, therefore, look with confidence to any call which will be made upon us, whether in connection with financing of the building of houses for letting or for owner occupation, and nothing would please us better than that that service should be required at a very early date.

## THE BRITISH ALUMINIUM COMPANY, LIMITED

## SATISFACTORY RESULTS

## MR R. W. COOPER'S STATEMENT

At the annual meeting of this company, held on March 31st, the chairman, Mr R. W. Cooper, moved the adoption of the report and accounts. The following are the main features of his statement:

The total profit for the year 1943 amounts to £1,068,937, compared to £1,051,119 for 1942, being an increase of £17,818.

## THE DIVIDEND

In order to save space and some repetition, we have embodied the profit and loss account in the directors' report, and have shown therein the appropriations, including the final dividend on the ordinary stock of 7 per cent., which we recommend, making with the interim already paid 10 per cent. for the year. We have also on this occasion shown the dividends on the preference and ordinary stocks, less tax, the latter having been added to the provision for income-tax. The balance of profit to be carried forward has been increased by £22,687 to £274,684.

Some modification in the grouping of the items on the liabilities side of the balance-sheet has been given effect to, and we provide for the second half-year's dividend on the preference stock and the recommended final dividend on the ordinary stock, both of which are in fact not payable until April 1st of this year.

Debtenture stock outstanding is reduced by sinking fund to £3,312,318.

## BALANCE SHEET ITEMS

As you will observe from the balance-sheet, we have grouped the reserves and undivided profits. We have allocated the same total of £200,000, as in the previous year, to the reserve and depreciation reserve accounts, but this year we have increased the proportion to the latter on account of the heavy duty to which our plant and machinery is subjected under existing conditions. The division is £125,000 to the reserve account, raising it to £3,325,000, and £75,000 to the depreciation reserve account, bringing it up to £1,675,000. The debtenture stock redemption account now stands at £187,682, and with the balance at the credit of profit and loss account these four items amount to £5,462,366.

The creditors, including taxation and other reserves, at £3,848,528 show an increase of £203,816. We have provided in advance for income-tax on the year's profits, and have added tax on the dividends previously shown gross and now shown net, as I have mentioned.

The total investment in subsidiary companies now stands at £6,387,976, and in allied companies at £1,514,453.

Government and other securities have been decreased by £90,000 to £331,011, but on the other hand our holding of tax reserve certificates has increased by £100,000 to £500,000.

Stocks have increased by £399,363 to £1,209,095 and debtors by £29,735 to £1,483,135, whilst cash has decreased by £238,443 to £1,194,818.

## FURTHER EXPANSION

All the works of the company have operated to full capacity and further extensions became productive during the year. The programme of expansion in the national interest has not yet been completed and work of considerable magnitude is still proceeding.

The statement concluded with an appreciation of the efforts of the staff to maintain maximum output.

## VICKERS LIMITED

## MR A. A. JAMIESON'S STATEMENT

The seventy-seventh annual general meeting of Vickers, Limited, was held, on the 4th instant, at Vickers House, Broadway, Westminster, and Mr A. A. Jamieson (chairman of the company) presided.

In his statement, which was again circulated to the stockholders with the report and accounts, the chairman said:

Colonel J. B. Neilson asked to be relieved of his position as deputy-chairman at the end of 1943 owing to the urgent call upon his time arising from his acceptance of the office of managing director of Baldwins, Limited. I am glad to say that he is remaining on your board, and he will continue to act as chairman of the Metropolitan-Cammell Carriage and Wagon Company. Sir Charles Craven has been elected deputy-chairman of Vickers, and will continue to act as chairman of Vickers-Armstrongs and of English Steel Corporation.

There is one item in the balance-sheet of Vickers-Armstrongs which calls for special explanation. Certain foreign assets of that company were realised during the year, with the result that the remaining foreign holdings now stand at a nominal figure. With this exception, the balance-sheet figures are of a normal wartime character, but they reflect practically maximum use of our productive capacity. There has been some change in the nature of the output, with the result that employment has actually decreased in some works, but the total numbers employed have been more than maintained. The percentage of women employed throughout the group is 36 and the highest percentage in any works is 55.

The Minister of Reconstruction has expressed the desire that industrial concerns should turn their thoughts towards the problem of post-war employment for their employees. This company is faced by a difficult problem which will call for the closest collaboration between the management and our employees, particularly in the change-over period. The problem is difficult because of the highly specialised knowledge and experience of many of our people; but surely, after the tragic experiences resulting from unilateral disarmament, there can be no repetition of this policy, and it will be essential that the strength and technical efficiency of a group such as yours, with its great value to the country in times of emergency, should be maintained. I believe that orders will continue to be placed with us by the Defence Departments; but, nevertheless, commercial shipbuilding, engineering, steel and civil aviation must absorb a considerable portion of our available capacity. This time we have the experience of 1919 to guide us, and in certain products, particularly those of a heavy nature, we had, before the war, established a very sound position and become recognised as leading producers. When peace returns we should, therefore, be better equipped to deal with the problems of change-over than we were in 1919. Certain of our post-war plans have been made, and others are under active consideration; but until victory is achieved our primary concern must be to do everything in our power to assist in achieving that victory at the earliest possible date.

We have entered upon another strenuous year, and I would remind stockholders that many of our employees have now been working long hours with little rest or holiday for seven or eight years. Like others who have passed through strenuous times, and have made a notable contribution first to national survival and then towards victory, our employees appreciate recognition of their services, and this, I know, is given in full measure both by stockholders and by those who are in a position to judge.

The report and accounts were unanimously adopted and the final dividend of 6 per cent. approved.

# RECORDS and STATISTICS

## GOVERNMENT RETURNS

For the 13 days ended Mar. 31, 1944, total ordinary revenue was £128,000,000, against ordinary expenditure of £210,719,000, and issues to sinking funds of £484,942. Thus, including sinking fund allocations of £15,446,087, the deficit accrued since April 1st is £2,765,319,000 against £2,817,688,000 for the corresponding period a year ago.

## ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

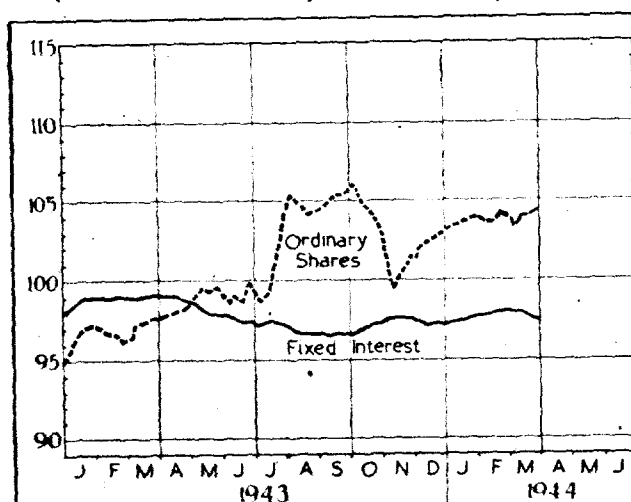
| Revenue                           | Estimate 1943-44 | Receipts into the Exchequer (£ thousands) |                          |                             |                             |
|-----------------------------------|------------------|-------------------------------------------|--------------------------|-----------------------------|-----------------------------|
|                                   |                  | April 1 to Mar. 31, 1943                  | April 1 to Mar. 31, 1944 | 11 Days ended Mar. 31, 1943 | 13 Days ended Mar. 31, 1944 |
| Income Tax                        | 117,500          | 106,828                                   | 118,583                  | 46,204                      | 50,403                      |
| Sur-tax                           | 80,000           | 75,358                                    | 76,042                   | 4,320                       | 4,170                       |
| Estate, etc.                      | 100,000          | 93,336                                    | 99,466                   | 3,270                       | 5,410                       |
| Duties                            | 17,000           | 15,280                                    | 17,740                   | 1,700                       | 1,300                       |
| Stamps                            | 500,000          | 30,635                                    | 33,446                   | 910                         | 2,739                       |
| N.D.C.                            | 346,887          | 466,668                                   | 9,010                    | 14,773                      |                             |
| E.P.T.                            | 1,000            | 950                                       | 968                      | 40                          | 90                          |
| Other Inld. Rev.                  |                  |                                           |                          |                             |                             |
| Total Inld. Rev.                  | 187,300          | 156,924                                   | 187,791                  | 65,454                      | 78,885                      |
| Customs                           | 525,320          | 459,489                                   | 560,832                  | 11,847                      | 20,160                      |
| Excise                            | 450,180          | 425,300                                   | 482,200                  | 17,900                      | 23,800                      |
| Total Customs & Excise            | 975,500          | 884,789                                   | 1,043,032                | 29,747                      | 43,960                      |
| Motor Duties                      | 25,000           | 28,537                                    | 27,294                   | 313                         | ...                         |
| Canadian Govt. Contribution       | ...              | 224,719                                   | ...                      | ...                         | ...                         |
| P.O. (Net Receipts)               | 400              | 12,377                                    | 368                      | 2,400                       | 368                         |
| Wireless Licences                 | 4,700            | 4,560                                     | 4,750                    | 360                         | 410                         |
| Crown Lands                       | 800              | 1,000                                     | 1,060                    | 40                          | 80                          |
| Receipts from Sundry Loans        | 4,100            | 4,062                                     | 6,455                    | ...                         | 6                           |
| Miscell. Receipts                 | 24,000           | 90,533                                    | 77,676                   | 2,524                       | 4,292                       |
| Total Ord. Rev.                   | 2,907,500        | 2,819,851                                 | 3,038,548                | 100,838                     | 128,000                     |
| SELF-BALANCING P.O. & Broadcastg. | 110,632          | 102,523                                   | 110,632                  | ...                         | 3,532                       |
| Total                             | 3,018,132        | 2,922,374                                 | 3,149,186                | 100,838                     | 131,532                     |

## MONTH'S CHANGES IN DEBT

| NET INCREASES (£000) |         | NET REPAYMENTS 3% Total Annuity 1,458 |       |
|----------------------|---------|---------------------------------------|-------|
| Treasury Bills       | 31,709  | 3% Total Annuity                      | 1,458 |
| Nat. Sav. Certs.     | 16,350  |                                       |       |
| 3% Def. Bonds        | 6,678   |                                       |       |
| 24% Nat. War Bds.    | 118,645 |                                       |       |
| 1952-54              | 51,875  |                                       |       |
| Sav. Bonds 1960/70   | 229     |                                       |       |
| Other Debt:          |         |                                       |       |
| Internal             | 1,051   |                                       |       |
| Ways & Means Adv.    | 21,899  |                                       |       |
| Treasury Deposits    | 13,500  |                                       |       |
| Tax Res. Certs.      | 1,486   |                                       |       |
|                      | 263,398 |                                       | 1,458 |

## FIXED INTEREST AND EQUITY SECURITY MOVEMENTS (July 1, 1935 = 100)

Financial News Indices of 20 fixed-interest securities (converted to new base) and 30 ordinary shares.



## ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE—cont.

| Expenditure               | Estimate 1943-44 | Issues out of the Exchequer to meet payments (£ thousands) |                          |                             |                             |
|---------------------------|------------------|------------------------------------------------------------|--------------------------|-----------------------------|-----------------------------|
|                           |                  | April 1 to Mar. 31, 1943                                   | April 1 to Mar. 31, 1944 | 11 Days ended Mar. 31, 1943 | 13 Days ended Mar. 31, 1944 |
| Ordinary Expenditure      |                  |                                                            |                          |                             |                             |
| Int. & Man. of Nat. Debt  | 375,000          | 310,801                                                    | 364,734                  | 2,120                       | 2,806                       |
| Payments to N. Ireland    | 9,500            | 9,198                                                      | 8,988                    | 1,118                       | 1,107                       |
| Other Cons. Fund Services | 7,500            | 7,388                                                      | 7,176                    | 83                          | 169                         |
| Total                     | 392,000          | 327,388                                                    | 380,898                  | 3,321                       | 4,081                       |
| Supply Services           | 547,024          | 529,578                                                    | 540,753                  | 193,999                     | 206,639                     |
| Total Ord. Exp.           | 586,224          | 562,316                                                    | 578,842                  | 197,320                     | 210,719                     |

|                                   |         |         |         |         |         |
|-----------------------------------|---------|---------|---------|---------|---------|
| SELF-BALANCING P.O. & Broadcastg. | 110,632 | 102,523 | 110,632 | ...     | 3,532   |
| Total                             | 597,287 | 572,569 | 589,953 | 197,320 | 214,251 |

A change has been made in the method of showing an excess of Post Office Expenditure over Post Office Revenue. Such excess is now included as ordinary expenditure (under "Total Supply Services") instead of being shown, as up to July 24 inclusive, as a deduction from ordinary revenue.

After decreasing Exchequer balances by £287,012 to £2,492,934, the other operations for the period (no longer shown separately) raised the gross National Debt by £80,631,263 to £19,590 millions after allowing for £15 million for sinking funds.

|                            |       |
|----------------------------|-------|
| NET ISSUES (£ thousands)   |       |
| War Damage Act             | 27    |
| NET RECEIPTS (£ thousands) |       |
| P.O. and Telegraph         | 2,250 |
| Overseas Trade Guarantees  | 63    |
| Total                      | 2,313 |

## FLOATING DEBT (£ millions)

| Date   | Treasury Bills |        | Ways and Means Advances |                 | Treasury Deposits of Bank of England | Total Floating Debt |
|--------|----------------|--------|-------------------------|-----------------|--------------------------------------|---------------------|
|        | Tender         | Tap    | Public Depts.           | Bank of England |                                      |                     |
| 1943   |                |        |                         |                 |                                      |                     |
| Apr. 3 | 975-0          |        |                         |                 |                                      | Not available       |
| 1944   |                |        |                         |                 |                                      |                     |
| Jan. 8 | 1210-0         |        |                         |                 |                                      | " "                 |
| " 15   | 1200-0         |        |                         |                 |                                      | " "                 |
| " 22   | 1190-0         |        |                         |                 |                                      | " "                 |
| Feb. 5 | 1180-0         | 1935-2 | 290-6                   | "               | 1390-0                               | 4796-8              |
| " 12   | 1170-0         |        |                         |                 |                                      | Not available       |
| " 19   | 1170-0         |        |                         |                 |                                      | " "                 |
| " 26   | 1170-0         | 1946-9 | 340-3                   | 32-3            | 1376-0                               | 4865-5              |
| Mar. 4 | 1170-0         |        |                         |                 |                                      | Not available       |
| " 11   | 1170-0         |        |                         |                 |                                      | " "                 |
| " 18   | 1170-0         |        |                         |                 |                                      | " "                 |
| " 25   | 1170-0         |        |                         |                 |                                      | " "                 |
| " 31   | 3,149-1        |        | 394-5                   | "               | 1,389-5                              | 49,33-1             |

## TREASURY BILLS (£ millions)

| Date of Tender | Amount  |             |          | Average Rate of Allotment % | Per Cent. of Allotment at Mar. 31 |
|----------------|---------|-------------|----------|-----------------------------|-----------------------------------|
|                | Offered | Applied for | Allotted |                             |                                   |
| 1943           |         |             |          |                             |                                   |
| Apr. 2         | 75-0    | 150-6       | 75-0     | 20                          | 2-39                              |
| 1944           |         |             |          |                             |                                   |
| Jan. 7         | 90-0    | 206-4       | 90-0     | 20                          | 2-76                              |
| " 14           | 90-0    | 202-5       | 90-0     | 20                          | 2-50                              |
| " 21           | 90-0    | 202-0       | 90-0     | 20                          | 2-54                              |
| " 28           | 90-0    | 193-2       | 90-0     | 20                          | 1-48                              |
| Feb. 4         | 90-0    | 203-3       | 90-0     | 20                          | 0-86                              |
| " 11           | 90-0    | 206-5       | 90-0     | 20                          | 0-81                              |
| " 18           | 90-0    | 199-4       | 90-0     | 20                          | 1-12                              |
| " 25           | 90-0    | 191-0       | 90-0     | 20                          | 1-28                              |
| Mar. 3         | 90-0    | 201-7       | 90-0     | 19                          | 11-86                             |
| " 10           | 90-0    | 190-1       | 90-0     | 20                          | 0-34                              |
| " 17           | 90-0    | 177-2       | 90-0     | 19                          | 11-84                             |
| " 24           | 90-0    | 176-9       | 90-0     | 20                          | 0-36                              |
| " 31           | 90-0    | 190-5       | 90-0     | 20                          | 2-20                              |

On Mar. 31st applications at £99 14s. 11d. for bills, to be paid for on Monday, Tuesday, Wednesday, Thursday and Saturday of following week were accepted as about 25 per cent. of the amount applied for, and applications at higher prices in full. £90 millions of Treasury Bills are being offered on April 6. For the week ended April 8, the banks will be asked for Treasury deposits to the maximum amount of £100 millions.

## NATIONAL SAVINGS CERTIFICATES AND 3% AND 24% BOND SUBSCRIPTIONS (£ thousands)

| Week ended | N.S.C. | 3% Defence Bonds | 3% Savings Bonds | 24% War Bonds 1952-54 |
|------------|--------|------------------|------------------|-----------------------|
| Jan. 18    | 5,768  | 2,073            | 5,200            | 9,430                 |
| " 25       | 5,422  | 1,976            | 4,961            | 3,040                 |
| Feb. 1     | 5,255  | 1,923            | 5,779            | 7,384                 |
| " 8        | 5,311  | 1,950            | 5,125            | 7,565                 |
| " 15       | 4,744  | 1,024            | 5,119            | 5,243                 |
| " 22       | 4,982  | 1,584            | 4,047            | 3,594                 |
| " 29       | 4,496  | 1,613            | 3,649            | 6,131                 |
| Mar. 7     | 4,708  | 1,830            | 5,024            | 5,624                 |
| " 14       | 4,571  | 1,588            | 3,727            | 8,877                 |
| " 21       | 4,284  | 1,655            | 4,934            | 14,992                |
| " 28       | 5,565  | 1,776            | 22,288           | 52,8                  |

Totals to date. 105,806\* 673,484\* 1,507,797\* 31,136

\* 227 weeks. † 169 weeks. ‡ 30 weeks.  
Including all Series.  
Interest free loans received by the Treasury Mar. 28th amounted to a total value of £65.1 Up to Feb. 28th principal of Savings Certificate amount of £143,772,000 has been repaid.  
NOTE.—Small savings for the week ending Tuesday March 28th, do not include receipts during the "Sa the Soldier" week, owing to the time-lag necessary in the recording of sales.

## GOLD AND SILVER

The Bank of England's official buying price for remained at 168s. 6d. per fine ounce throughout week. In the London silver market prices per standard ounce have been 23s. 6d. for cash and for two months. The New York market price of fine silver remained at 44½ cents per ounce throughout the week. Below are the prices were as follows:—

| Date    | Gold      |           | Silver    |           |
|---------|-----------|-----------|-----------|-----------|
|         | Rs. a. p. | Rs. a. p. | Rs. a. p. | Rs. a. p. |
| Mar. 30 | 77        | 0         | 13        | 0         |
| " 31    | 77        | 0         | 13        | 0         |
| Apr. 1  | 72        | 13        | 13        | 8         |
| " 2     | 72        | 13        | 13        | 8         |
| " 3     | 71        | 13        | 13        | 0         |

## ACTUARIES' INVESTMENT INDEX

| Group and Number of Securities | Price Indices (Dec. 31, 1928 = 100) |                |               |               | Average Yields (Per Cent.) |               |
|--------------------------------|-------------------------------------|----------------|---------------|---------------|----------------------------|---------------|
|                                | Mar. 30, 1943                       | Sept. 29, 1943 | Feb. 28, 1944 | Mar. 30, 1944 | Mar. 30, 1943              | Feb. 28, 1944 |
| 21% Consols (1)                | 146-2                               | 140-4          | 141-3         | 140-4         | 3-05                       | 3-18          |
| Home Corps. (4)                | 143-8                               | 141-9          | 142-4         | 141-9         | 3-24                       | 3-27          |
| Ind. Debts, All (42)           | 122-1                               | 121-1          | 122-1         | 122-3         | 3-89                       | 3-86          |
| Ind. Pref. All (101)           | 112-3                               | 110-7          | 113-2         | 113-7         | 4-32                       | 4-27          |
| Insurance Cos. (10)            | 99-1                                | 107-3          | 108-7         | 111-1         | 4-20                       | 3-83          |
| Cotton (5)                     | 44-7                                | 50-9           | 47-1          | 46-5          | 3-19                       | 3-40          |
| Elec. Light & Power (16)       | 115-8                               | 115-1          | 118           | 117-4         | 3-04                       | 3-90          |
| Gas (8)                        | 91-0                                | 101-8          | 99-3          | 100-3         | 3-08                       | 3-69          |
| Iron & Steel (18)              | 66-6                                | 66-5           | 64-8          | 65-7          | 5-67                       | 6-00          |
| Oil (4)                        | 73-6                                | 92-5           | 91-4          | 92-8          | 3-25                       | 3-57          |
| Total Productive (90)          | 76-4                                | 80-4           | 79-0          | 79-4          | 4-52                       | 4-60          |
| Home Rails (4)                 | 71-8                                | 77-7           | 74-1          | 76-0          | 6-03                       | 6-17          |
| Miscellaneous (20)             | 69-2                                | 72-4           | 73-6          | 73-3          | 4-06                       | 3-90          |
| Industrials—All Classes (158)  | 74-9                                | 79-4           | 78-6          | 78-8          | 4-40                       | 4-43          |

## THE REVENUE

I.—AN ACCOUNT OF THE TOTAL REVENUE OF THE UNITED KINGDOM, in the undermentioned periods of the Year ending March 31, 1944, as compared with the corresponding periods of the preceding Year.

|                                                              | Quarter from Jan. 1 to Mar. 31, 1944, compared<br>with the corresponding Quarter of the preceding Year. |                                     |               |           | Estimate for<br>the Year<br>1943-44 | Year ending Mar. 31, 1944, compared<br>with the preceding Year. |                                  |               |             |
|--------------------------------------------------------------|---------------------------------------------------------------------------------------------------------|-------------------------------------|---------------|-----------|-------------------------------------|-----------------------------------------------------------------|----------------------------------|---------------|-------------|
|                                                              | Quarter ending<br>31 Mar.,<br>1943.                                                                     | Quarter ending<br>31 Mar.,<br>1944. | Increase.     | Decrease. |                                     | Year ending<br>31 Mar.,<br>1943.                                | Year ending<br>31 Mar.,<br>1944. | Increase.     | Decrease.   |
| ORDINARY REVENUE.                                            | £                                                                                                       | £                                   | £             | £         | £                                   | £                                                               | £                                | £             | £           |
| Land Revenue—                                                |                                                                                                         |                                     |               |           |                                     |                                                                 |                                  |               |             |
| Income Tax .....                                             | 599,315,000                                                                                             | 669,399,000                         | 70,084,000    | ...       | 1,175,000,000                       | 1,006,828,000                                                   | 1,183,583,000                    | 176,755,000   | ...         |
| Sur Tax .....                                                | 54,119,000                                                                                              | 55,690,000                          | 1,571,000     | ...       | 80,000,000                          | 75,358,000                                                      | 76,042,000                       | 684,000       | ...         |
| Estate, &c., Duties .....                                    | 24,464,000                                                                                              | 27,590,000                          | 3,126,000     | ...       | 100,000,000                         | 93,336,000                                                      | 99,466,000                       | 6,130,000     | ...         |
| Stamps .....                                                 | 4,810,000                                                                                               | 4,000,000                           | ...           | 810,000   | 17,000,000                          | 15,280,000                                                      | 17,740,000                       | 2,460,000     | ...         |
| National Defence Contribution .....                          | 10,150,000                                                                                              | 10,468,000                          | 318,000       | ...       | } 500,000,000                       | { 30,635,000                                                    | 33,446,000                       | 2,811,000     | ...         |
| Excess Profits Tax .....                                     | 93,857,000                                                                                              | 110,849,000                         | 16,992,000    | ...       |                                     |                                                                 |                                  |               |             |
| Other Inland Revenue Duties .....                            | 630,000                                                                                                 | 720,000                             | 90,000        | ...       | 1,000,000                           | 950,000                                                         | 968,000                          | 18,000        | ...         |
| Total Inland Revenue .....                                   | 787,345,000                                                                                             | 878,716,000                         | 92,181,000    | 810,000   | 1,873,000,000                       | 1,569,274,000                                                   | 1,877,913,000                    | 308,639,000   | ...         |
| Customs and Excise—                                          |                                                                                                         |                                     |               |           |                                     |                                                                 |                                  |               |             |
| Customs .....                                                | 116,060,000                                                                                             | 153,571,000                         | 37,511,000    | ...       | 525,320,000                         | 459,489,000                                                     | 560,832,000                      | 101,343,000   | ...         |
| Excise .....                                                 | 108,200,000                                                                                             | 123,805,000                         | 15,605,000    | ...       | 450,180,000                         | 425,300,000                                                     | 482,200,000                      | 56,900,000    | ...         |
| Total Customs and Excise .....                               | 224,260,000                                                                                             | 277,376,000                         | 53,116,000    | ...       | 975,500,000                         | 884,789,000                                                     | 1,043,032,000                    | 158,243,000   | ...         |
| Tor Vehicle Duties .....                                     | 22,040,000                                                                                              | 21,834,000                          | ...           | 206,000   | 25,000,000                          | 28,537,000                                                      | 27,294,000                       | ...           | 1,243,000   |
| adian Government Contribution .....                          | 2,627,000                                                                                               | 6,668,000                           | 4,041,000     | ...       | 400,000                             | 224,719,101                                                     | ...                              | ...           | 224,719,101 |
| at Office (Net Receipts) .....                               | 1,470,000                                                                                               | 1,560,000                           | 90,000        | ...       | 4,700,000                           | 12,377,000                                                      | 368,000                          | ...           | 12,009,000  |
| reless Licences .....                                        | 280,000                                                                                                 | 330,000                             | 50,000        | ...       | 1,000,000                           | 4,560,000                                                       | 4,750,000                        | 190,000       | ...         |
| own Lands .....                                              | 1,604,244                                                                                               | 1,913,745                           | 309,501       | ...       | 4,100,000                           | 1,060,000                                                       | 1,060,000                        | 60,000        | ...         |
| ceipts from Sundry Loans .....                               | 13,626,942                                                                                              | 19,086,284                          | 5,459,322     | ...       | 4,061,564                           | 6,455,118                                                       | 2,393,554                        | ...           | ...         |
| ellaneous Receipts .....                                     |                                                                                                         |                                     |               |           | 24,000,000                          | 90,533,118                                                      | 77,676,027                       | ...           | 12,857,091  |
| Total Ordinary Revenue .....                                 | 1,053,253,186                                                                                           | 1,207,484,009                       | 155,246,823   | 1,016,000 | 2,907,500,000                       | 2,819,850,783                                                   | 3,038,548,145                    | 469,525,554   | 250,828,191 |
|                                                              |                                                                                                         |                                     | £154,230,823  |           |                                     |                                                                 |                                  | £218,697,562  |             |
|                                                              |                                                                                                         |                                     | Net Increase. |           |                                     |                                                                 |                                  | Net Increase. |             |
| SELF-BALANCING REVENUE.                                      |                                                                                                         |                                     |               |           |                                     |                                                                 |                                  |               |             |
| Revenue Required to meet Expenditure<br>at Post Office ..... | 23,123,000                                                                                              | 22,032,000                          | ...           | 1,091,000 | 110,632,000                         | 102,523,000                                                     | 110,632,000                      | 8,109,000     | ...         |
| Total .....                                                  | 1,076,376,186                                                                                           | 1,229,516,009                       | 155,246,823   | 2,107,000 | 3,018,132,000                       | 2,922,373,783                                                   | 3,149,180,145                    | 477,634,554   | 250,828,191 |
|                                                              |                                                                                                         |                                     | £155,139,823  |           |                                     |                                                                 |                                  | £226,806,361  |             |
|                                                              |                                                                                                         |                                     | Net Increase. |           |                                     |                                                                 |                                  | Net Increase. |             |



(Continued from page 479)

that it will have to introduce a system of priority. Inquiries come from many different industries, such as textiles, steel, plastics, electricity, agricultural implements, aircraft, motor cars, pottery and flower nurseries. The sudden realisation of the possibilities of the film is a welcome reflection of the willingness of industry to adopt new methods, of the more progressive outlook that is essential if Britain is to remain in the vanguard of industrial nations. It will also give a useful fillip to the film industry.

### Shorter Notes

During the four weeks ended March 18, 1944, the average weekly output of coal was 3,637,800 tons, against 3,769,000 tons in the preceding four weeks and 4,013,700 tons in the corresponding period of 1943. Transport and other difficulties contributed to the loss of output, but last month the weekly loss of tonnage due to stoppages was 188,000 tons, or more than twice the loss for this cause in the previous period. The only district to qualify for the output bonus was Leicestershire. South Wales' percentage of standard tonnage was only 64.0 per cent. Production from opencast working averaged 108,300 tons a week. As a result of the fall in production the Ministry of Fuel and Power has had to impose further cuts on industrial users, amounting to 10 per cent for electricity and 25 per cent for gas.

A flat rate increase of 4s. a week to all adult male workers has been awarded by the National Arbitration Tribunals in

the case of the shipbuilding and engineering unions' claim for a substantial advance in wages.

The following table summarises the Exchequer returns for the financial year, and shows the respective shares of revenue and borrowing in meeting expenditure. It will be noted that the difference, amounting to nearly £2,773 million, between ordinary revenue on the one hand, and total expenditure (including sinking funds and debt repayments) on the other, was met as to £836 million by borrowing from the money market (i.e., by additions to the floating debt), compared with £785 million in 1942-43; £363 million by small savings (3 per cent defence bonds and national savings certificates), compared with £318 million; £1,559 million by other borrowing, compared with £1,705 million; and £15 million by miscellaneous receipts.

| £(000)                     |           | £(000)                       |           |
|----------------------------|-----------|------------------------------|-----------|
| Total Ordinary Expenditure | 5,788,421 | Total Ordinary Revenue       | 3,038,548 |
| New Sinking Funds          | 15,446    | Loans raised                 | 108,789   |
| Loans repaid               | 7,179     | 3% Def. Bonds (net)          | 400,168   |
| "Other Debt," External     | 7,179     | 3% Savings Bonds 1950-70     | 9         |
|                            |           | 24% Nat. War Bds. 1949-51    | 323,002   |
|                            |           | 24% Nat. War Bds. 1951-53    | 348,695   |
|                            |           | 24% Nat. War Bds. 1952-54    | 357,084   |
|                            |           | 3% Terminable Annuity        | 254,150   |
|                            |           | Nat. Savings Certs. (net)    | 118,583   |
|                            |           | Tax Reserve Certs. (net)     | 10,676    |
|                            |           | "Other Debt," Internal       | 309,987   |
|                            |           | Floating Debt (net)          | 111,980   |
|                            |           | Treasury Bills               | 420,500   |
|                            |           | Public Dept. Advances        | 14,992    |
|                            |           | Bank of England Adv.         | 383       |
|                            |           | Treasury Deposits            | 5,811,046 |
|                            |           | Miscellaneous Receipts (net) | 5,811,046 |
|                            |           | Decrease in Balances         |           |

# THE ECONOMIST

ESTABLISHED 1843

Vol. CXLVI No. 5251

REGISTERED AS  
A NEWSPAPER

APRIL 15, 1944

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

|                    |     |                          |     |
|--------------------|-----|--------------------------|-----|
| The Governor       | 489 | Willkie's Wake           | 500 |
| Freedom for France | 491 | Latin American Labour—II | 502 |
| Article Seven      | 492 | The Discount Market      | 506 |

|                   |     |                      |     |
|-------------------|-----|----------------------|-----|
| NOTES OF THE WEEK | 495 | LETTER TO THE EDITOR | 505 |
|                   |     | Irish Neutrality.    |     |

Odessa to the Carpathians; Replies to Molotov; Mr Eden and Mr Stettinius; Reorganisation in Italy; Miners' Decision; Looking Ahead; Civil Aviation; Russia and Finland; No Polish Paasikivi?; Schools and Schooling; Post-war Teachers; Responsibility for Industrial Progress; The State's Part; Defending Assam; Front Line Province; Agenda for the ILO; The International View; Absent Workers; Common Wealth in Danger; The City President.

|                 |     |                                                                                                                                                                                                                                                                                                                                 |     |
|-----------------|-----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|
| AMERICAN SURVEY | 500 | BUSINESS NOTES                                                                                                                                                                                                                                                                                                                  | 508 |
|                 |     | "The Bankers' Magazine"; Monetary Isolationism; Unit Trust Accounts; Canadian Pacific Costs; De Beers Assets; Oil Politics; Kaffirs and Gold Prices; More Treasury Bills; Training for Industry; The Blind in Industry; The Statistical Black-out; Coupon Capital; Ships' Tonnage; Unemployment Insurance; Fewer British Films. |     |

|                    |     |                                                                              |     |
|--------------------|-----|------------------------------------------------------------------------------|-----|
| THE WORLD OVERSEAS | 502 | COMPANY MEETINGS                                                             | 513 |
|                    |     | Latin American Trade Unionism—II; East African Sisal; Slovakian Anniversary. |     |

|                |     |                        |     |
|----------------|-----|------------------------|-----|
| BOOKS RECEIVED | 505 | RECORDS AND STATISTICS | 516 |
|----------------|-----|------------------------|-----|

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As at 30th June, 1943—General Bank Balances ... £287,573,348  
Savings Bank Balances ... 221,004,531  
Note Issue Department ... 149,496,942  
Rural Credits Department ... 2,464,150  
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| Calcutta            | Delhi      | Ellora   | Nakuru               | E.A.    |
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| Chittagong          | Karachi    | Tatlooin | Jinja                | Uganda  |
| Dar-es-salaam       | Lahore     | Zanzibar | Kampala              |         |
| Mwanza              | Tanga      |          |                      |         |
|                     |            |          | Tanganyika Territory |         |

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5th April, 1944.

## The Governor

THERE is a large element of personal misfortune in Mr. Montagu Norman's decision to withdraw his name from the election to the Governorship of the Bank of England that is to take place next week. Had Mr. Norman been re-elected, as was the intention until the last few days, he would not only have served his own twenty-fifth year as Governor, but he would have been in office on the 250th anniversary of the Bank's foundation and the 100th anniversary of the Bank Charter Act. That the longest and most influential Governorship in the Bank's history—from its internal point of view incomparably the greatest Governorship it has ever known—should be brought to an end by illness on the verge of such a coincidence of anniversaries as this is lamentable. The decision was Mr. Norman's own, on the advice of his doctors. There is no question that his colleagues would have been happy to re-elect him for another year. But the Governor (as for these last few days he may still be called) has often shown that he is no sentimentalist, and his departure will grieve the Company of the Bank of England more than it will disappoint himself.

There can hardly be any public figure of our times on whose career it is more difficult to express a single opinion. Mr. Norman is an unusual and many-sided character, and the judgment to be expressed will vary with

the angle of view. Foremost of all, he is a great personality. He has the secret, very rare in this or any other age, of combining a presence that imposes his authority on all around him with the utmost personal simplicity. He has what is usually called an old-world courtesy, and an entirely new-world impishness. No head of a great institution is more democratic in his habits or more autocratic in his policies. He has been the leading banker of his age, yet when in these last few days he was described as a poetic figure, those who know him felt that it was the *mot juste*.

It is, however, as a banker, not as a poet, that he must be judged. His quarter century of office has built up the Bank to a position it has never occupied before. The parallel with the physical reconstruction of its building is hackneyed but exact—the outer shell remains, but inside all is different. The Bank used to be an almost republican institution—a Venetian oligarchy of the best City families, with a Doge who was never left in office long enough to be more than a presiding official. Sovereignty then lay with the Court, and particularly with its Committee of Treasury—and that means that it was shared among the great merchant banking houses. After a quarter century of Mr. Norman's Governorship, all that is changed. The Bank is now a monarchy—or

perhaps a plebiscitary dictatorship would be the closer analogy, and Lord Catto would be the first to agree with the remark that the Bank now faces the familiar dilemma of what to do when the dictator departs. To an extent that previous generations would not have believed possible, Mr Norman has made himself the autocrat of the City. The perspective is too short to permit of a final opinion on the advantages or defects of this. It is equally difficult to say whether Mr Norman's pre-eminence has been due to a falling-off in the flow of outstanding talent to the great houses of the City or, as some would allege, to an impatience of rivalry which has tended to exile the more promising figures. But if one thing is reasonably clear, it is that the current judgments of his regime are strangely reversed. Mr Norman has never been popular with the Left (perhaps because articulateness is not among his virtues), while he is something of a hero to the Right. Yet the extent of central control that he has established over the financial mechanism of the country should have endeared him to those who believe in the conscious management of economic affairs; and those who hold to the doctrine that the business-man should be allowed to pursue his business, subject only to his own assessment of the risks, ought to see in Mr Norman one of the chief agents of the enemy. Whatever the final verdict is on this aspect of the Governor's regime, it is unlikely to be that which is fashionable to-day. Indeed, the future may say that he was the man who nationalised the City. There is, however, one ultimate test to which any banker's reputation can be submitted—has he retained the confidence of his customers? No other country in the world has passed through the storms and stresses of this last quarter-century without even a ripple of disturbance to the confidence of the public in the solvency and soundness of the banking system. The magnitude of this achievement is less apparent to us who have lived in financial security than to those who have suffered from distrust and disturbance. But the credit for it is very great, and the largest share should properly go to the presiding personality.

For all previous Governors of the Bank of England, this would be an end of the matter, for the preservation of financial soundness was the end of their duties. Mr Norman has had much wider functions thrust upon him; he has had to play the part of an economic statesman both in international finance and in industrial policy at home. His international policies have been much criticised, and it would be impossible to deny that there have been many mistakes. The two largest were the precipitate return not only to the full gold standard but to the old gold parity of the pound sterling, and the great assistance that was given to the rehabilitation of Germany. But the intentions, in both cases, were of the best, and there was not very much opposition to either policy until after it had been proved to be in error. And if the gold standard is to be held as a reproach against Mr Norman, he ought in fairness to be given full credit for the completeness of his conversion when once the mistake was proved. To-day the fundamental issues that underlay the gold standard controversy are once again under discussion, and the Bank of England is foremost among those whose voices are lifted in warning against premature commitments to rigid systems.

The case is similar with Mr Norman's German policy. It is easy to criticise now, in the light of events. But when the policy was initiated, it was not only universally acclaimed, it was also the right policy. The only tenable line of criticism is not that Mr Norman started on the road of rebuilding the financial structure of Europe, but that he did not withdraw from it, and reverse his policy, with sufficient promptness after Hitler's arrival on the scene. It is a valid criticism—but, in one form or another, it hits every section of opinion in the land. The Governor's international policies have unquestionably been unlucky, but before the judgment is passed that they were more than unlucky, it would be as well to wait and see whether the same problems are handled with any more success after this war.

It is in the field of domestic industrial policy that the

severest condemnation of Mr Norman's regime can be expressed. Here it was not a question of a generally approved policy striking a reef that was hidden when the course was set, but of a deliberate point of view being enforced in the face of repeated warnings. The Bank of England's great influence, overt and covert, has consistently been thrown on the side of the so-called, and misnamed, "self-government of industry." Under Bank leadership, one industry after another has been encouraged to organise itself in a tight association, to fix its prices, to protect its high-cost members, to scrap its "redundant" plant. The Bank of England has been one of the chief buttresses of the New Feudalism which has, of late years, usurped the place of economic policy. If the verdict of the future on Mr Norman's international policies is more favourable than the present day would pass, it is likely that economic historians in the future will say that his industrial policy did far more harm than his contemporaries realised. The all too general belief of the British industrialist that his profits should be protected by restriction rather than that they should be earned by efficiency and enterprise would never have taken so firm a hold if it had not seemed to be encouraged from on high.

For twenty years, the methods by which the next Governor of the Bank of England should be nominated have been eagerly canvassed. Yet nothing has been made known of the way in which Lord Catto's name was chosen. There are some unusual features in the appointment: Lord Catto is not at present a member of the Court, and has never been a member of its innermost circle, the Committee of Treasury. These facts, together with the circumstance that for the past four years he has been serving as adviser to the Chancellor of the Exchequer, might seem to suggest a Government nomination. But it would be very rash to leap to that conclusion, for there is certainly no one among the elder statesmen of the City who would be more acceptable to the Court than Lord Catto. The question of the succession has been fully discussed in recent years, and it has always been understood that Lord Catto was the candidate favoured by the Committee of Treasury and approved by their colleagues on the Court. It is probable that, on this occasion, the initiative came from the Bank, though with foreknowledge that the nomination would be acceptable to the Treasury. The question of who does the choosing when the Court and the Treasury have no joint candidate is thus as unresolved as ever.

It is no light thing to follow Mr Norman, and a certain sympathy will be mixed with the congratulations to Lord Catto. But, in the circumstances in which the vacancy occurred, it is an excellent choice. Lord Catto is enough of a banker to inspire confidence in the City, but enough of a merchant and industrialist to inspire confidence elsewhere, and he has had enough experience in the Treasury to understand the delicate nature of the relationships between Threadneedle Street and Whitehall.

It is no disrespect to the new Governor to say that his tenure of office is likely to be short. Lord Catto is 65, and his great service will be to keep the Bank in safe and strong hands while the guiding lines of its policy and position in the post-war world are being laid down. It is perhaps an advantage that the problem of filling the Governorship of the Bank should thus be kept not far from the forefront of public attention. After the war, a new start will have to be made in international finance, and an even newer start in domestic finance, for there it is not a question of merely doing more successfully what was unsuccessful before, but of working out a whole new set of principles and techniques for the rôle that finance will have to play now that the Age of Finance is dead. What is required is not a financial technician but an economic statesman—and, moreover, an economic statesman who has a clear view of the road he wants to travel. He must, almost necessarily, be a young man, or at least not wedded to orthodoxies which may be of little relevance to the problems of the next few decades. There are very few posts in the country to the filling of which so much careful thought should be given.

## Freedom for France

WITHIN a few weeks, British and American troops will be landing in France to play their part in the country's liberation. They will be launched on an enterprise that will affect profoundly the future of the French people and of their relations with Great Britain and the United States. It is not necessary to underline the importance of the decisions and policies which are to guide their intervention, and it would be reassuring to know that Frenchmen between themselves and the Allies between each other had reached agreement on the course their collaboration is to take. Unhappily the evidence is all the other way. The divisions between General de Gaulle and General Giraud have flared up again at this eleventh hour; and it is difficult to believe that much progress has been made in determining the Allies' joint policy, since it remained in doubt until barely a week ago whether the Americans would negotiate with the French Committee of National Liberation at all.

The time is desperately short, yet the right decisions must be reached. The invasion of Italy has shown that an invasion followed by protracted land fighting must worsen a country's economic position. All France is short of food, and in some areas, even on Vichy's showing, the shortage is near to real famine. Invasion, fighting, the dislocation of transport will for a time make all this worse. The Allies cannot avoid it. But the example of Italy has also shown that there are a number of things they can avoid.

Reports of the fixing of the French exchange rate at 300 francs to the pound have been officially scouted. Even the 200 rate in North Africa caused difficulty enough. If on top of an inflated rate, American and British soldiers were to enter France in possession of spare money and to engage, as they did in Italy, in spite of all efforts to the contrary, in a local competition to corner supplies and send prices rocketing up, then the arrival of the liberating army would be the signal not only for unavoidable evils but for a gross and perfectly avoidable attack on the living standards of France, which in all conscience are pitiful enough. It is imperative that the liberating troops should not appear to the French as worse despoilers than the Germans. In concerting their economic plans, the Allies should agree on a reasonable exchange rate, on a very reduced rate of pay to soldiers—more deferred credits could be introduced—on strict rationing and price control in each zone as it is liberated, and, as soon as shipping and transport are available, on an immediate despatch to France of goods to meet some of the people's basic civilian needs.

In the political sphere, there is little to be learnt from Italy, because there is no parallel between the two coun-

tries. Italy is enemy territory; any government there—democratic or dictatorial—must be under the authority of the occupying Powers until the final peace is arranged. But France is an Ally. There can be no political control by the occupying forces apart from immediate authority in the actual fighting zones. To suggest any other course than the transfer of full civil authority to Frenchmen would be fiercely resented by the French people who, after four years of slavery and forced co-operation, probably feel more strongly on the matter of sovereignty than any other European nation. Nor have the British and the American governments any other aim than to restore full sovereignty to the people of France. The civil administration behind the fighting lines can only be the responsibility of the French.

The difficulty lies in the fact that while the National Committee is the only possible claimant of authority possessing the support of most Frenchmen and sufficiently organised to give it the technical competence for the task, the British and the Americans feel some hesitation in accepting the claims of the Committee and some apprehension about the results. Some of these hesitations can be dismissed as unfounded and unworthy. There is nothing to gain and everything to lose—politically as well as militarily—by any toying with the idea of an understanding with Vichy or another deal on the Darlan model. Ever since President Roosevelt suggested that the Commander-in-Chief should use his discretion in deciding with which civilian authority he would deal after the invasion, rumours of a "deal" have been abroad. Mr Cordell Hull has fortunately put a stop to them by giving *de facto* recognition to the National Committee's claim to control the civil administration.

Not all the hesitations about the National Committee come from the supporters of Vichy or the anti-democrats. An entirely different and very serious difficulty springs from some of the actions of the Algiers Administration itself. Many sincere friends of France, who look on the restoration of full sovereignty to the French people as a solemn trust, wonder whether in giving unequivocal support to the claims of the National Committee they are not helping to forge new chains for the unhappy French. Many people fear the personal ambitions of General de Gaulle and they are the opposite of reassured when Frenchmen interpret their fears as an insult to France. This is the very atmosphere of the leadership *mystique*. Recent events have not done much to lessen these apprehensions. Political censorship has grown stricter in Algiers and political control has been extended to the French news agencies. The newspaper *Combat*, mouthpiece of the most enthusiastic personal



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supporters of General de Gaulle, has published an ominous attack on what it is pleased to call "dissidents"—Frenchmen who, although opposed to Vichy from the first hour, have never given personal allegiance to the General, among them such distinguished Frenchmen as the editors and staff of *France*, of *France Libre*, and of the *Agence Indépendante Française* (now in abeyance since its members would not accept the political control of Algiers), and many of the regular French broadcasters at the BBC. Of these men, *Combat* makes the astonishing statement that they are worse traitors than "repentant Vichyites." Can this mean anything but that fidelity to General de Gaulle is to be the hallmark of patriotism, not fidelity to France?

These disturbing events might be dismissed as irresponsible ebullience in the "lunatic fringe" at Algiers. It is much more difficult to interpret the actions of General de Gaulle himself. There may have been a good military reason for abolishing the post of Commander-in-Chief at this point. The French army will not fight as a single whole, and different generals will lead their units in different sectors under the overriding authority of General Eisenhower. But this military reason does not explain why General de Gaulle chose this moment to have himself made "Chief of the Armies," to put in one of his warmest personal supporters as civilian Minister for War, and to carry through the move without consulting either General Giraud or the Assembly. He has achieved a concentration of military and civil power which good French Republicans have always looked on as politically dangerous, and he has done so regardless of the fact that he used the desirability of separating military and civil power as his excuse for excluding General Giraud from the National Committee last November. In these circumstances it is not surprising that many people interpret his move as an attempt to exploit the Second Front emergency in order to secure a supreme concentration of power in his own person.

If these fears are justified, does it follow that the British and American Governments are right in withholding full recognition of the Algiers Committee? Is the best course to adopt the line proposed by Mr Cordell Hull—a *de facto* recognition of the National Committee's authority with the proviso that it must be exercised under the control or supervision of the Commander-in-Chief? On the face of it, it may seem that this is the best compromise. Yet it is really an impossible one. Any intervention by the British and Americans in the conduct of civilian affairs in France after the invasion will be used not to moderate but to justify any personal ambition to power which General de Gaulle may have. Nothing could better justify a concentration of power, a state of siege, a continued emergency, than the charge

that France's allies were trying to limit the sovereignty of the French people. Thus, by an apparent paradox, the surest way for the British and American Governments to control what they fear may be General de Gaulle's dangerous ambitions is to give the Committee full recognition as a provisional government and to hand over to it the civil administration of France without reservations save that the Assembly be consulted in all matters of policy. Responsibility will then be squarely fixed. There can be no resorting to criticism of Allied interference to cover doubtful political manoeuvres. The record of the Committee will have to speak for itself without a shadow cast by extraneous authority. French public opinion will know with whom it has to deal, and the future of French democracy will lie in the only place where it can lie—in the hands of the French people themselves.

The British and American Governments can impose conditions in the military zones. They can choose, up to a point, the French officers who will work with them. They can also in any zone dissociate themselves from actions—for example, the banning of political activity, the indiscriminate rounding up of suspects, political censorship—which the French civil authorities may introduce. But direct intervention will have the worst, not the best, results. In this matter confidence must be placed in the people of France. For four years they have lived under the worst conditions of political servitude. When liberation comes, can it be imagined that they will willingly exchange one servitude for another? Democracy in France must ultimately depend on the desire of the French to have a democratic society. It is hard to believe that the flame of freedom is spent. The danger is that the Allies, in trying to shield it, may blow it out.

Yet they need not be reduced to a completely passive rôle. Through broadcasting, through literature and the Press, through personal contacts, through the choice of representatives they send to France, they can help the French to realise democracy by making them see that democracy is what the world expects of France. A great people cannot be guided or coerced into a new way of life; but they can be challenged into it. Once the British and the Americans have recognised unequivocally the authority of the National Committee and can no longer be accused of wishing to foist their own authority on to France, they will be free to be much more candid in their comment and criticism of the French authorities and much more ready to underline any deviation from the way of freedom. At the moment the Americans and the British have the worst of both worlds. They do not recognise the Algiers administration and they dare not criticise it. The right course now, on the eve of invasion, is full recognition, full co-operation and the most candid and critical appraisal of the results.

## Article Seven

THE so-called Master Agreement between the British and American Governments, regulating the conditions on which Lend-Lease assistance was provided, was signed on February 23rd, 1942. Its famous Article Seven reads (with some simplification of purely formal language) as follows:—

In the final determination of the benefits to be provided to the United States of America by the Government of the United Kingdom in return for aid furnished under the Lend-Lease Act, the terms and conditions thereof shall be such as not to burden commerce between the two countries, but to promote mutually advantageous economic relations between them and the betterment of world-wide economic relations. To that end, they shall include provision for agreed action by the United States of America and the United Kingdom, open to participation by all other countries of like mind, directed to the expansion, by appropriate international and domestic measures, of production, employment and the exchange and consumption of goods, which are the material foundations of the liberty and welfare of all peoples; to the elimination of all forms of discriminatory treatment in

international commerce and to the reduction of tariffs and other trade barriers; and, in general, to the attainment of all the economic objectives set forth in the Atlantic Charter.

At an early convenient date conversations shall be begun between the two Governments with a view to determining, in the light of governing economic conditions, the best means of attaining the above-stated objectives by their own agreed action and of seeking the agreed action of other like-minded Governments.

It is no secret that negotiations have been going on about the implementation of Article Seven for some time past. The Chancellor of the Exchequer told the House of Commons as recently as last month that no decisions had been taken, or would be taken, until the House had had an opportunity of debating the subject. But it is reasonable to suppose that conclusions are beginning to emerge, and that the agreement is taking shape. What is more, it is possible from the reports that are available and the rumours that are afloat, to piece together a picture of what is contemplated which may

not be correct in detail but is probably accurate in outline.

On the currency side, it would seem that the compromise achieved follows the main structure of the original American plan much more closely than that of the British. The proposal of an international bank creating international credit and issuing it on overdraft to countries with deficits in their balances of payments has been rejected. Instead, there is to be an international stabilisation fund subscribed to by the participating countries. The amount of this fund will probably be in the region of \$8 to \$10 billion; but it should be remembered that the effectiveness of the fund will be limited by its holdings of the currencies that actually prove to be in short supply. If it is dollars that turn out to be needed, then the fund's holdings of dollars (plus its holdings of gold) will determine the amount of assistance it can give to deficit countries. Though the main principle of the American proposal has been accepted, it will probably be found that some of its rigidities have been modified—for example, to permit the depreciation of member currencies by not more than 10 per cent of their value in gold at the inception of the fund. The whole scheme is designed to come into force, not immediately, but after a delay of some three years from the cessation of hostilities.

### Trade Prospects

On the trade side, the precise tenor of the proposals is more difficult to predict. There have been two main American contentions: that interferences with trade other than reasonable protective tariffs—that is, in particular, quota regulations, bulk purchases and the like—should be forsworn; and that all forms of commercial policy, whether tariffs or quotas, should be non-discriminating—that is, that all countries should be treated exactly alike. Of these two contentions, it is the second that is the stronger, and it will probably be found that the agreement, while setting limits to the permissible use of quotas, bulk purchases and the like, does not ban them completely, but that it is very strongly opposed to any form of discriminatory treatment—that is, treating American goods in any way worse than the goods of any other country. In American eyes, the Dominions are separate countries, and it will probably be found that the agreement severely limits imperial preferences. There will be provisions for securing that import quotas do not confer, by a back door, the preferences that are banished from the tariff list. Bulk purchasing also, to the extent that it is tolerated, must be non-discriminating in its effect—that is, the same terms must be offered to all suppliers. And it will probably be made clear that the most mortal of all commercial sins is for a country to use its bulk purchases as a means of securing favoured treatment for its goods in the selling country. In short, and to be blunt, Great Britain will be expected to abstain from any use of its importing power to expand its exports.

It will be surprising if the agreement, when it emerges from the long period of gestation, does not also incorporate a number of American concessions. Thus some reductions in the American tariff would seem to be in order—though it remains to be seen whether any reductions will be offered on the important items and whether the reductions are to be made without "reciprocal" reductions on the other side. And the American case against discrimination would clearly not apply, and would have to be suspended, if the United States failed to bring its balance of payments into reasonable equilibrium. If the supply of dollars is below the world's demand, they must perforce be rationed, and the rationing can hardly fail to discriminate against purchases from America. It would be wrong to suppose that there will be no concessions of this nature in the agreement. But in general it is not unfair to say that the British Government is contemplating the acceptance of about three-quarters of the American thesis both on currency and on commercial policy, and that the acceptance will be made without conditions as to the circumstances of its coming into

force, save only for a specified short period of transition.

Any such agreement, if entered into, will be a far-reaching commitment and clearly deserves the most careful weighing of the arguments, which are many and complex. It is unlikely that such an agreement between the United Kingdom and the United States would be very welcome to the Dominions, except perhaps to Canada, whose position is admittedly difficult and delicate. But, with all that is at stake, Dominion doubts should not by themselves be decisive if an agreement on these lines meets with the approval of opinion in the two metropolitan countries. Opinion in this country will not be unanimously favourable. The National Farmers Union will not be pleased by any limitations on the right to impose quotas; nor the Federation of British Industries by any restriction of the tariff-making power. Those who conceive of export policy in terms of high-pressure horse-trading or market-protecting cartels will not like any prohibition of bilateral bargains. The Socialists love bulk purchasing for its own sake, and the Empire Free Traders of the Beaverbrook Press will be outraged by any interference with the sacred cow of imperial preference, or indeed by anything that smacks of internationalism or of "Cobdenite shibboleths." With this grand confederacy of vested interests there will, of course, be not an atom of sympathy among those whose eyes are fixed on the good of the common purpose. Indeed, if this were all that were to be said about the matter, one would rejoice that the New World had once more been brought in to redress the balance of the Old and that the powerful reinforcement of American policy had intervened in the struggle against the whole restrictionist crew and all their works.

But this does not exhaust the matter. In recent discussion of the place that international trade should occupy in the economic system, the old clear-cut distinction between those who would "liberate" and those who would "restrict" is coming to be seen as too simple. There are two possible ways in which the problems of international trade can be approached. One school of thought assumes that the possible volume of international trade—the demand in all countries for goods produced in other countries—is determined by an act of God. It therefore concentrates its attention upon making sure that the actual volume of trade comes as close as possible to reaching the potential maximum, and that all the competing suppliers have an equally fair chance. To this school of thought, the ultimate aim is to abolish "restrictions" and discriminations; such abolition is all that mankind can do to increase the flow of trade.

The second school of thought, which has been growing up in recent years, refuses to accept the doctrine that the economic environment cannot be controlled. Within each country, the aspiration after Full Employment is, in essence, a determination to see that the National



Income is raised to, or close to, the potential maximum and stabilised there. The corresponding international policy is to expand what can be called International Income and, so far as possible, prevent it suffering from sudden relapses of the 1929-32 variety. According to the more old-fashioned views, a country was to be judged not by its success in maintaining the volume of its foreign trade but by the resolution with which it adhered to low and non-discriminatory tariffs even at the bottom of a severe depression in its foreign trade—the depression being, of course, a visitation for which it was not responsible. Virtue was measured by the degree of resolution in adversity, not by success in avoiding it. By this reckoning an America which, in 1934, bought only \$1,655 million from abroad, but was reducing its tariffs, was doing more good than an America which, in 1929, bought as much as \$4,399 million but was in the course of enacting a higher tariff. The newer school of thought holds that the volume of trade—that is, the amount of mutual employment provided—is by far the most important criterion of policy.

### Trade and Employment

Unfortunately, the practical measures of policy that a Government will take if it is pursuing one aim will not necessarily advance the other. There are, indeed, circumstances in which the two coincide, and that is when there is reasonably full employment in all the chief trading countries. Then, all that is necessary to attain the potential maximum of international trade is to remove all the obstructions. Then, the insistence upon exactly equal terms for all traders runs no risk of preventing any trade-creating bargains. Unfortunately, these circumstances are rare, and when they are not present it is all too likely that the pursuit of one aim will obstruct the other. For example, rigid insistence on non-discrimination rules out any attempt to build up specific mutual exchanges. If Country A and Country B are able to make an exchange of, say, antimony against bauxite, the principle of non-discrimination would prevent them from doing so unless A is also prepared to buy bauxite from C, and B to buy antimony from C, on the same terms as they offer each other, irrespective of whether C is prepared to buy anything at all from either of them. In these circumstances the bargain cannot be struck and the trade cannot be done.

In conditions of trade depression, it is possible for the mere removal of restrictions on trade to have the paradoxical effect of reducing the volume of trade. For the removal of restrictions will not affect imports and exports equally. There may be a large increase in imports and a huge deficit in the balance of payments. This, in itself, will create unemployment. And since, under this system, the only way by which a country can adjust itself to a heavy deficit is by reducing its internal costs, there may be a still further induced reduction in the National Income. It is, after all, not so complete a paradox that the absence of restraints reduces the volume of trade. The brakes of a motor-car can be used to prevent it from moving; but it is also true that a car that is equipped with brakes can be driven not only faster, but at a less variable speed, than one that is brakeless.

There is, then, an unavoidable dilemma between the two possible objects of a policy for international trade—the object of removing controls, and the object of maximising the volume of trade passing—except when reasonably full employment prevails in the countries chiefly concerned. If that condition does not prevail, a choice must be made. Nor does Article Seven give much guidance on the choice. For it enjoins on the signatories the pursuit both of "the expansion . . . of production, employment, and the exchange and consumption of goods" and also of "the elimination of all forms of discriminatory treatment in international commerce and the reduction of tariffs and other trade barriers." It would be as wrong to ignore the first sentence as to disregard the second.

The criticism that can be made of the undertakings

into which the British Government are about to enter should now be clear. If full employment is to prevail both in the United States and in Great Britain, then the criticism should be that the British representatives have not gone far enough in accepting the full milk of the "liberationist" doctrine. In those circumstances there will be no need for any vestiges of preference or quota restrictions or of bulk purchasing. But if full employment is not to prevail, they have gone far too far and have seriously hampered the use of the weapons that would be necessary to defend the British National Income against a world-wide depression. It would be far better to accept 100 per cent of the American thesis, subject to the circumstances in which the agreement was to be applied, than to accept 75 per cent unconditionally.

It is impossible to feel very happy about the prospects of full employment in the United States. He would be a rash man who would prophesy with absolute assurance that it will be attained in Great Britain. But America is at a threefold disadvantage as compared with Britain. First, the American problem is far greater: the output of the American economy is now more than 50 per cent higher than in any peacetime year, which means that the total of civilian demand will have to be increased by roughly half and then kept at this figure if there is not to be mass unemployment. Secondly, there is a substantial theoretical and practical agreement in this country on the methods to be pursued in maintaining the volume of effective demand; in America, all is still controversy. And, thirdly, there is an accepted administrative machine in this country to carry the policy out; in America, the machinery, in so far as it exists at all, is the object of violent political attack. No Englishman should be so very foolish as to look forward with any pleasure to the possibility of a post-war depression in the United States. But no Englishman can banish that possibility from his mind, nor should any British Government fail to take such precautions against the eventuality as it can.

### A Plea for Delay

The plea that is made here is thus a double one. On the one hand, as a long-term proposition, let there be an even more far-reaching agreement upon the principles of untrammelled and non-discriminating movement of commerce and finance—and of human beings too. But let the application of these principles be deferred until it can be seen whether the conditions are going to be created in which they would do more good than harm. In the intervening period, let the British Government retain its freedom of action to join with any other country in concerting a policy for the maintenance of trade and income. There are good prospects of building up a substantial grouping of countries pledged to this object and assisting each other in its attainment. Not only the countries of the sterling area but also many of the European countries will look to Britain to give a lead; it will be a tragedy if the lead cannot be given. It goes almost without saying that access to this group should be open to any country that shares the objects and is prepared to meet the conditions. It would be aimed at no country; on the contrary, it would benefit the whole world. It is surely far better to apply the principles of liberated trade in a limited area where the conditions of successful working can be created than to compromise them all once again (this time, perhaps fatally) by insisting on imposing them in a wider arena where the stage has not been set.

This plea for delay can be made in all sincerity from the British side. For it arises not out of any opposition to the principles that have, in recent years, met with such support in Washington, but out of solicitude for them. It comes not from any rejection of Article Seven, but from a desire to see the whole Article implemented. Once before, after the last war, the mistake was made of rebuilding a complex and rigid structure before the foundations had stopped heaving from the earthquake. Some of the voices that cried out most loudly against that mistake are now, by an ironic chance, most in favour of making it again. They were right the first time.

## NOTES OF THE WEEK

### Odessa to the Carpathians

The centre of gravity on the Russian front has shifted to the Roumanian sector. While General Malinovsky's armies have taken Odessa and are now swinging southwards into the coastal regions of Bessarabia; Marshal Konyev's forces have approached Jassy and crossed the Sereth, forty miles to the west of Jassy. The right wing of Marshal Konyev's forces will soon skirt the eastern slopes of the mountain range along which they may drive southwards towards Galatz. To the east of the Pruth, General Malinovsky's forces will move in the same direction. On the Galician side of the Carpathians the Russians reached the former Czechoslovak frontier to the south of Kolomea, and the Czechoslovak flag was hoisted again in the Carpathians five years after Hitler's march into Prague. A call to arms was issued to the Ruthenians on the other side of the mountains, and the Czechoslovak Government announced that a delegation would go to the freed territories in order to restore Czechoslovak administration. All this seems to indicate that Marshal Zhukov really intends to force the Carpathian passes and to strike at Hungary. Should he succeed in this, then the German forces in Roumania will find their defence lines in the Carpathians and Alps turned from behind, and they will consequently be compelled to retreat across the Hungarian plain towards Austria. The risks of such a daring stroke have since been emphasised by the successful German counter-stroke at Buczacz and Skala. Not only did the Germans succeed in rescuing the remnants of their divisions encircled at Skala, but they also created a threat to Marshal Zhukov's left wing near the Czechoslovak frontier. The next days will show how Marshal Zhukov will dispose of that threat.

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### Replies to Molotov

Mr Molotov's statement of Russian intentions towards Roumania has not yet met with any open response in Roumania itself—though it has almost certainly allayed anxieties there, and stimulated the wish for peace. In an interview with a Roumanian press agency, Ribbentrop has, understandably enough, tried to restore the Bolshevik bogey, so skillfully knocked down by Mr Molotov. He spoke of the Bessarabian gate to Europe and promised that Bucharest would be defended as stoutly as Berlin. But other German commentators have been preparing the public for a further German withdrawal to the Carpathians and the Transylvanian Alps. The most striking—and positive—response to the Molotov statement has come from Mr Gafencu, who was Foreign Minister in Calinescu's Government and later in Roumania's ambassador in Moscow until June, 1941. In a statement published by the *Journal de Genève* Mr Gafencu declared:

The Roumanians feel themselves to be brothers of all the oppressed, of Belgium and Norway, as of Greece and of Serbia. Words like these of Molotov can allay certain natural apprehensions and make Roumanians entertain the possibility of a reconciliation which is both desirable and necessary. Mr Gafencu is now in Switzerland; but he is not a political refugee. His relations with the Antonescu Government, as well as with the Roumanian Peasant Party, of which he once was a member, seem still to be friendly. Thus his statement throws some light on the reports that a peace mission, including Antonescu himself, has left for Moscow.

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### Mr Eden and Mr Stettinius

It seems that, after all, the reports of Mr Eden leaving the Foreign Office represented not pressure from without but his own desire to desert foreign politics for home affairs. Why he should choose this moment for such a move is difficult to understand. For four years he has been in charge of the conduct of British foreign policy. For part of this time, it is true, military events have jostled out normal diplomatic exchanges. Now, however, with victory in sight, the emphasis is returning to diplomacy. The

importance of foreign affairs will grow. The responsibilities of the Foreign Secretary, and with it his influence and prestige will grow to the same degree. Mr Eden's desire for withdrawal does not fit in very well with the great political future forecast for him. However, he has decided to stay and risk the grandeur and servitude of the Foreign Office. He will conduct the negotiations with Mr Stettinius. The present Anglo-American talks will cover specific issues—policy towards France and towards the neutrals—and the wider questions of post-war world order. Final agreement cannot be reached without consulting Russia and the other European neutrals, and it is to be hoped that at this early stage Mr Eden and Mr Stettinius will make use of the joint machinery set up at Teheran. There will be more chance of full agreement if the Russians are brought in early in the negotiations and all suggestion is avoided of an Anglo-American *fait accompli*.

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### Reorganisation in Italy

Many weeks of negotiation—between Britain, America and Russia, between the Italian king and the political parties and between the parties themselves—have ended in what may be taken to be a truce, an interim agreement in which all are prepared for the time being to acquiesce. When Rome is occupied by the Allies, the King will withdraw from public affairs and the Crown Prince Umberto, as Lieutenant of the Realm, will take over all his duties. At the same time, presumably, Marshal Badoglio's Government will be strengthened by the inclusion of representatives of all the Italian parties. As a provisional arrangement, this distribution of political power seems the one most calculated to give Italy a reasonably steady transition from war to peace. This being so, the question may be asked: why postpone the advantages of greater political stability until the retaking of Rome? The decision to postpone all these major changes must inevitably put political pressure on Allied strategy in Italy. The decision to take or not to take Rome should be decided on military grounds alone, and the strategic planning should not be bedevilled by political hopes or disappointments. The political reorganisation ought to take place at once and the taking of Rome be left to the Allied commanders.

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### Miners' Decision

The special delegate conference of miners, which met in London on Wednesday and Thursday, has given the leaders a vote of confidence and a mandate to enter into a final settlement of the Government's wage plan. This plan had been in serious danger of being lost. Although the Executive of the Mineworkers' Federation recommended the acceptance, most of the districts voted against it, mainly on the basis of local objections, and the position until this week was one of deadlock. The miners' decision means that the plan will now go through roughly as it stands, but that the Executive will have a free hand to negotiate on certain points. There was nearly a last-minute hitch over the position of skilled workmen, who did not benefit from the Portal Award. (This term is distinct from "skilled craftsmen" who are to receive 1s. a shift increase: it includes such men as rippers, roadmen, machine-minders and certain types of enginemen). Mr Bevin gave an assurance that the Government would meet the cost of the adjustment—which has been estimated at about £1½ million. He emphasised, properly, that the cost must ultimately come from increased output, and not fall on the public. It would be rash to prophesy that there will be peace throughout the coal industry, but this week's meeting has certainly cleared the air and the prospects of peace are at least better than they have been for a long time—the Yorkshire miners have all resumed work. The next stage, on the miners' side, will be the setting up of a national union in place of the loose district federation. For the industry as a whole, the need has become more pressing than ever to bring about the reorganisation, without which high output cannot be secured, nor a high level of wages maintained.



## Looking Ahead

A glance at the number and scope of industrial disputes after the last war proves the critical importance of putting labour relations on a sound economic footing when this war is over. Then, as in this war, a comprehensive system of industrial arbitration and conciliation had been introduced during the war with a view to preventing stoppages in wartime and making them needless in peacetime. The following table shows how disastrously hopes were belied.

INDUSTRIAL DISPUTES 1913-1922.

| Year | Number of Disputes Beginning in the Year | Total Number of Work-people involved | Aggregate Duration in Working Days of all Disputes in Progress during the Year |
|------|------------------------------------------|--------------------------------------|--------------------------------------------------------------------------------|
|      |                                          | (000's omitted)                      | (000's omitted)                                                                |
| 1913 | 1,459                                    | 654                                  | 9,800                                                                          |
| 1914 | 972                                      | 447                                  | 9,880                                                                          |
| 1915 | 572                                      | 448                                  | 2,950                                                                          |
| 1916 | 532                                      | 276                                  | 2,450                                                                          |
| 1917 | 730                                      | 872                                  | 5,650                                                                          |
| 1918 | 1,165                                    | 1,116                                | 5,880                                                                          |
| 1919 | 1,352                                    | 2,591                                | 34,970                                                                         |
| 1920 | 2,607                                    | 1,932                                | 26,570                                                                         |
| 1921 | 763                                      | 1,801                                | 85,870                                                                         |
| 1922 | 576                                      | 552                                  | 19,850                                                                         |

Thus, the number of days lost by disputes in 1919 was six times those lost in the worst full war year, 1918; and the number of days lost in 1921 was fourteen times more than in 1918. (In this war from August, 1939, to August, 1943—four years—only 4,761,000 working days were lost by stoppages.) Thus, after 1918, the apparatus of arbitration was completely helpless in the post-war situation. Two factors were mainly responsible. One, the relief from wartime discipline, will be present again this time. Whether the other, and more fundamental, will be present, depends upon the wisdom of economic policy; it depends upon whether post-war industry will be capable of supporting the wage structure which it will take over from the wartime period. Only if, on the financial side, both deflation and inflation can be avoided, and if, on the industrial side, industry can be made efficient by a deliberate programme of re-equipment and reconstruction, can the same grievous aftermath of labour troubles be avoided. At this moment, therefore, it is not simply a question of stopping strikes by appeals and threats—essential though this is. It is a question also of planning at once to provide the industrial and economic conditions in which industry can be efficient and prosper, in which employment can be maintained, arbitration and conciliation can work, and industrial peace can be preserved. There could be no better starting point for such a positive policy than the coal industry, which, with transport, was the centre of post-war trouble twenty-five years ago.

## Civil Aviation

The talks between the American and British Governments on international civil aviation led to a communiqué announcing a sufficient basis of agreement for further consultations, and to a press conference in which both sides claimed to have made concessions—but to little hard news about the subject-matter of agreement or disagreement. These talks were preceded by the Commonwealth conference of last October, and are to be followed by similar conversations with the USSR and other interested powers. This is a slow and unspectacular method, but there is a wealth of experience to demonstrate the wisdom of working out a fair measure of agreement before summoning a public conference. From what has been said and from what can be guessed, it would seem likely that both the British and the American Governments would be ready to recommend to other countries that they should adopt the Right of Innocent Passage for civil aircraft, with the additional right of making "technical stops"—that is, that civil aircraft should be allowed to fly over every country and to land for the purpose of taking on fuel, etc., but not of receiving or discharging payload. This principle, if agreed upon, would automatically solve the difficulty of the bases that have been constructed by American efforts under other flags than the American. It is also probable that there is agreement on the desirability of preventing "wrecking" subsidies, while acknowledging the necessity of subsidies for some routes. The "conference" system, which has worked well in connection with shipping rates, might be applied in the air. On the other hand, there are still points of disagreement. One is on the extent of the functions, if any, that might be given to an international authority.

Neither Government wants such an authority to operate either aircraft or airfields, but the British Government is apparently willing to see it go much further in the creation of standards for safety regulations, pilots' qualifications, navigational aids, etc., than the American. The largest point of difference is probably over the allocation of traffic. The British thesis is that the number of flights along a route should be regulated and divided among the participating nations, either equally or on some other basis of allocation. The American thesis is that, once a route is opened, it should be operated under competitive conditions. These attitudes correspond, of course, to deep-seated national interests. The Americans, with a large domestic industry protected from foreign competition, are naturally interested in the maximum freedom for international lines. The British, less concerned with the relatively small volume of domestic business, are naturally unwilling to abandon the advantage that their wide dispersal of potential bases gives them. Other countries—Russia in particular—also have their own interests to protect, and an Anglo-American agreement, even if it were complete, would be a long way from a world-wide agreement. But at least the area of common interest is slowly growing, and the means of reconciling divergent interests are beginning to emerge.

## Russia and Finland

Negotiations between Finland and Russia have now entered the stage at which not only armistice terms, but also the conditions of a peace settlement are being discussed. This in itself is encouraging, because it shows that both sides mean business. The Russians are reported to have modified their original terms for an armistice. They no longer demand the internment of the German forces in Finland, but their "isolation." The demand that the Finnish army should withdraw to the 1941 frontier has also been changed insofar as the withdrawal is to be effected gradually over a period of four months up to the end of July. The reports about the proposed peace terms contain several new features. The Russians seem to have made it clear that no complete disarmament will be demanded from Finland. After a gradual demobilisation Finland would retain an army of normal peacetime size. Bargaining is still going on about the boundary terms. The Russians now agree to give up the claim to Hangoe island, which was leased to Russia in 1940 in exchange for the Petsamo area. They have, however, not agreed to return Viipuri to Finland. The territorial dispute is clearly one of the chief reasons why no agreement seems likely to be reached. Another even more important reason is the Russian demand for reparations, said to amount to £150 million, to be paid in kind over a period of five years, at the rate of £30 million a year. The extent to which such annual payments would burden Finland's economy is shown by the fact that they are equivalent to about three-quarters of the total value of Finnish exports before the war. Even if the payment were extended over ten years instead of five, the burden would still be great enough to make the Finnish Government hesitate. This is the first instance of the difficulties involved in the problem of reparations after this war. Significantly, Swedish public opinion, which has urged the Finns to accept the Russian terms, is nevertheless highly critical about the demand for reparations. Professor Cassel has published an appeal to the Russians asking them to withdraw this demand. The Finnish Parliament has met again to consider the new terms and, at the time of going to press, the chances of acceptance do not seem bright.

## No Polish Paasikivi?

The Polish Government has announced that the Polish military organisations in some parts of eastern Poland have established contact with the Soviet forces and that, in these places, Poles and Russians are now cooperating in the fight against the Germans. Reports available suggest that so far this has been confined to local action in Volhynia. As long as no general agreement exists, covering the whole of the fighting in Poland, the importance of local agreements can be exaggerated. Still less is known about the political relations between Poles and Russians in Poland. At first there seems to have been serious friction, which caused the Polish Government to despatch an official complaint to the British and American Governments. But more recent reports suggest a decided improvement. The Russians are said to have recognised the right of the Polish military underground in

Volhynia to communicate with the Polish Government in London and to receive orders from them. The implications of such a decision may be far-reaching. If true, it may mean the resumption of contact between the Russian and the Polish Governments through indirect channels. Yet what is most needed is the restoration of direct diplomatic relations between the two Governments; and the obstacles to this still seem as great as ever. The Russians have made no move to make possible a rapprochement. Allied mediation has proved unavailing. Russia seems to favour bilateral negotiations, and there might be something to be gained from a direct Polish approach to the Soviet government. So far, Polish diplomacy has been awaiting events. Yet a "Polish Paasikivi" in Moscow might be able at this point to obtain better terms for Poland than any offered so far.

## Schools and Schooling

It has not gone without notice that the Education Bill has passed through its Committee stage in the House of Commons without anything having yet been decided about three of the crucial educational questions of the post-war period. Who is to teach in the new Butler schools? What is to be taught? What is to be done, if anything, about the public schools—in themselves excellent educationally, but socially a reserved road of entry into high posts? These gaps, with the unresolved problem of finance that overhangs the extension of all locally administered services, were noted when the White Paper, on which the Bill is based, first came out. Probably the Bill itself, which is largely a measure for the reform of administration, could not have been expected to answer these questions. But answered they must be. The Norwood Report on curricula and examinations has been in the Government's hands for several months. The McNair Report on the training of teachers, which has taken a long time to produce, is expected in May. Whether any action on the public schools is contemplated, apart from general discussion of the role of boarding schools in the state system, is still very uncertain. Thus far, therefore, there is the framework of a new structure of schools without any educational or social content—and without adequate financial foundations. Well-earned congratulations to Mr Butler on the smooth progress of his notable Bill should not prevent the necessary pressure from being exerted from all sides to secure its translation into terms of actual schooling. First, there is the need to insist upon a prompt and sure timetable for the application of the Bill's key proposals—the raising of the school-leaving age to fifteen and then, as rapidly as possible, to sixteen; the reorganisation of all schooling after the elementary stage; and the fullest development of adolescent and adult education. Secondly, there is an essential need for decisions on the kind of teaching that is to be done at all these stages, and on the kind of examinations required to serve as guidelines. Thirdly, and most urgently, there is the need for sufficient teachers to do the work.

## Post-war Teachers

The report of the McNair Committee on the training of teachers will not deal with the immediate short-term problem of finding teachers, as soon as the war is over. This is to be tackled, empirically, by the establishment of short-term training courses to enlist ex-Service men and women and to bring in suitable recruits from other occupations. For this purpose "shock teams" of instructors are being organised locally to provide short courses when the men and women become available for training. But the need for a radical revision and broadening of teachers' training will be in no way diminished when the immediate gap has been filled by these emergency means and by the return of ex-teachers from their war service. The long-term training of teachers is equally a matter of urgency. The McNair Committee is faced with the task of providing both a quantitative and a qualitative solution. The system of training they propose must attract many more recruits, of more varied age and experience, than was the case before the war; and it must turn out better teachers, with a much wider and more assured view of their function. For some years, as the school-leaving age is progressively increased, as the reorganisation of post-elementary education is at last carried through and the proposed programme of continuous education from the cradle to manhood is begun, teachers will be needed at an annual rate about as big as the total annual output of universities and colleges before the war.

They will need to be much less stereotyped in their qualifications and background, and much more eager to be teachers. It is believed that the McNair Committee, without precisely solving among themselves the difficult problem of the right relations in the hierarchy between universities and training colleges, will make a number of proposals calculated to make the best of both university and training college methods in the training of many more teachers drawn from many more sources. It is only to be hoped that no considerations of "face" or "status" have been allowed to prevent the Committee from stating quite plainly the conspicuous defects in the recruitment and equipment of teachers that existed before the war—with honourable exceptions—in both the education departments of universities and in training colleges.

## Responsibility for Industrial Progress

It is important and timely that so many people now see that the future of Britain depends, not upon political or economic legerdemain, but upon the productivity of its industries. It is no less important, however, that attention and effort should be directed to the places where they are most likely to produce results in terms of efficiently produced goods and services. For the moment there is, in some quarters, an almost pathetic belief in the magic of financial assistance from public funds. That the Government should make a larger and more constructive contribution to the development of scientific and industrial research and technical training is undoubted; but the battle will be lost or won in factories and board rooms. If the objective of industry itself, above all other considerations, is the production of the cheapest possible articles of the required kind, in terms both of the price and of the resources used to make it, and in the largest saleable quantity, it will be well on the way to the confidence it seeks. Whatever the Government can do to help—and this is a lot—should be done.

## The State's Part

Government assistance in the raising of industrial efficiency can be of three kinds. The first, and most direct, is the encouragement by fiscal means of enterprise, inventiveness and re-equipment. The second is embodied in a motion which will be discussed in the Commons next Wednesday asking for a bolder and more generous policy of assistance to research. The third is by technical education. In anticipation of next week's debate, the Lord President of the Council, Mr Attlee, has put out a White Paper (Cmd. 6514), describing the present arrangements; the Development Commission set up in 1909; the various Committees of the Privy Council, with attached councils and departments, for scientific and industrial, medical and agricultural research; and the several research and development sections of Ministries, much extended during the war. Since 1940 the work of these bodies has been co-ordinated,

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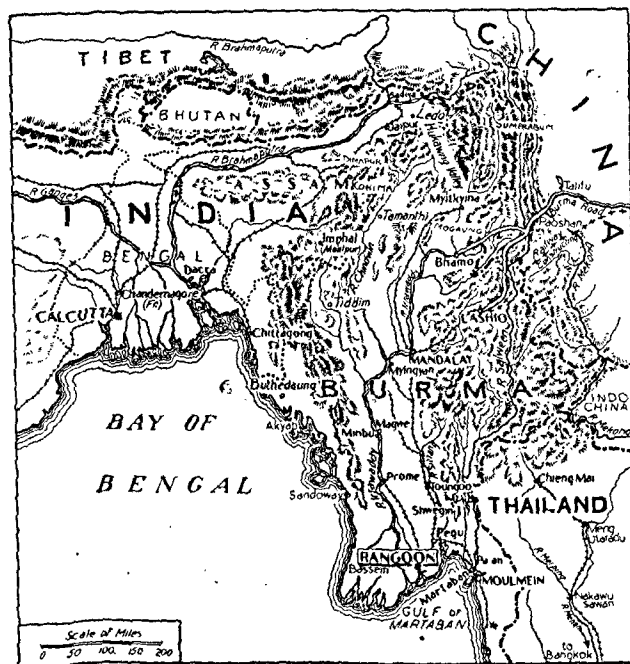
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in addition to the ordinary inter-departmental arrangements, by the Scientific Advisory Committee of the War Cabinet. The White Paper will not satisfy the critics who point to the much greater sums spent on research by other countries. The widespread opinion—expressed in a letter to *The Times* this week from a number of industrialists and labour leaders on the subject of technical education—is that this is “a backward country.” Britain’s long start in industrial development created bad habits of trial-and-error and rule-of-thumb which still block, in industry itself as much as in the minds of Ministers, a full appreciation of the fruitful marriage that is possible between theory and practice. Not the least important test of the educational reforms that are now projected is the extent to which they will produce willing men and women capable of serving industry scientifically. After the elementary stage, general education in the future, if the experts’ views are accepted, is to be biased, rather than split, in one of three ways. It will not be the object of these schools to train engineers or scientists any more than to train clerks, teachers or lawyers. But it will be their object to produce boys and girls capable of becoming, on contact with special training and actual practice, one or another of these. It is technical education proper that will train the engineers and industrial scientists; and there can be no doubt that there is need for a greatly increased provision of buildings, equipment and instructors—much greater provision than is envisaged in the vague and perfunctory financial references of the new Education Bill, where technical and adult education are lumped together. But, again, it should be remembered by the managers of industry that success in technical education depends at least as much upon them as it does upon the education authorities. They must be ready to release their young recruits for long periods of technical instruction; they must be ready to blend the practical experience gained in their workshops with the teaching given outside; and they must be ready to give due recognition, in terms of opportunity and status, to the young people who have gone through this mill.

### Defending Assam

The profit and loss account in the fighting in North Burma shows a heavy debit this week on the Allied side. The Japanese have side-tracked Imphal and have advanced to Kohima within striking distance of Dimapur. If they reach the town, they will cut the railway communications between Northern Assam and the coast and undermine the supply position of all the Allied forces operating between



Sumprabum and Myitkyina. Here progress, though slow, has been steady. The British forces have advanced halfway from Sumprabum and are within 36 miles of Myitkyina. General Stilwell is about the same distance from Mogaung, but obviously a successful Japanese stroke against the sup-

plies and communications of both forces would leave them in dangerous isolation. Meanwhile, neither the Japanese nor the Allies have very long in which to reach a decision. The monsoons are on the way, and it would be turning a new page in military history if either side campaigned through the rain-sodden and malaria-ridden months ahead.

### Front Line Province

On April 1st Mr Casey, Governor of Bengal, said in a broadcast from Calcutta that “we are going to succeed in averting a recurrence of the famine in 1944.” On April 6th, in the House of Commons, Mr Amery added an important rider. After listing the difficulties, such as the loss of Burmese rice, dependence upon the tiny surpluses of small cultivators, the steadily increasing population and this year’s poor miller and wheat crop—the crucial rice crop is very good—the Secretary of State for India expressed his confidence in the measures taken by the Government of India to ration food in urban areas, to distribute food surpluses, to purchase grains and control their price, and, within the limits set by military needs, to ship in imports. But Mr Amery gave a warning: “The procurement of rice surpluses . . . is still influenced by lack of confidence, due to last year’s experience.” The Japanese advance into Manipur is not the invasion of India that some American critics have alleged. But it is a most disquieting sortie, at a time when the boot should be on the other foot; and, unless the confused position can be quickly cleared up, it cannot help but lessen Indian trust in the outlook for this year’s food. The reprinting of a number of remarkable articles from the Indian paper, *The Statesman*, which appeared between March and October last year, comes at a very apt moment. These articles, soberly written though they are, give a picture of what was rightly called “An Imperial scandal.”

by which the whole administrative structure relating to this country, whether India Office, in Parliament or on India’s or Bengal’s own soil, is collectively besmirched.

The picture of pauperism, disease, extortionate landlords, streets strewn with corpses and garbage, persistent muddle and chronic ignorance of the facts among officials, is more horrifying than anything that was made known at the time. The constant theme of *The Statesman*’s leader-writer was the demand that the facts should be found out, and not only made the basis of policy, but also published in both India and Britain. If it is true that this year all possible steps have been taken to prevent the return of this tragedy, there is even less excuse than there was then for the withholding of any particle of information from the British Parliament, press and public, upon whom so heavy a responsibility still rests. Missionaries on the spot send reports of a grave and lingering aftermath of sickness and near-starvation. The best proof that the right remedies are now being applied in this front line Province would be the freest possible publication in this country, not only of official figures of destitution, disease and deaths, as well as of food supplies, in both Calcutta and Bengal, but also of articles like these in full from India’s own press. Concealment will invite the worst suspicions, whether justified or not.

### Agenda for the I.L.O.

The twenty-sixth meeting of the International Labour Conference, which opens in Philadelphia on April 20th, will be one of the biggest international gatherings held since the war, and the most representative. The feature of the I.L.O. is its tripartite character as a body representing governments, employers and workers; it is the only instrument through which organised labour can contribute directly to the making of international economic decisions at the highest level. Out of the fifty-five states which belonged to the I.L.O. at the beginning of the war, forty are expected to be represented at the conference. The attitude of the Soviet Union, which has been invited to send a representative, is enigmatic. If Russia, bound to play a leading role in international reconstruction, does not participate, it will greatly weaken the effectiveness of the I.L.O., which must clearly play an important part in the transition from war to peace. As Mr Eden has said, the I.L.O. is an obvious instrument for giving effect to Clause Four of the Atlantic Charter, which stated as a goal the all-round improvement of living and working conditions. It is important that the I.L.O. should put these, its proper tasks, first, and not try to spread its net too wide; and the first item on the agenda—“the future policy,

programme and status of the International Labour Organisation,” and its relation to other international agencies, including UNRRA—may be the most important. A declaration which it is proposed the Conference should adopt, reaffirms the principles of social justice, and raising the standards of living which were laid down in the original constitution. But there is a new emphasis on the need to maintain full employment.

### The International View

The Philadelphia resolutions of the I.L.O. will be discussed and decided by neutrals and belligerents alike. To that extent, international problems will be looked at internationally; and the United States Government has suggested that the United Nations should receive the conference’s proposals on post-war policy. This, as the *Manchester Guardian* has pointed out, may be of importance for the future of Europe. When it was roughed out at Atlantic City, the attitude of UNRRA towards the people, as distinct from the rulers, of defeated Germany and Italy was left unclear, but suggested some policy of deliberate discrimination. The I.L.O., on the other hand, if the conference accepts the proposals before it, takes for granted that it is neither the desire nor in the interests of the Allies

that defeat should involve for the workers of the Axis countries and their families a depression of standards of social protection below the minimum level necessary to safeguard standards in other countries.

Unfortunate experience in liberated Southern Italy has proved how essential the economic conditions of both freedom and health will be for the wretched masses of all the European countries, foe as well as friend. So long as Goebbels can say, without denial, that the Allies intend, after victory, to starve and bleed the people they are now of necessity blockading and bombing, he can still rally his dupes behind their lost cause.

### Absent Workers

It has been said that miners, subjected as their industry is to a sort of “statistical searchlight,” are low in public repute as orderly workmen, because their deeds, and misdeeds, are made so widely known. Undoubtedly one of the reasons why so much is heard about absenteeism in the mines is that every detail of time-keeping is recorded. The Industrial Health Research Board of the Medical Research Council has thrown at least a glimmer of the same light on the absenteeism of industrial workers in general. In a pamphlet called “Absence from Work and Prevention of Fatigue” the Board investigates the causes of absenteeism in sixty different factories, varying in size from small concerns to firms employing 25,000 workers. In peacetime, absenteeism due to all causes is not more than about 5 per cent a year of the possible hours of work—an average of about one day or a day and a half’s absence per person per month. In wartime, the rate is considerably higher; it amounts, on the basis of this inquiry, to 6 to 8 per cent for men and 10 to 15 per cent for women. Married women may lose up to three times as much working time as single women. The causes of absenteeism among women are now well known. Conditions such as transport difficulties, the care of children, housework, shopping and husbands’ leave largely account for the “voluntary” absenteeism of the married ones. Inside the factories, overlong hours, unsatisfactory working conditions, wage problems and idle time tend to produce bad time-keeping. Though the physical reason of ill-health is responsible for at least half the time lost, the psychological factors of boredom, apathy and monotony of work are also important; and it is significant that absenteeism is least in factories where there are good management-labour relations. The causes and effects of industrial fatigue are familiar, and it is unfortunate that so little seems to have been learned from the lessons of the last war. The Board’s recommendations for reducing fatigue are common sense: hours should not exceed 60 for men and 55 for women, and should be less in the case of heavy manual workers and women with domestic duties, there should be adequate rest pauses, week-end breaks, longer rest for tired workers and some extension of part-time work. One of the most effective ways of relieving boredom is to make the workers understand the relation of their job, however trivial it may seem to them, to the war effort, and to secure their co-operation in production.

### Common Wealth in Danger

In its appeal, though confusedly, the Common Wealth party goes back to the Commonwealth, to the levellers and egalitarians who attacked property in the debates of Cromwell’s army. In twentieth-century practice, however, the party must have money—a lot of money—to carry on; and its founder, Sir Richard Acland, has given most of his away, in accordance with his views on common wealth. So far, he and Mr Good have provided most of the funds needed to keep the party going. Now, Sir Richard has told the party conference that from next year the continuation of the movement will depend upon its members’ own contributions. Without the send-off given by him and by Mr Good, Common Wealth could never have built up its triumvirate of MPs or achieved its considerable success in terms of votes cast at by-elections. At no distant date the party will soon lose a credit as important as that given by its founders—namely, the ability to cash in on the political truce, with other Left parties absent. It may find itself with few political friends. Common Wealth stands for Left-wing solidarity, embraces the principles of Socialism, and proposes to support Socialist and Radical Liberal candidates at future elections. But so far its overtures have been rebuffed rather than welcomed. Common Wealth’s own supporters—as distinct from the much greater number of voters who use it as a stick with which to beat the Conservative party—are to be found among middle-class elements, who have definitely Socialist leanings, but to whom orthodox Labour has failed to appeal. They now have their chance to show by their contributions how strong their allegiance really is. It is a test through which the working-class supporters of the Labour party came triumphantly in the early days. It will show how much real fire there is behind the considerable smoke that Common Wealth has made.

### The City President

The solemnity with which Goebbels has been appointed *Stadt-Präsident*—City President—of Berlin suggests that some important political issue is at stake or at least that something entirely new has happened. In reality, the move merely confirms Goebbels in the exercise of many responsibilities which he had already assumed. As chief of the “Inter-Ministerial Committee” for the relief of war damage he was responsible for relief work in Berlin. Berlin is not only a city, it is also a Gau, and Goebbels has been its Gauleiter for a decade or more. As Gauleiter he is Reich Defence Commissioner for Berlin and a member of Goering’s Ministerial Council for Defence. This means that he directs all civil defence measures in Berlin. The reason why it has now become necessary to hand over to him the functions of *Oberbürgermeister* as well is that, under repeated bombing, the administrative structure of Berlin has been blasted away and the overlapping of relief measures and ordinary civilian activity has become so great that the only solution is to concentrate both relief work and what is left of normal administration in one man. Goebbels could not be given the title of *Oberbürgermeister* because his position in the Nazi hierarchy is already too exalted. The new style of City President had to be created to signify the fusing of relief work and ordinary administration. It is a measure of the devastation and chaos in Berlin. It is also in keeping with Hitler’s queer dream world, full of hints and phantasies and intuitions. In 1926, Goebbels first “conquered” Berlin for the Nazis against the bourgeois politicians and the organised workers. Today his job is to repeat the “miracle” against a far more formidable foe.

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## AMERICAN SURVEY

### Willkie's Wake

THE party bosses held a wake for Mr Willkie after his crushing defeat in the Wisconsin primaries. Mr Willkie himself contributed a handsome wreath to his own obsequies by withdrawing his name altogether from the race for the nomination. But, as in the Irish story, the corpse may prove the liveliest member of the party, Mr Willkie's failure to win a single delegate surprised even his worst enemies. There is no doubt that in part this was due to the fact that Mr Willkie's strength is with the independent voters rather than with the active party members who constituted a main part of Wisconsin's light vote. His attacks on his own party could hardly have commended him to them, and no doubt contributed to their reported inability to distinguish between his policies and those of the Administration. On the other hand, there is plenty of evidence that Mr Willkie's platform on foreign affairs, however admirable, failed to excite noticeable enthusiasm among his audiences.

But it is most unlikely that Mr Willkie will sink into obscurity. He has already promised that he will go on fighting in the Republican Party for the policies in which he believes and which have given leadership and inspiration to countless men and women. It may be that his greatest rôle is yet to come—as the conscience of the Republican Party. On the choice of both nominee and party platform he may exercise a veto power on behalf of that very considerable section of the American public whom he has converted to a belief in full participation in world affairs. William Jennings Bryan went down to his third defeat in 1908, but his power in the party was so great that he was able to effect the nomination of Woodrow Wilson, instead of Champ Clark, the professional politician's favourite, as Democratic candidate in 1912. Mr Willkie may not have quite the authority of a second Bryan, but he will give the party leaders some uneasy moments between now and Election Day, and if the man chosen by the Republicans at Chicago in June uses weasel words on post-war collaboration, Mr Willkie can be counted upon not to spare him. Whether his influence would not have been greater had he remained in the ring is debatable. The impulsiveness which prompted his withdrawal, and which is the other side of Mr Willkie's political courage, may not have been altogether wise. But this final blow to his ambitions need not necessarily be incompatible with victory for his ideas.

Since the Wisconsin primaries Governor Dewey is confidently assumed to be the inevitable candidate. Without lifting a visible finger he won over half the vote and collected more delegates than all the other contenders put together. This surprising strength may not be altogether substantial. Up to now, the aspirants and their supporters have been so busy stopping Mr Willkie that they have had no time for each other. With Mr Willkie out of the way, it would not be surprising if more thought were given to the problem of checking Governor Dewey. It is traditional, and understandable, that the man who gets out in front too early solidifies opposition. This was Mr Willkie's misfortune.

At this moment the other characters in the cast are extremely shadowy—General MacArthur, Lieutenant-Commander Stassen, Governor Bricker, Governor Warren and, most problematical of all, Senator Taft. With the exception of Governor Bricker, who has made some fugitive appearances, all are silent, although the Stassen interventionism is well known. It is to be hoped that the pressure of events will soon force at least Governor Dewey to speak out. There is something terrifying in this central core of silence in the most vocal and expressive country in the world. If Governor Dewey decides before the Convention that he is, after all, available: the party chieftains may be content to

say ditto, but it is more likely that some rival will emulate Senator Taft at Mackinac and say, "It's a fool idea."

Whether Mr Willkie will choose to support Governor Dewey depends on the alternatives. Lieutenant-Commander Stassen's ideas are far closer to those for which Mr Willkie has campaigned so ardently. His prospects have hitherto seemed somewhat remote, but he has done well in the Nebraska primary, an organisation is being built up for him in the East and, with the Willkie influence behind him, he might be a serious contender. On the other hand, should Governor Bricker, that sane, solid, safe and eminently traditional Republican figure, show signs of success, it is not impossible that Governor Dewey might inherit the Willkie contingent. In the meantime, the Democrats may cherish the dubious consolation that, with Mr Willkie out of the running, President Roosevelt remains the unchallenged symbol of progressive internationalism. But if Wisconsin has a lesson for the Democratic party it is that a realistic political touch is needed as well.

### American Notes

#### Mr Hull and His Critics

Mr Hull's dearest aim is said to be the creation of a body of agreement on foreign policy which would lift the question of the peace and American participation in its maintenance out of the realm of domestic politics, thus assuring a continuity of foreign policy new in American affairs but now recognised as essential. Already the Secretary of State has taken the historic and unprecedented step of requesting the appointment of representatives by Congress to concert with him plans for an organisation to maintain the peace. His broadcast on Sunday night was another great landmark in this campaign. Not all the omens are favourable. The handling of foreign policy, until recently considered one of the Administration's major assets, has suffered a sad decline in public opinion. The critics are to be found not only among the Republican stalwarts, who cling to the idea of "sovereignty" as embodying all that is needed, but even more among the liberals, not forgetting progressive Republicans like Mr Willkie and the group of young Republicans newly elected to Congress. There have been widely echoed charges that the United States has no foreign policy. The "burial of the Atlantic Charter" has been celebrated and mourned in print; the deterioration of Allied relations has been accepted in many quarters as established fact; and the blame is put either on the President and State Department for the lack of a clear and realistic policy, or, by another group, on Russian expansionism and British abetting. There has been widespread disillusion over specific issues. Mr Hull in his broadcast was therefore at pains to insist that the United States had a policy—"comprehensive, stable, and known of all men"; that the Charter, far from being abandoned, provided an expression of fundamental objectives, though it could not give detailed solutions; that harmonious action among the Big Four would be the very life-blood of the peace; and that the United States attached the greatest importance to the creation of popular and progressive as well as stable governments in liberated Europe. Mr Hull was particularly happy in his assurances on the future of France and the responsibility of the French National Committee to exercise leadership in establishing law and order as soon as liberation could be achieved. His confident augury of a tougher policy toward the recalcitrant neutrals will, if borne out, go far to satisfy the critics of continuing "appeasement" of France, Spain and other neutrals. He was also, surely, on solid ground in arguing

that the immediate production of complete blue-prints for the post-war world was impracticable, that definitive solutions require the slow process of discussion with America's allies abroad and her citizens at home.

#### Foreign Policy

It was, no doubt, Mr Hull's devotion to democratic procedure, as well as his skill as a negotiator, that prevented him from dealing in more than broad strokes with the future of American foreign policy. Yet there was a new and encouraging emphasis on the importance of the Big Four, and the need of agreed action among them. For further elaboration Mr Hull evidently means to await the result of his discussions with Congress. There are manifest advantages in attempting to chart a bi-partisan course, particularly in an election year, when the possibility of stirring up controversy over issues of foreign policy is never remote. Only a long-standing tradition of keeping foreign policy out of domestic politics—which is lacking in the United States—could prevent a certain amount of fishing for votes this year on foreign issues. The unrest among the Polish and Irish minorities, who occupy strategic positions in the American political scene, offers an almost irresistible temptation to the opposition. As yet there are only sporadic and individual raids; the Republicans have no single coherent alternative to offer. The generalities of the Mackinac Conference noticeably failed to gloss over the divisions within the party, which includes progressive interventionists like Senator Ball and Mr Willkie, as well as the extreme nationalists of America First, and a great body of middle-of-the-road opinion. If a forthright and inspiring agreement on the main bases of policy can be concerted between Congress and the State Department without undue delay, not only will the dangers of controversy be avoided, but future Senate acceptance will be assured. It may prove, however, that to arrive at such an agreement beforehand will require more than a little dilution, if not of Mr Hull's principles, at least of their application; and this is hardly likely to be either a speedy or an inspiring process. Already there is a spreading cynicism about the good faith of Britain and Russia; there are demands that the United States should get tougher, and use its post-war economic strength to enforce its own view of affairs upon its Allies. Should Mr Hull fail to secure concrete agreements with Congress, which commend themselves wholeheartedly to the American people, no reference to broad principles or noble ideals will head off this nationalistic view of American participation or rescue foreign policy from entanglement in domestic politics next autumn.

#### Holding the Line

The cost of living has not risen during the past year and the basic wage structure has remained unchanged, according to a report from the Office of Economic Stabilisation made public last week by Mr Roosevelt. The report admitted that there had been increases in some items, notably clothing, but insisted that these had been fully offset by decreases elsewhere, particularly in foods, and contrasted the present stability with the 3 to 4 per cent monthly rise in the overall cost of living which prevailed before the "hold-the-line" order of last April. Mr Chester Bowles, head of the OPA, testifying before the Senate, displayed a similar satisfaction with controls which have allowed only a 38 per cent increase in wholesale prices, compared with a rise of 103 per cent in the same period of the last war. A comparison of the cost of living shows a 65 per cent increase in the last war with 26 per cent this time. Both Mr Bowles and Mr Vinson, Director of Economic Stabilisation, have made an excellent impression. The likelihood that Congress will extend the life of OPA, virtually unchanged, is attributed very largely to Mr Bowles's persuasive powers, although the failure of OPA's enemies to agree has played its part. Mr Bowles, formerly of the advertising firm of Benton and Bowles, displayed his professional talents to perfection in his testimony. He won all hearts by admitting OPA's past faults; and members of the Committee were so struck with the forcefulness and clarity of his exposition that at its end they all filed up to shake his hand. This is a far cry from Mr Leon Henderson's stormy experiences with Congress. Labour alone appears unconvinced by assurances that it is better off than ever before, although surprise is said to have been felt in

other quarters. The CIO's demands for increased wages in the steel industry to match the cost of living are still under consideration. Among the apologists for price control a significantly strong emphasis is put on the argument that stabilisation has shown tangible, "indeed bankable," benefits to all groups. Without more draining off of purchasing power by taxes and savings, the very success of price control may be digging its own grave.

### Shorter Notes

The Supreme Court's decision on negro voting in the Texas primaries has aroused protests, partly because it is feared as an encroachment on states' rights, and partly on purely racial grounds. Southern Congressmen and other political figures have already promised that some other means will be found to bar negroes from state primaries. Thus, in the past, when the "grandfather clause," which made it a condition of voting that one's grandfather has voted, and thus disfranchised all negroes, was found illegal, substitutes were found in literacy tests, the poll tax, and similar measures.

The Bureau of the Census estimates put the population of the Continental United States, exclusive of the Armed Forces abroad, at 134.6 million on July 1, 1942, against 133.9 million in 1941 and 132.8 million in 1940. The most interesting revelation is that in 1942, for the first time in American history, females outnumbered males, by 644,196. The excess of males has shown a steady decline. The scarcity value of American women thus joins the Redskin and the frontier as a vanished phenomenon of history in the American legend. But if this is the end of another happy hunting ground, like the habits of mind established by the existence of the frontier, the comparative freedom and privileges with which it endowed American women are in no danger.



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# THE WORLD OVERSEAS

## Latin American Trade Unionism—II

LAST week's article described the features common to the organisation of labour in Latin America as a whole. In Argentina, the labour and socialist movement dates back to the middle of the nineteenth century, when, as in the United States, European exiles introduced socialist ideas and trade union organisation. The Buenos Aires typographical union—the oldest in the country—dates from the 1850's. But it was not until the first years of this century that a real labour movement got under way. Under anarcho-syndicalist domination, Argentine unions led a stormy existence until the First World War. A general strike in Buenos Aires of many months' duration marked the immediate post-war period. These struggles resulted in a weakening of the movement, which was seriously split during the early twenties. But by 1928 most of the Argentine unions were reunited in the Confederación General del Trabajo, under Socialist leadership. In the last decade and a half, the unions, as well as other liberal groups in Argentina, have been busy fighting successive dictatorships, and struggling for a full restoration of democracy. Recently there has been a split in the CGT, which was used to full advantage by the semi-Fascist government now in power. Trade unionists in Argentina are thought to number between 200,000 and 250,000.

Chilean unions were also launched by exiled European Utopian Socialists in the last century. But trade unions were not of any importance outside the mining and port areas until after the First World War. These organisations were mainly anarcho-syndicalist, the American IWW

having an important affiliate there. The end of the First World War was marked in Chile, as in Argentina, by extensive port strikes, the result of which was to destroy the IWW. At the same time, most other unions joined the new Red Trade Union, Internationale, while Chilean Socialists joined the Comintern. Both movements prospered until the advent of the Ibanez dictatorship in 1925. The independent unions were then suppressed, and a government-sponsored TUC, based on the mutual benefit societies, was paramount. With the overthrow of Ibanez, there developed a period of political chaos, accompanied by serious labour unrest. With the return to political stability and democratic government during the thirties, the remnants of the free trade unions were finally consolidated into the Confederación de Trabajadores Chilenos, and Socialist and Communist parties gained much support. With the advent of the Popular Front government in 1938, and its liberal successors, the unions gained great strength until at the present time most workers in industry, transport and mining who can be organised are organised.

### Growth in Mexico

The history of the Mexican trade unions is perhaps better known than that of any other Latin American country. There was little organisation until the overthrow of the Diaz dictatorship, and what did exist was inspired by anarchists. During the first years of the revolution, which started in 1910, these anarcho-syndicalist unions came out from underground. But a more important element was a group of vaguely socialist unions, which had the patronage of the Obregon-Calles revolutionary faction. This group crystallised into the Confederación Regional Obrera Mexicana in 1919. All throughout the 1920's, so long as the Obregon-Calles group was in control, the CROM was the dominant labour organisation, and it wielded great power. It was one of the main factors in the Government's support against the Church and against rival militarist-politicians. Its leader, Morones, was Secretary of Labour in successive Cabinets.

Just before the retirement of Calles in 1928, Morones broke with the President and a period of swift decline for the CROM followed. The organisation split into a number of factions, and each succeeding administration had its own pet faction to which it lent support. Morones, meanwhile, went to Europe. Although there was no strong federation at this time, individual unions continued to exist, and, with the advent of the Cardenas regime and its extensive reform programme in 1934, a number of these were brought together to form the Confederación de Trabajadores Mexicanos, under the leadership of Vincente Lombardo Toledano. The CTM was one of President Cardenas' prime supports in his vast programme of land reform and the nationalisation of industry, and it grew to an immense size, claiming a million members. When the Avila Camacho regime took office in 1940, it first looked as if the new President would again back the CROM against the CTM. However, with the retirement of Lombardo Toledano from the leadership of the latter, the Government apparently withdrew the threat of backing its rival. At the present time, although there has been a considerable revival of CROM influence, the CTM remains the leading Mexican labour federation. Relations between the two are better than they were under Cardenas.

From time to time both the CROM and the CTM have been friendly to the Communists. The Communist Party has had a strong minority in both federations. But the first loyalty of the dominant Mexican labour group has always been to the Government of the day.

As in most of the other Latin American countries, the pre-1914 labour movement in Brazil was largely in the hands of the anarcho-syndicalists. They remained an important element during the twenties, although Communist and Socialist unions were also important. All Brazilian unions

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out the 1920's, and their growth was seriously impeded. The Vargas Revolution of 1930 was thus greeted with approval by the unionists, and for some time there was considerable trade union activity. But the radical leadership of these unions was not to the liking of the Vargas regime, and, furthermore, the participation of the unions in anti-government agitation and revolutionary activity during 1934-35 made them very unpopular with Vargas, with the result that most independent unions were destroyed. From about 1937, however, the regime began to patronise and build up unions sympathetic to itself. Soon afterwards, a 'labour code' of—on paper—very advanced labour legislation was drawn up, granting these unions considerable power. Government-controlled and sponsored unions are, therefore, widespread in Brazil at the present time.

Other nations might be mentioned. Cuba has a strong trade union movement, dating back to Cuban branches of Spanish unions, which were founded when the island was still a Spanish colony. These unions are particularly powerful among maritime workers, tobacco workers, and, in recent years, sugar workers, and are led by Communists, with a strong Socialist minority. In Peru, trade unions were widely organised and controlled by the agrarian socialist Indian Aprista Movement. Recently, the Government has sponsored a number of unions. In Costa Rica, the movement—once very strong in the banana regions—is controlled by Communists, while in Colombia the Communists are the most important element, but are opposed by a Liberal-Socialist group. Since the death of Gomez, 'tyrant of the Andes,' in 1935, there has been limited trade union activity in Venezuela. Uruguay has a fair-sized trade union movement, mainly centred in Montevideo, and leaning towards the Communists politically.

There have been a number of moves to unite the trade unions of the New World. The American Federation of Labour and the Mexican CROM launched the Pan-American Federation of Labour soon after the first World War. This organisation never achieved much support outside these two countries, as it was looked upon as a 'tool of Yankee imperialism' during the 1920's. Contemporary with the Pan-American Federation of Labour was the Confederación Sindical Latino Americano, organised by the Red Trade Union International. This had few important affiliates outside Chile, and, for a very short while, Mexico. But in the late thirties the Confederación de los Trabajadores de América Latina was launched. It was organised by the Mexican, Lombardo Toledano, and, although it was very sympathetic to the Communists, it nevertheless had in its ranks most of the independent Latin American trade union centres—including Argentina's strongly non-Communist CGT. The American CIO maintains fraternal relations with the CTAL and was active in its organisation. But, with the exception of very occasional conferences, the CTAL activity is largely confined to Lombardo Toledano's high-falutin, wordy proclamations.

The organisation of labour in Latin America is really only getting under way. It is not unlikely that, with the increasing industrialisation of these nations, and the achievement of more advanced political democracy, the trade unions of Latin America will take their place as an important factor in world trade unionism.

## East African Sisal

It has been reported from Nairobi that the British Ministry of Supply has agreed to increase its buying price for East African sisal, as from January 1st last. The new prices will average £27 12s. per ton, an increase of £5 7s. The previous price had been in force since the beginning of 1943, when the buying price for the lower grade was raised by almost half, and that for the top grade by about one-fifth.

The latest increase in sisal prices coincided with the statement by the Governor of Tanganyika that steps have been taken to increase sisal output in East Africa by a fifth in the near future; and the Governments of Britain and the United States are to supply sisal planters with machinery and replacements. These events are important both for Allied supplies of a vital raw material and for East Africa's own economic development.

Sisal hemp is urgently required for the production of tows (including marine tows), ropes, binder twine, and mats, for which the war has created a record demand. The Philippines used to export about 175,000 tons of manila hemp a year, and the Dutch East Indies about 90,000 tons of

sisal. With the loss of these supplies, Allied reserves of hard-hemp fibres have become very short.

In 1942 a number of emergency projects were set on foot, especially in North and Central America, but they have failed to close the gap. A good deal, therefore, depends upon the procuring of maximum supplies from East Africa, which is the chief sisal-growing area under Allied control.

### An Old Industry

The East African sisal plantations date back over fifty years, to 1893, when Dr. Hirndorf, the German pioneer, imported a thousand plants from Florida into Tanganyika, then called German East Africa. The plants flourished. In 1906 and 1907, Kenya, then British East Africa, imported a number of plants from Tanganyika and laid the foundation for its own sisal industry. Now sisal is the backbone of Tanganyika's economy. Before the war it supplied two-fifths of the territory's total exports. In Kenya sisal production is the second largest industry, accounting before the war for between a tenth and a fifth of total exports.

Sisal production requires considerable capital outlay, and is not suited for this reason to local development by native resources. The sisal fibre is produced from the thick fleshy leaves of the plant, and its weight amounts to less than one-twentieth of the weight of the leaves. The yield of fibre per acre at each cutting seldom exceeds one ton, and often is not more than half a ton. Thus, unusually extensive plantations are needed to raise a sizeable crop.

Very large supplies of leaves have to be collected and carried, usually by light railways, to fibre extracting plants. There they have to be crushed, dried and brushed; and all these processes require machinery, as well as labour.

Early in this war the outlook for the East African sisal industry seemed bleak. Production had been doubled in the ten years before the war, and had reached 130,000 tons a year, of which 100,000 tons came from Tanganyika. But roughly half East Africa's sisal exports before the war went to Germany and other continental European countries. The imposition of the Allied blockade at once caused serious difficulties; the British Ministry of Supply limited its purchases in East Africa to 100,000 tons a year, and required the industry to restrict its output correspondingly.

## "WHAT! Another of those 'Zoning' advertisements?"

TO be in the fashion, we ought to say "Some of you can't get our splendid chocolate now. We are sorry for you! All this zoning, you know."

And we say phooey.

If we were still making our pre-war chocolates — Black Magic, Chocolate Crisp, Aero Milk Chocolate, Dairy Box, Smarties — there would be something in it.

But we're not.

We're making good chocolate, but so are other people. If you can't get Rowntree's, you can still get your ration of good chocolate.

"Good" was not quite our idea of what chocolate should be when we had a free choice of ingredients and all the skilled workers we needed. "Good" would not have satisfied us then. Nor would it have satisfied you.

Perhaps it doesn't now.

But there's nothing to be done about it till the war is won.

Then, when we are again free to set our own standard, we are going to set it higher even than before; for we're still learning. If then you couldn't get the things we shall be making, you might well think yourself hard done by. But for the present, we won't say we're sorry for you.

To be absolutely honest, we're more sorry for ourselves.

ROWNTREES



The situation changed abruptly when the hard-hemp supplies of the Philippines and the Dutch East Indies were lost. East African planters were then asked to do all they could to increase output. The British Ministry of Supply increased its purchases to 115,000 tons a year, and the American Government agreed to buy any quantity that the East African plantations could produce in excess of this total.

Recent production figures have not been published. But reports from individual plantations suggest that output now probably exceeds the highest pre-war figure. Shortages of labour and machinery, however, have seriously limited the rate of production. The Governments of Tanganyika and Kenya have used their wartime power to conscript native labour for private industry engaged in vital production. But the need to maintain food production sets a definite limit to the diversion of labour to the sisal plantations. Most needed is an increased supply of machinery which would permit a much greater economy in the use of labour.

The financial position of the East African sisal industry has considerably improved. Both output and prices are higher than before the war. Already last year some plantations had either paid off arrears of preference dividends or increased ordinary dividends. It is reported that the new Ministry of Supply contract has been arranged to last until two years after the end of the war with Japan—with the Ministry reserving the right to end it, on six months' notice, two years after the end of the war with Germany. The immediate future of the industry seems well assured.

In the longer term there may well be difficulties, for which substantial financial reserves may be required. It is certain that post-war world supplies of sisal and other hard-hemp fibres will be well above the pre-war figure. On the other hand, it is probable that wartime experience has opened the way to new developments in sisal consumption, so that the increased world supply of fibres need not necessarily result in very large surpluses. For the moment the long-term future of the East African sisal industry cannot be judged. But it would not be over-optimistic to say that it is at least likely that the industry has entered a phase of prosperity which may prove to be something more than just a temporary wartime boom.

## Slovakian Anniversary

FIVE years ago, on March 14, 1939, Slovakia was declared independent. Dr Tiso became the State President, and in a formal treaty Germany guaranteed the inviolability of the frontiers of the new State. In the first military campaign of this war, in the attack on Poland, the newly formed Slovakian army took part in the fighting. Slovakian territory had been used for the concentration of part of the German army. German and Slovakian armies stormed the Jablonka pass, opening the road to Cracow and Lwow. In recognition of these services Germany rewarded Slovakia with small parts of disputed Polish territory with a population of 25,000.

At present Slovakia, like Hungary, has become the immediate rear of the German armies. From Stanislawa to the eastern tip of Slovakia the distance is some 60 miles. Three of the six main passes of the Carpathian mountains are on Slovak territory. The remaining three eastern passes, formerly on Czechoslovakian territory, are now Hungarian.

Nazi Germany always paraded Slovakia as a show piece of independence within a German-dominated continent. In 1940 Slovakia formally joined the Tripartite Pact, and in 1941 the Anti-Comintern Pact. Throughout the war against Russia Slovakian troops have been fighting side by side with German troops.

The complex national and ethnographic problems of this part of Central Europe were illustrated when Slovak refugees living in Britain denounced Dr Benes's authority to speak for the Slovaks, when the Russian-Czechoslovak Treaty was concluded in December last year. Slovak refugees believe that Slovakia is capable of complete independence.

Germany's interest in an independent Slovakia was first of all a strategic interest. The further east the fighting moved in Europe the stronger was the appearance of Slovakian independence. During the first years of the war Slovakia seemed to experience a considerable economic development. Railways and roads were built; hydro-electric power stations constructed; and the old-established mining

industry revived. The following table shows that, relative to the size of the country, with a population of roughly 2.8 millions, mineral resources are not unimportant. It shows also that actual production appears to have been limited. Output of the most important minerals was as follows.

|                                       | In 1,000 Metric Tons |      |      |      |
|---------------------------------------|----------------------|------|------|------|
|                                       | 1937                 | 1940 | 1941 | 1942 |
| Brown coal . . . . .                  | 730                  | 805  | 816  | 813  |
| Iron ore . . . . .                    | 760                  | 862  | 978  | 950  |
| Pyrites . . . . .                     | 18                   | 14   | 11   | 11   |
| Manganese ore . . . . .               | 63                   | 60   | 82   | 107  |
| Copper ore . . . . .                  | —                    | 114  | 122  | 119  |
| Antimony ore . . . . .                | 9                    | 12   | 19   | 34   |
| Oil . . . . .                         | 13                   | 24   | 27   | 31   |
| Natural gas (in 1,000 cbm.) . . . . . | 118                  | 118  | 127  | 121  |

The first point revealed by the table is that there is a considerable range of resources. Yet the most important is that expansion remained moderate, apart from the production of manganese ore and antimony ore. No doubt the Germans did not spare mining machinery and expert advice. It seems, however, that there were conflicting interests. Lack of labour in the German war industry induced the Germans to take a total of 120,000 Slovakian workers to Germany, almost 4½ per cent of the total population. The Slovakian army used up another section of the male population, and the substantial groups of *Volksdeutsche* have also been fully mobilised. From an original Jewish population numbering 135,000 in 1939 not more than 88,000 are reported to be still in Slovakia.

This drain on manpower resources must have influenced industrial production, and for some time there have been complaints of lack of workers, especially in industry. The construction of hydro-electric power stations, the attempt to build up an industry for the manufacture of artificial fibres and the construction of strategic railways and roads, all need large numbers of workers. It can be said that, on the whole, industrial activity has remained steady during the war with a tendency to decline during 1943.

The timber resources of the country and some of its minerals are invaluable for Germany's war industry, particularly after the loss of southern Italy and the Ukraine. German interest in the industrialisation of Slovakia was sufficiently strong to provide the material for the construction of a blast furnace, which began operation in February, 1943. No doubt this industrialisation has lately been fitted into the general eastward move of German industries under the pressure of the air war.

The mountainous character of the country limits agricultural production, and a considerable effort was needed to maintain production, which also suffered from several bad harvests. At present there seems to be a temporary glut of pigs, which are slaughtered in great numbers because of the shortage of feeding stuffs. Root crops, particularly potatoes and sugar beet, experienced a bad harvest in 1943.

### Glut of Notes

In contrast the country has had a considerable financial expansion. Notes in circulation have increased as follows:

|                       | In Million Kroner |
|-----------------------|-------------------|
| End of 1939 . . . . . | 1,392             |
| " 1940 . . . . .      | 1,657             |
| " 1941 . . . . .      | 2,023             |
| " 1942 . . . . .      | 2,742             |
| " 1943 . . . . .      | 3,532             |

Year by year there has been a larger annual increase, although economic activity has not risen. The national debt increased during the same time to Kr 5,270 million at the end of 1943. The banks have been asked to sell investments in securities until their cash basis reaches at least 8 per cent. The increase in the cash ratio of the banks demanded by the Government is part of a scheme to skim-off surplus purchasing power held by the public. The public has apparently been hoarding banknotes—which is also suggested by a relatively small increase in savings deposits.

Slovakia's foreign trade is mainly conducted with Germany. On an average Germany has taken 85 per cent of the exports and supplied 75 per cent of imports. A considerable clearing debt has accumulated and there are difficulties in financing it. Slovakia's trade with neutral countries, such as Sweden and Switzerland, is hampered by price differences, and an attempt has been made to compensate the differences by setting up a price-equalisation fund between Slovakia and Sweden. Compared with 1939-40 the value of

imports and exports in 1942 had increased by roughly 50 per cent, and during the first 6 months of 1943 a further advance was reported. There is no doubt, however, that the volume of foreign trade remained stable with a tendency to decrease.

## Letter to the Editor

### Irish Neutrality

TO THE EDITOR OF THE ECONOMIST.

SIR,—Surely the closing passages of your article on Irish neutrality (*The Economist*, March 18th, p. 357) fall below your usual standard of well-informed, detailed commentary. I appreciate the fact that the earlier part of the article passes a judgment on the recent past of Anglo-American policy towards Ireland in a manner which shows no inconsiderable understanding of the problem. I agree with you, moreover, about the beneficial effect on Irish sentiment of the British attitude towards Ireland during the present war.

But just as the commendable refusal of this country to violate its pledged word by seizing the Irish ports confers no title deeds for perpetuating the glaring abuses inherent in partition, so is it impossible to feel that the sound common-sense of your opening furnishes a justification for the surprising burst of hysteria with which you conclude. "Maso-chistic raptures of deliberate isolation"; "peculiarly narrow, bigoted and tyrannical form of Roman Catholicism"; "Home Rule means Rome Rule"; "Irish masses reduced to a state bordering on illiteracy." These are strong phrases on the lips of the Editor of *The Economist* about a neighbouring State whose attitude to Britain throughout the war has been consistently friendly and helpful to the full limit of benevolent neutrality.

You must, one would suppose, have made prolonged inquiries before launching such charges against Ireland, but it is impossible to believe that you have, in fact, done so. I know many Irish Protestants whose testimony would refute

your allegations, and none who would support you in so far as such general charges can ever be proved or disproved even by first-hand evidence. It must suffice to recall one tribute, the words of which I have verified since reading your article, Dr. Thomas Harvey, Protestant Bishop of Cashel, speaking in July, 1938, said:

I would like to pay the warmest tribute to our Government for the more than generous way they have treated us and met us in our desire to keep our schools open. No British Government treated us with a like consideration—in fact, had we remained under the British Government we should have lost many of the schools we now have. I gladly bear testimony to the facilities afforded to our clergy by giving religious instruction to those of our children who attend schools under the management of the Church of Rome.

Myself brought up an Irish Protestant, and working in England, but in recent times living and enjoying to the full the remarkable range of liberties accorded here, I had eighteen years from the establishment of the Free State in 1922 in which to form an opinion of the extent to which the Catholicism of the new Ireland conceded full freedom to the Protestant minority, from whom I sprang before being received into the Catholic Church in 1940.—Yours, etc.,

Oxford.

FRANK PAKENHAM.

## Books Received

*You and the Peace.* By G. B. Shirlaw and L. E. Jones. (London) Macmillan. 177 pages. 6s. net.

*The Elements of Administration.* By L. Urwick. (London) Pitman. 132 pages. 7s. 6d. net.

*The Bridgehead of East Prussia.* Edited by The Polish Research Centre, London. (Edinburgh) Polish Books Depot. 44 pages. 3s. net.

*About the Curzon Line and Other Lines.* By C. Smorzewski. (London) Free Europe, 11, Gower Street, W.C.1. 28 pages. 6d. net.

*Industry—The Key to National Security.* By Sir Rowland Evans. (London) Aims of Industry, Ltd., 12, Carteret Street, S.W.1. 15 pages. 6d. net.

*Railroad Travel and the State of Business.* By T. Hultgren. (New York) National Bureau of Economic Research. 35 pages. No price stated.



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# THE BUSINESS WORLD

## The Discount Market

AN interesting and important phase in the evolution of the London discount market has just come to a close. It is the phase of consolidation which began, under official prompting and encouragement, in the late 1920's. The last war and the post-war decade, with their high money rates and generous margins between discount and short loan rates, brought magnificent profits to the discount market and attracted to it many new entrants, all of whom brought capital, most of them the best of social credentials, but not all of them the solid knowledge of the bill business on which the greatness of the London market had been built. By the late 1920's the authorities in the City had decided that the personnel of the market had become somewhat excessive and that the number of firms in it could well do with some compression, especially if in the process the average of capital resources held by each individual unit could be increased. The risks inherent in the business of the market had begun to increase. The tendency to hold a larger proportion of bonds had begun to manifest itself, and the immense volume of bank bills arising largely from "clean" or non-documentary acceptance credits granted to Continental banks, held a threat which was not to materialise until the early 1930's, but which even in the late 1920's must have been vaguely present in the minds of the authorities. "Fewer and bigger" was therefore the *mot d'ordre* given to the market. It was heeded.

First came the phase of amalgamations, absorptions and retirements from the market, which reduced the membership from twenty-four (exclusive of running brokers) in 1925 to eleven. Then came the attraction of additional capital by firms that had been left outside the concentration movement and whose capital resources still remained below the £500,000 figure which had been indicated by the Bank of England as the desirable minimum. With the recent increase in Jessel Toynbee and Company's capital, all firms other than Messrs Seccombe Marshall and Campion, the Bank of England's agents, have lifted their capital structure above this basic figure. Seccombe's exclusion from the rule in no way spoils the argument. The firm is in a special

category. Its main business is to act as agents to the authorities, but in order to perform that business efficiently it must "keep the touch of the market" and therefore runs a small book. It is in the market without being of the market. There is no doubt that if it wished to raise its capital to the £500,000 minimum, applying to other members of the market, it would not have the slightest difficulty in obtaining the necessary resources.

Six firms of running brokers are at present recognised by the Bank. They are essentially intermediaries, brokers in the most strict sense, who do not assume ownership of the bills in which they deal. Before the war, they also acted as money brokers, but the present rigidity of money rates has brought their money business to an end and the profit margins on discount business are now so small that the scope for their operations in bill business has narrowed considerably. If they can still transact such business it is because of the anonymity which they bring to the transaction. A bank desiring to sell bills in preparation for its make-up would normally choose to do so through a running broker. Of late, however, these brokers have run small bill positions and have, for this purpose, been able to borrow money from the banks for which they transact other business.

Except in one instance, the additional capital which has been attracted to the discount market since the beginning of the war has taken the form of preference capital. The single exception to this rule was provided by the participation of United Dominions Trust in the increase of the equity of Ryder and Company which then changed its name to Ryders Discount Company. Even in this case special arrangements were made by which the control of the firm was to be left unaffected for a considerable time by the infusion of fresh equity capital. In all other cases the new capital has been made available in the form of preference shares. It has been provided by a variety of institutional investors ranging from insurance companies to investment trusts and merchant bankers. The ability of the discount market to attract such capital is hardly surprising. The remuneration of the new capital is

### THE LONDON DISCOUNT MARKET

| Firms Existing in 1925             | Remarks                                                                                                                             | Firms Existing in 1944             | Capital Paid Up | Reserve Fund |
|------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|-----------------|--------------|
| Alexanders Discount Co., Ltd.      | ...                                                                                                                                 | Alexanders Discount Co., Ltd.      | 1,000,000       | 1,000,000    |
| Allen, Harvey & Ross               | ...                                                                                                                                 | Allen, Harvey & Ross, Ltd.         | 500,000         |              |
| Baker, Duncombe & Co., Ltd.        | Registered as Private Limited Co., 1st October, 1943                                                                                |                                    |                 |              |
| William P. Bonbright & Co., Ltd.   | Voluntary Liquidation, 18th October, 1933.                                                                                          |                                    |                 |              |
| Brightwen & Co.                    | Acquired by Cater, Brightwen & Co., Ltd., 2nd October, 1939.                                                                        |                                    |                 |              |
| Brocklebank, Hoare & Brown         | Acquired by Cater, Brightwen & Co., Ltd., 2nd October, 1939.                                                                        |                                    |                 |              |
| Cater & Co., Ltd.                  | Acquired Brightwen & Co., 2nd October, 1939, to form Cater, Brightwen & Co., Ltd.                                                   | Cater, Brightwen & Co., Ltd.       | 1,050,000       | 250,000      |
| Roger Cunliffe Sons & Co.          | Registered as Private Unlimited Co., 1st October, 1939. Acquired by Cater, Brightwen & Co., Ltd., 14th July, 1941.                  |                                    |                 |              |
| Daniell, Cazenove & Co.            | Acquired by Cater, Brightwen & Co., Ltd., 9th September, 1943                                                                       |                                    |                 |              |
| Fairfax & Co.                      | Registered as Private Co., 28th July, 1931. Bill Discounting side of business discontinued, 2nd January, 1941.                      |                                    |                 |              |
| Gillett Bros. Discount Co., Ltd.   | These two firms amalgamated in September, 1942                                                                                      | Gillett Bros. Discount Co., Ltd.   | 475,000         | 120,000      |
| Hohler & Co.                       | Registered as Public Limited Co., 1st March, 1943                                                                                   | Jessel, Toynbee & Co., Ltd.        | 600,000         |              |
| Jessel, Toynbee & Co.              | Registered as Private Limited Co., 31st March, 1943. Amalgamated with Ryder, Parker & Co., 1st September, 1940.                     |                                    |                 |              |
| Jones & Brown                      | Amalgamated with White & Shaxson, 30th April, 1933, to form King & Shaxson. Registered as Private Limited Company, 30th April, 1936 | King & Shaxson, Ltd.               | 500,000         | 50,000       |
| King & Foa                         | Ceased business, 30th June, 1933.                                                                                                   | National Discount Co., Ltd.        | 1,000,000       | 1,576,667    |
| Lyon & Tucker                      | Acquired Reeves, Whitburn & Co., Ltd., July, 1938                                                                                   |                                    |                 |              |
| National Discount Co., Ltd.        | Registered as Private Limited Co., August, 1925. Absorbed by National Discount Co., Ltd., July, 1938.                               |                                    |                 |              |
| Reeves, Whitburn & Co.             | Registered as Private Unlimited Co. (Ryder, Parker & Co.), in May, 1934. Absorbed Jones & Brown, September, 1940.                   | Ryders Discount Co., Ltd.          | 750,000         |              |
| Ryder & Co.                        | Registered as Private Limited Co. (Ryders Discount Co., Ltd.), in May, 1943                                                         | Seccombe, Marshall & Campion       |                 |              |
| Seccombe, Marshall & Campion       | Ceased business on 30th June, 1936                                                                                                  | Smith, St. Aubyn & Co., Ltd.       | 615,000         | 205,000      |
| Henry Sherwood & Co.               | Registered as Private Limited Co., 1st March, 1932                                                                                  | Union Discount Co. of London, Ltd. | 2,750,000       | 2,000,000    |
| Smith, St. Aubyn & Co.             | Amalgamated with King & Foa to form King & Shaxson, 30th April, 1933.                                                               |                                    |                 |              |
| Union Discount Co. of London, Ltd. |                                                                                                                                     |                                    |                 |              |
| White & Shaxson                    |                                                                                                                                     |                                    |                 |              |

\* Not Published.

adequately covered by current profits, the specially protected position of the market, enhances the investment merits of its shares, while the preference capital in question has been placed on exceptionally attractive terms: a first batch at 5 per cent and the last operation at 4½ per cent. This twofold process of amalgamation and consolidation is illustrated in the appended table. The 24 firms which existed in 1925 had an aggregate capital and reserve of £10,520,000 or £438,000 per firm. At present the latest published figures give an aggregate of capital resources of £14,442,000, or £1,444,000 per firm. In both cases this excludes certain unpublished figures.

What of the future? Is the trend to be towards still greater concentration or towards further strengthening of the capital structure of individual firms in the market? The reduction in the number of firms in the market has probably gone far enough. The personal relation between the banks and the bill brokers which has been so important an element in the successful functioning of the London money market might well be endangered if the latter were reduced to a half-dozen or so public companies. The private firms have still a part to play. The point is whether the efficient playing of that part may not call for further increases in capital—whether the time may not come when the Bank of England will regard the figure of £1,000,000 as the desirable minimum of capital resources commanded by each firm.

The answer to that question must depend on the type of role which the market will be called upon to play in the future credit structure of this country. It may recapture part at least of its lost commercial bill business. The international bill on London may return. But in view of the probable position of sterling after the war—if for no other reason—it would be wise not to place excessive hopes on any such development. There will certainly be no return to the non-documentary acceptance credit which came into such bad odour after the crisis of 1931, but which provided the market with the bulk of its bank paper during the two inter-war decades. Nor is there much hope for the revival of the domestic acceptance. The forces that have virtually killed the domestic trade bill will be reinforced after the war by the underlying trend towards declining bank advances, and by the keen competition of the banks for the kind of short-term finance which would normally be effected through an acceptance credit.

Whatever doubts there may be on the prospects for commercial discount business after the war, there can be none regarding the market's still growing stake in the market for short to medium term gilt-edged securities. The deficit is being financed cheaply, but on a comparatively short-term basis. Of the tap loans issued by the Government since the beginning of the war, National War Bonds account for some £2,500 million, by far the greatest single item. The various series of these bonds, with their 8 to 10 year currency when first issued, will provide the market with an abundant supply of eligible short-term paper for years to come. Indeed, the existence of these large slices of national debt steadily maturing year by year demands a specialised market to hold it and deal in it. To some extent the discount market has already become an extension of the gilt-edged market in the Stock Exchange. It will hold that position even more after the war. The efficient fulfilment of that task may well require a fresh infusion of capital into the market.

The market should also be able to count on the survival of the Treasury bill, which now provides it with the vast bulk of its discount business, though with a very small part of its total profits. There have been impious, not to say impish, suggestions that after this war the Treasury Deposit Receipt might be found not merely to have come to stay, but to supplant the Treasury bill completely. The Treasury bill can be defended on its own merits and not out of any tenderness for the discount market. As the two instruments of Government short-term borrowing now stand, there can be no doubt that the bill is by far the preferable instrument for those whose views on the subject must carry greatest weight, namely, the banks which hold them. Without negotiability, the TDR will never supplant the bill. If the TDR becomes negotiable, it will immediately become a superb instrument for the discount market.

Whatever the discount market deals in, it is on the liabilities and not on the assets side of its balance-sheets that its main function is indicated. It provides the short-loan market which is important to any highly organised banking structure and essential to one so diversified as in Great Britain. The discount market, by tapping every source of surplus cash in the London market, whether it be from the big deposit banks or the many overseas banks operating in London, or the merchant banks, or insurance companies and large com-

mercial enterprises, achieves an astonishing economy of cash in the credit system. The disappearance of the discount market would demand some alternative such as an inter-bank market for surplus balances. Such a market functions in certain foreign centres, but nowhere does it approach the elasticity and efficiency of the London short-loan market. There might be serious objections to one large bank borrowing direct from another, but these objections entirely disappear when that process is effected through the intermediary and anonymity of the discount market.

The discount market, moreover, provides an admirable instrument for the control operations of the Bank of England. It is the focus at which shortages or surpluses of credit immediately and automatically make themselves felt. The market is, therefore, not merely an essential barometer of the credit pressure over the whole banking system, but it is an ideal point at which to apply remedial measures. Open market operations in the discount market will react rapidly at the various points in the credit structure where stresses are to be found. The alternative to this form of open market operation would be a multiplicity of remedial measures each aimed at one of the many points requiring attention. On the score of convenience of the central credit authority alone, the discount market deserves to survive.

One phase of the recent attraction of capital to the market deserves a word of warning. The remuneration of additional capital bearing interest at 5 per cent in a market where profit margins are reckoned in sixteenths or even thirty-seconds of 1 per cent depends on the high gearing which that capital commands. For a given amount of capital resources a discount house can command loans from the clearing banks totalling many times that figure. Of late years the volume of borrowing created on a given capital basis has increased considerably, owing mainly to the growth within the short-loan fund of abnormal sterling balances held on overseas account. The clearing banks to-day provide rather less than half the total short-loan fund of the market, whereas in normal times the proportion might have risen to three-quarters. The sterling represented by this abnormal growth of the short loan will not be destroyed when the overseas banks, which now hold it, utilise those funds to pay for British exports or when this short-term debt is

### To MEMBERS of the Scottish Widows' Fund

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funded. In either case, these funds will tend to come into the possession of the clearing banks. But it is more than questionable whether, as a result of these operations, the clearing banks will feel disposed to employ much more than they employ to-day in the short-loan market. In other words, part of the resources with which the market is operating to-day is probably impermanent. If the discount houses are

to be given the task of making a market for Government bonds in addition to transacting such commercial discount business as may return to London, there is perhaps added reason to expect a further strengthening of the capital of individual units, though such additional capital cannot be expected indefinitely to enjoy the same generous bearing as exists to-day.

## Business Notes

### "The Bankers' Magazine"

As one centenarian to another, *The Economist* extends its greetings to *The Bankers' Magazine*, which has just celebrated the hundredth anniversary of its foundation with the publication of a special edition. *The Bankers' Magazine* epitomises in its own mode some of the most typical characteristics of British banking. It has remained throughout its life under the same ownership, that of the Waterlow family; it has kept its name unchanged; the appearance and general arrangement of the centenary number are almost identical with those of the first issue; it has had a remarkably small number of editors owing mainly to the fact that the present editor, Mr Arthur W. Kiddy, has held that position for 49 years. This magnificent resistance to change has endeared *The Bankers' Magazine* to the banking community in this country, and in a commendable message, the chairman of the committee of London Clearing Bankers, Mr Colin F. Campbell, suggests that *The Bankers' Magazine* "is now so fully established and well known that there is little likelihood of a change in the future." As might be expected from the interests by which *The Bankers' Magazine* is owned, the printing technique that goes to produce it is outstanding. The most remarkable feature of the centenary number is the collection of portraits of famous bankers which adorns it and is a masterpiece of the printers' art. Long may *The Bankers' Magazine* live to uphold its staunch defence of robust individualism and to prove that in a fast changing world there are certain things that never change.

### Monetary Isolationism

Certain passages from the report of the Chairman of the Chase National Bank for the year 1943 merit reproduction in *extenso* as a very typical presentation of the case against the international currency plans which is being so persistently argued in American banking quarters.

"The stability of the American currency remains as the one firm foundation on which the economic life of the post-war world can be rebuilt. This is a point, I believe, which has been least considered in the long and often puzzling discussions of the two plans for exchange stabilisation that have been put forward from Britain and from our own Treasury. These two plans are ingenious and, at first glance, persuasive. But they are both open to the basic objection that they provide new and elaborate mechanisms, which, to be effective, will require further mechanisms and controls, each designed to patch up the other. And what is still more serious from the American point of view, each sets up an international authority nominally charged with the duty of advising on national economic policies, and of assessing penalties if the advice so given is not followed.

"Neither plan is final. In the course of discussion both are understood to have been modified, though to what extent and in what manner have not been announced. Yet the opinion remains that the remedy for post-war economic distress does not consist in cumbersome machinery and the use of

methods hitherto untried, which, if they fail, will leave us in worse condition than before.

"If American credit is necessary, let us provide it of our own volition through the national and international channels already tested and familiar to us. If American funds are required to relieve suffering abroad, let us provide them freely, as we always have. If a sound currency is essential as a guide for all the currencies in the world, it is in our power to provide it through the sound administration of American national finance. If we adopt these three aims, we shall at least know where we are, and our destiny will remain in our own hands."

The argument ignores the abnormal situation which will face the world after the end of the war. In dealing with the disruption of international balances of payments, the "national and international channels already tested and familiar to us" are unlikely to do better than they did before the war when faced with far less difficult situations.

### Unit Trust Accounts

For the third year the managers of the Municipal and General group of Unit Trusts have published their accounts. It may be recalled that the profits of the managers are disclosed in absolute figures, but that the earnings from the various functions performed are given as percentages. The information is provided for each trust and for the whole group. This year there is added a simplified summary of the accounts and a statement for each trust of the profit earned under each head per £1,000 of turnover. Short of giving absolute figures throughout—which is considered undesirable because it would give away the size of the individual funds—the managers appear to have done their best to make intelligible a very complicated matter. In this they are playing a lone hand, for no other group has so far produced accounts in any detail. But the others will be forced to do so once the "Share-Pushing" Act becomes law in July, and the other groups are now considering what they should produce. Plainly, the Board of Trade should intimate that there should be uniformity of practice, uniformity of definition and the maximum of information. Apart from figures of actual earnings of the managers, which were £12,074 gross and £3,335 net in 1943, against £9,314 gross and £276 net in 1942, M and G give percentage profits under five sub-heads. Profits on new issues—the most lucrative item in normal times—are non-existent owing to the Treasury ban. Earnings from running the trusts and all the necessary clerical work amounted to 0.097 per cent gross of the average monthly valuation of the trusts. This is paid by all unit holders. On the purchase and re-sale of sub-units, the managers made 2.837 per cent gross on the proceeds of sub-units resold. This charge has somehow to be split between buyer and seller. There was a profit of 0.621 per cent from rounding off prices to a convenient quotable figure, but nobody pays both this and the previous charge.

These three percentages are all paid by the sub-unit holder. But there are two further possible sources of profit—or loss. These are on the holding by the managers of sub-units and of the underlying shares. No underlying shares were held, but on holding sub-units there was a gross profit of 0.536 per cent. Losses were made on some trusts and profits on others. The turnover of sub-units doubled on the year and that mainly accounts for the rise in profit, but the improvement in percentage earnings on holding sub-units from 0.466 to 0.536 arose from the fact that they were held for longer, for the rise in their average value was substantially less during 1943 than in 1942. Obviously this profit arises from a jobbing business which tends to keep the price of the underlying securities up, if the managers hold sub-units, and down, if they go short of them. This business produced a gross profit of only £1,077 on the year, but it is open to question whether an unlimited jobbing business should be considered part of the functions of the managers.

The M and G managers are to be congratulated upon taking the lead in publishing informative accounts. The only profit which seems at all large is that on the margin between buying and selling prices. This is reasonable at present in view of the small turnover, but it ought to be possible to reduce it as business becomes more brisk.

### Canadian Pacific Costs

The full accounts for 1943 of the Canadian Pacific Railway tell the familiar wartime story of a very high business turnover—in which all space and facilities are utilised to their utmost capacity—offset by shortage and inexperience of labour and lack of new equipment. Gross railway earnings are up by over \$40 million to the new record peak of \$297 million odd, but all except \$1,000,000 of this increase is swallowed up by higher costs. The experience of British railways is repeated, for, despite the stoppage of all reduced fares, the closing of holiday hotels, and the reduction of travelling amenities, the volume of passenger traffic has been the highest known, and earnings from it have soared by 30.1 per cent. Freight earnings, which provide in any case the bulk of the revenue, show a substantial but comparatively modest increase of 11.3 per cent. Grain movements from the prairie provinces to Eastern Canada and the USA have been heavier, and it may be partly due to the greater availability of lake transport that at the end of the year there were 60 million bushels less awaiting transportation than at the close of 1942. On the expenses side, there were special costs due to exceptionally bad weather, and to the increase in the cost of living bonus to employees; but the main increase was in maintenance and transportation costs. The application of employees to the National War Labour Board for a rise in the rates of pay to US levels has still to be decided; but it is stated that as things are, higher transportation costs in wages and supplies have been wholly offset by the increased earnings per train mile. Under income from sources other than the railway, the most interesting item is the increase of over \$2,000,000 in net cash receipts from land, due to the restored prosperity of Western farmers. The directors have stated that the dividend for 1944, if any, is dependent upon conditions. But it seems likely that the snowball effect of the war will continue, in expanding turnover, to increase revenue rather faster than expenditure. This fact, taken with the growing surplus carried forward annually, should surely mean that the shareholder will be lucky if his dividend is not at least maintained during the war.

### De Beers Assets

The full accounts of De Beers Consolidated for 1943, promptly received this year, show that the estimate of an increase in net profit from £2,755,744 to £3,500,000, given in December, was a slight overstatement, the actual figure being £3,440,231. This is before the provision of £739,900 to bring up the reserve against diamond investments to the increased value of holdings, the company having taken over an additional 740,000 shares in the Diamond Trading Company during the year. After taking account of this transfer, free reserves and carry forward show a fall on the year of £325,267, but the really relevant question for the shareholders is the true value of the diamond interests, and on this point the balance-sheet valuation of £6,238,837 is, probably, very little help. The other point of interest, emerging from that statement, is a fall in net liquid assets, excluding inter-company items, from £841,123 to £404,277. This is still above the level at the end of 1941, but it seems a modest sum for so large an enterprise. The absence of a consolidated balance-sheet renders all comparisons of little value. The comparatively modest rise in net profit contrasts sharply with an increase in receipts from the diamond account to £4,558,178, compared with £2,614,904 in 1942 and £1,767,967 in the previous year. According to the report, 1943 brought record sales, and the outlook for the current year is described as favourable. The latest stimulus to the demand for the shares of the company is the news that a new concern, De Beers Industrial Corporation, is to take over from the parent company its holding of £1,000,000 in African Explosives and Industries, valued in the accounts at par, in exchange for £4,000,000 ordinary capital. The Industrial Corporation will have, in the first instance, £1,100,000 in cash derived from the issue of a million 5½ per cent cumulative preference shares of £1 at 22s., with which to finance industrial development in the Union. While there is no immediate intention of parting with any of the interest in the new concern, De Beers Consolidated will

possess in its equity holding an asset which should be readily marketable once its earning power is proved.

### Oil Politics

The future of oil is to be discussed in Washington next week between official representatives of the countries controlling the world's principal oil resources, including Russia. It is reported that the aims of the discussions will be, among others, to ensure a fair distribution of oil to all nations, and the efficient and economical development of the world's resources without unnecessary restrictions. Like the discussions about the future of civil aviation, the forthcoming conferences on oil, to be held under the auspices of the governments concerned, are a welcome indication of the recognition of the need for international agreement on international problems. In spite of frequent scares, there is no likelihood of an early shortage of oil. They are invariably based on proved reserves which bear little relationship to actual reserves. Moreover, there is still great scope—as there is in coal—for improvements in the efficiency of utilising oil, of making each barrel go further. But the fact that no shortage is in prospect does not mean that an international agreement on oil is superfluous. On the contrary, it is vital, not merely to ensure equal access to supplies—which should mean equal access at reasonable prices—but also to prevent a scramble for the control of oil resources and their exploitation without reference to the countries in which they are treated. The oil conferences, in fact, will be a test of the ability of five main oil-controlling countries—America, Great Britain, Russia, Holland and Mexico—to agree among themselves, and to agree on a policy that fulfils the aims of the Atlantic Charter.

### Kaffirs and Gold Prices

There has been a renewal of the boomlet in Kaffirs, this time affecting the established as well as the developing mines, on two suggestions about the possibility of an increase in the price of gold. The first of these, dealt with on page 478 of *The Economist* of last week, concerns the possibility of South Africa and the mines receiving a share in the

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premium obtainable in India. The second is the suggestion that the price paid by the Union Government should be the full equivalent of the US price of \$35 per ounce at the existing rate of exchange. On the former point, it is sufficient to remember that the profit on sales in India is a rupee profit, and that the premium is due to an invasion scare and to inflationary finance, for which it is hoped to find remedies. On the second point the suggested price of 173s. 6d., or 5s. 6d. more than that now ruling, makes no allowance for costs of handling, insurance, freight and interest. To make a present of the whole of these to the mines, or even to the mines now on the point of closing down, would be a definite subsidy. The Union Government might decide that it was worth while to pay this to keep some gold producers in being, but there is so far no sign that they would. No doubt, however, part of the 5s. 6d. margin is profit to the Government, and that part might be conceded if it were necessary to prevent a working loss. How far the Government would be prepared to allow any concession, let alone a subsidy, to result in actual profits to the shareholders is another matter. The question is largely one of domestic politics. It is true that the local industry is passing more and more into the ownership of local residents, but it is still the case that the farming interests have to be convinced of the need to keep the mines in being. It is a long step further to convince them that all shareholders must receive some return.

### More Treasury Bills

The weekly issue of Treasury bills by tender is being raised from £90 million to £100 million this week. The move appears to have about it a more permanent character than the similar increase which occurred last October. That increase, which was to last four weeks only, was primarily intended to place more Treasury bill maturities in the hands of the banks early in the new year when revenue payments normally cause a considerable drain on bank cash. The effect of this increase in the issue of tender Treasury bills on the banks' portfolios wore off very quickly, and it has recently become evident that the banks have again been suffering from bill starvation. By last February the London clearing banks' holding of bills amounted to less than 3 per cent of their total assets. On the outbreak of the war the ratio was over 11 per cent. To a large extent the place of bills has been usurped by Treasury deposit receipts, but this new type of asset does not provide an altogether satisfactory alternative to the bill in the banks' structure of assets. The depletion in the volume of bills going to the banks is not due to an absolute reduction in the issue of Treasury bills by tender. Apart from seasonal fluctuations, the weekly issue has been maintained at £90 million since April, 1943. The competition for these bills from quarters other than the clearing banks has been increasing steadily over the past year. Most of that "outside" demand comes from overseas central banks and issuing authorities whose sterling resources are constantly growing as a result of wartime disturbances in the UK's balance of payments. Some of these special demands are satisfied by the issue of tap Treasury bills, but a considerable proportion figures in the weekly applications for bills issued by tender. If £100 million is to be a new norm for the weekly offering of tender Treasury bills, the total outstanding will ultimately settle down at £1,300 million. If

only half of the increase could be canalised to the clearing banks, it would raise the ratio of bills to total assets to nearly 5 per cent. A small part of the additional supply of bills is likely to remain in the discount market, where recent increases of capital are likely to lead to corresponding increases in bill and bond holdings. It would, however, be quite wrong to attribute the decision to issue new bills by tender to any desire on the part of the authorities to accommodate the discount market in this respect.

### Training for Industry

The Government is introducing a scheme for the training of men and women on their demobilisation from war service, which may have an important bearing on post-war resettlement of workers and on the supply of skilled labour for industry. The Parliamentary Secretary to the Minister of Labour announced the broad provisions of the new scheme in the House of Commons last week. Training courses will be available to men and women released from the Armed Forces, the merchant navy, civil defence services and other types of war service, whose training or careers have been interrupted by the war and who are in need of special training. Training for industry will be given in the Government training centres, and the usual arrangements for allowances will be made. Agricultural training will be provided by the Department of Agriculture. If the facilities are inadequate, priority will be given to men and women released from the armed forces, or from the merchant navy. The scheme will be co-ordinated with the educational and vocational training now being given in the Services. The details will be worked out by the various industries, but it seems likely that in most cases the schemes will follow the lines of the training scheme already announced for the building industry. In the absence of any details, it is impossible to comment on the Government's proposals, but the scheme will certainly meet a long-felt need, and will be welcomed not only by men and women in the forces, but by the representatives of industry in general.

### The Blind in Industry

The day is well past when blind workers were confined, at the best, to such secondary occupations as basket-making. Statistical investigations have revealed that the blind are now being employed over the whole range of industry—in engineering, soap, tobacco and munition factories. It is claimed in a recent pamphlet by Dr Fenelon, general secretary to the Institution of Production Engineers, that blind people are no more liable to accidents at the bench or the machine than other workers. If this is so, it should be taken as a tribute to the special care and guidance that is given to adapting the blind to their job. Unfortunately, other classes of disabled workers are less well looked after. They tend to be let loose on new jobs without the same regard being paid to their particular limitations and aptitudes. The strides forward that are being made, in other fields as well as industry, towards equipping blind persons to lead an almost normal life, are both remarkable and heartening, and they point the way to what can and should be done for all disabled persons.

### The Statistical Black-out

The statistical black-out was strongly criticised by Lord Barnby in the House of Lords on April 5th. The lack of adequate statistics, in his view, is hampering industrialists in formulating their plans. He contrasted the wealth of statistics still published in the United States with the paucity of the information available for this country. He effectively illustrated the harm that can be done by the withholding of statistics by reference to the coal-mining industry. If mining statistics had not been suppressed, "the seriousness of the situation which faces us to-day might have been modified by anticipatory action." He might have added that the resumption of the publication of coal production figures when the crisis came to a head was an admission of the harm caused by their previous suppression. Lord Templemore, speaking for the Government, listed the usual security arguments in favour of the statistical black-out; he enumerated the statistics that are still being published, such as those relating to the earnings of workers in industry and the returns about retail sales, and he drew attention to the new statistics about the national income and expenditure—a welcome innovation—published each year. He also drew attention to the facilities provided by the Government

(ABRIDGED REPORT)

# CANADIAN PACIFIC RAILWAY COMPANY

(Incorporated in Canada with Limited Liability)

## Sixty-Third Annual Report of the Directors of Canadian Pacific Railway Company Year ended December 31, 1943

### To the Shareholders:—

The financial results of operations showed a moderate improvement over 1942, which, however, was not in proportion to the increase in traffic handled. As a result of governmental regulations rates, both passenger and freight, were maintained at the 1941 level. On the other hand operating costs, both labour and material, and taxes advanced substantially.

The volume of traffic handled in 1943 surpassed what might have been thought possible a year ago. Freight, passenger, mail and express traffic all reached levels never before attained.

In meeting the enormous wartime demands for transportation your Company's organization and facilities were subjected to rigorous tests. Heavy snowfalls and sleet in the first quarter of the year created operating difficulties; the shortage of labour curtailed the maintenance programme; the amount of new equipment procurable fell short of requirements; and wartime restrictions limited the provision of additions and alterations to facilities. The continuance of heavy enlistments in the armed services of members of the staff created problems not only of replacement, but also of training and supervision. In spite of all obstacles, however, your Company succeeded in meeting the demands made upon it.

### INCOME ACCOUNT

|                                                                                                                                        |              |
|----------------------------------------------------------------------------------------------------------------------------------------|--------------|
| Gross Earnings                                                                                                                         | 297,107,791  |
| Working Expenses (including taxes)                                                                                                     | 247,896,224  |
| Net Earnings                                                                                                                           | 49,211,567   |
| Other Income                                                                                                                           | 16,270,751   |
|                                                                                                                                        | 65,482,318   |
| Fixed Charges                                                                                                                          | \$21,795,836 |
| Interest on bonds of Minneapolis, St. Paul & Santa Fe, St. Louis & Northern Railway Company, guaranteed as to interest by your Company | 703,764      |
|                                                                                                                                        | 22,499,600   |
| Net Income                                                                                                                             | \$42,982,718 |
| Dividends on Preference Stock:—                                                                                                        |              |
| 2 per cent. paid August 3, 1943                                                                                                        | 564,070      |
| 2 per cent. payable February 1, 1944                                                                                                   | 564,070      |
|                                                                                                                                        | 1,128,140    |
|                                                                                                                                        | 5,042,782    |
| Balance transferred to Profit and Loss Account                                                                                         | 37,939,936   |

### PROFIT AND LOSS ACCOUNT

|                                                                                                 |             |
|-------------------------------------------------------------------------------------------------|-------------|
| Profit and Loss Balance December 31, 1942                                                       | 201,250,483 |
| Balance of Income Account for the year ended December 31, 1943                                  | 37,939,936  |
|                                                                                                 | 239,190,419 |
| Deduct:—                                                                                        |             |
| Loss on lines abandoned and on property retired and not replaced                                | 3,460,902   |
| Amount transferred to Rolling Stock Depreciation Reserve for extraordinary post-war retirements | 20,000,000  |
| Less amount of excess credit transferred from Steamship Depreciation Reserve                    | 16,649,095  |
|                                                                                                 | 3,350,905   |
| Exchange adjustment in respect of steamship insurance recovered in sterling                     | 780,714     |
| Miscellaneous—Net Debit                                                                         | 363,680     |
|                                                                                                 | 7,956,201   |
| Profit and Loss Balance December 31, 1943, as per Balance Sheet                                 | 231,234,218 |

### GENERAL BALANCE SHEET, DECEMBER 31ST, 1943

| ASSETS                                            |               | LIABILITIES                                                                                                      |               |
|---------------------------------------------------|---------------|------------------------------------------------------------------------------------------------------------------|---------------|
| PROPERTY INVESTMENT:—                             |               | CAPITAL STOCK:—                                                                                                  |               |
| Railway, Rolling Stock and Inland Steamships      | 810,442,460   | Ordinary Stock                                                                                                   | 335,000,000   |
| Improvements on Leased Property                   | 96,813,831    | Preference Stock—4% Non-cumulative                                                                               | 137,256,921   |
| Stocks and Bonds—Leased Railway Companies         | 129,693,871   |                                                                                                                  | 472,256,921   |
| Ocean and Coastal Steamships                      | 36,971,006    | PERPETUAL 4% CONSOLIDATED DEBENTURE STOCK, Less: Pledged as collateral to bonds, notes and equipment obligations | 397,826,229   |
| Hotel, Communication and Miscellaneous Properties | 101,872,734   |                                                                                                                  | 102,388,000   |
|                                                   | 1,175,793,902 | FUNDED DEBT                                                                                                      | 295,438,229   |
| OTHER INVESTMENTS:—                               |               | Less: Securities and cash deposited with Trustee of 5% Equipment Trust                                           | 133,313,600   |
| Stocks and Bonds—Controlled Companies             | 65,402,759    |                                                                                                                  | 17,395,856    |
| Miscellaneous Investments                         | 33,949,193    |                                                                                                                  | 115,917,744   |
| Advances to Controlled and Other Companies        | 32,142,105    | CURRENT LIABILITIES:—                                                                                            |               |
| Mortgages Collectable and Advances to Settlers    | 2,290,803     | Pay Rolls                                                                                                        | 4,771,158     |
| Deferred Payments on Lands and Townsites          | 26,659,459    | Audited Vouchers                                                                                                 | 10,450,212    |
| Unsold Lands and Other Properties                 | 20,553,229    | Net Traffic Balances                                                                                             | 4,237,461     |
| Maintenance Fund                                  | 13,450,000    | Miscellaneous Accounts Payable                                                                                   | 3,398,302     |
| Insurance Fund                                    | 10,387,121    | Accrued Fixed Charges and Guaranteed Interest                                                                    | 1,629,973     |
| Steamship Replacement Fund                        | 47,879,560    | Unmatured Dividend Declared                                                                                      | 2,521,391     |
|                                                   | 252,714,223   | Other Current Liabilities                                                                                        | 21,050,660    |
| CURRENT ASSETS:—                                  |               |                                                                                                                  | 48,059,157    |
| Material and Supplies                             | 30,079,986    | DEFERRED LIABILITIES:—                                                                                           |               |
| Agents' and Conductors' Balances                  | 14,096,152    | Dominion Government Unemployed Relief                                                                            | 2,447,223     |
| Miscellaneous Accounts Receivable                 | 19,815,732    | Miscellaneous                                                                                                    | 3,648,720     |
| Dominion of Canada Securities                     | 17,021,872    |                                                                                                                  | 6,095,943     |
| Cash                                              | 43,525,516    | RESERVES AND UNADJUSTED CREDITS:—                                                                                |               |
|                                                   | 124,539,258   | Maintenance Reserves                                                                                             | 13,450,000    |
| UNADJUSTED DEBITS:—                               |               | Depreciation Reserves—Road                                                                                       | 83,630,820    |
| Insurance Prepaid                                 | 216,051       | —Rolling Stock                                                                                                   | 115,859,100   |
| Unamortized Discount on Bonds                     | 1,110,811     | —Steamship                                                                                                       | 26,856,648    |
| Other Unadjusted Debits                           | 2,906,234     | —Hotel and Other                                                                                                 | 12,888,176    |
|                                                   | 4,233,096     | Investment Reserves                                                                                              | 17,648,413    |
|                                                   |               | Insurance Reserve                                                                                                | 10,387,121    |
|                                                   |               | Contingent Reserves                                                                                              | 5,105,446     |
|                                                   |               | Unadjusted Credits                                                                                               | 5,353,560     |
|                                                   |               |                                                                                                                  | 291,179,284   |
|                                                   |               | PREMIUM ON CAPITAL AND DEBENTURE STOCK                                                                           | 34,565,952    |
|                                                   |               | LAND SURPLUS                                                                                                     | 62,533,037    |
|                                                   |               | PROFIT AND LOSS BALANCE                                                                                          | 231,234,218   |
|                                                   |               |                                                                                                                  | 1,557,280,485 |

NOTE.—Particulars of securities held for account of the Company and of contingent liabilities of the Company are set out in the accompanying schedules.

TO THE SHAREHOLDERS, CANADIAN PACIFIC RAILWAY COMPANY.

We have examined the Books and Records of the Canadian Pacific Railway Company for the year ending December 31, 1943, and having compared the Balance Sheet and related schedules therewith, we certify that in our opinion it is properly drawn up so as to show the true financial position of the Company at that date, and that the Income and Profit and Loss Account correctly set forth the result of the year's operations.

The records of the securities owned by the Company at December 31, 1943, have been verified by an examination of those securities in the custody of its Treasurer and by certificates received from such depositaries as are holding securities for safe custody for the Company.

Montreal, March 10, 1944.

Advertisement

ERIC A. LESLIE,  
Vice-President and Comptroller.

PRICE, WATERHOUSE & CO.,  
Chartered Accountants.

## Important Notice to our Sherry Customers

FINDLATER'S FINO, well-known to Sherry drinkers all over the World, will in future be known as

FINDLATER'S DRY FLY SHERRY

The reason: Findlater's Fino cannot be registered and protected from imitations under that name. FINDLATER'S DRY FLY is registered, ensuring protection for our customers throughout the World.

FINDLATER, MACKIE TODD & CO. LTD.  
Vine Merchants to H.M. the King 55 Wigmore Street, W.1





whereby persons who require particular statistics can apply to the Government for special release. But he refused a reconsideration of Government policy. "on the very eve of the Second Front." Admittedly, the considerations that must guide policy are not identical in Great Britain and America; the one is an operational base and the other a dispersed arsenal. Nevertheless, there is a case for the revision of policy, for the substitution of a "dim-out" for the present black-out.

### Coupon Capital

Correspondence arising out of two notes on Retailers' Coupon Capital, which appeared in *The Economist* of March 11th, suggests very strongly that the loss of coupons due to carelessness or misfeasance of the retailer's staff is so large an element in the problem as to call for special consideration. It remains the case that it is very difficult to give unrestricted allowances for such losses. Insofar as the public obtained, through the leakage, more goods than they were intended to, the ensuing issue of clothing coupons to the public would have to be cut. Total sales would have to be maintained, at the pre-determined level, and to that extent replacement of coupon losses would not alter total sales. But it would change their distribution between retailers, and it is on this ground that some of them may have a real grievance. It is tempting, but wholly wrong, to argue from money to coupons, and to say that because a retailer has to meet the money cost of losses, thefts and mistakes he should also meet the coupon cost. While the retailer is allowed a money "mark-up" to cover these (and other) costs, he is hardly allowed any coupon mark-up, nor can he gain on any coupon swings what he loses on his coupon roundabouts. If coupons are lost or stolen, or locked up in unsaleable merchandise, he has no escape from a progressive reduction of his scale of business. Presumably, this will mean in the end a shortage of goods to satisfy legitimate demands, and then some solution will have to be found. Meanwhile, however, it is extremely difficult to think of a formula which will not, in fact, encourage leakages or a means of replacing losses which will not cause an outcry from those who have been more fortunate or more efficient in preventing them. As so often happens in the case of central control, it may well prove that the least harmful solution, when one is necessary, is a modest all-round relaxation, in this case a percentage grant of coupon credit to all clothing retailers without discrimination, irrespective of any injustice involved. A further point emerges which concerns even more specifically Board of Trade policy is the matter of sales. If it is the intention of the Board to enforce the sale of goods which are unpopular by withholding more desirable alternatives, no compensation for the locking up of coupon capital in unpopular stock is necessary. If, however, concessions are made to public taste, as in the instance of austerity suits, the position is different. To the extent that this renders the prospect of selling the less popular alternative goods negligible, some grant of additional coupons should be permitted. It appears, however, that the importance of this factor, except in those cases where allowance has been made, is so small as to be covered in large measure by the 2 per cent allowance.

### Ships' Tonnage

Merchant ships are measured by a number of different "tonnages." Deadweight tons denote the *cargo weight* which can be carried; displacement is the *weight* of the ship, light or loaded; gross and net registered and under-deck tonnages are related *volume* measurements—100 cubic feet equals one ton—on which all harbour, canal and other dues are paid, and which are also used for registration and statistical purposes. The very complicated rules under which the latter tonnages are determined have often been criticised and have never been completely standardised internationally. The British shipbuilding industry is now recommending their revision. At the recent annual meeting of the Ship-

building Conference the following resolution was adopted unanimously:

That the tonnage measurement laws for ships are out of date and in urgent need of drastic revision in order to remove impediments to desirable developments in new ships, and that the matter of revision be pressed upon the British Government for urgent discussion with the United States and other maritime nations as a necessary prerequisite to post-war shipbuilding progress.

This is a sequel to strong criticism of the present system by the new vice-president of the Conference, Mr A. M. Stephen, in a presidential address last October before one of the technical institutions. Mr Stephen described the tonnage laws as "a disgrace to the shipping community of the world and an insult to their intelligence," and proposed a very simple alternative system based on the ship's main dimensions. The present rules are too complicated to describe. They involve the actual measurement of the cubic content of the permanently covered-in spaces in a ship as defined; the net tonnage, on which dues are normally levied, is supposed to represent the capacity of the spaces which earn money.

The burden of the criticism of the system is that it has a considerable influence on ship design, owing to the efforts of designers to obtain the lowest possible figure for dues assessment. Many anomalies have thus arisen. A special class of cargo ship—known as the shelter-deck ship—has been evolved which owes its existence not to any technical merits but solely to the fact that it allows a favourable interpretation of the rules for tonnage measurement. For example, the rules have prevented the full realisation of the economic advantages to be gained by compact machinery of the most modern type. While the more glaring anomalies which undoubtedly exist can be overcome by limited revision of the rules, ideally the design of a ship should not be influenced by the way it is measured for dues or other purposes. This should not occur if a dimensions formula such as that suggested by Mr Stephen were adopted. His suggestion involves the abolition of the principle that dues should be related to a ship's earning space or its ability to pay, and the adoption of the more logical alternative that they should be governed by the cost of the services rendered, i.e., by the canal or harbour authority. True, revision of the tonnage rules can only come through international agreement. But it is desirable that the subject should be thoroughly explored before post-war ship replacement programmes are begun, even though it may be an exaggeration to describe the revision of the rules as a "necessary prerequisite to post-war shipbuilding progress."

### Unemployment Insurance

The report of the Unemployment Insurance Statutory Committee, which was published last month, makes strange reading in comparison to the earlier reports of the same body. In 1934, when the Committee was set up under the Unemployment Act, there was a debt of over £105 million. The Committee is now able to report the very satisfactory net balance in the Fund of £224.7 million. The total expenditure on unemployment benefit in 1943 was negligible compared with the early years of the war, as the accompanying table shows. At the same time, it may seem peculiar that as much as £2½ million should be spent on unemployment benefit at a time when the nation's manpower is so fully mobilised. The reason is that the 1943 programme changes and transfers of workers from one occupation or one area to another inevitably involve some workers in intermittent spells of unemployment, and as further changes in production develop the total of unemployment at any one moment may further increase.

| EXPENDITURE ON UNEMPLOYMENT BENEFIT 1938 TO 1943 (£'000) |         |              |        |
|----------------------------------------------------------|---------|--------------|--------|
|                                                          | General | Agricultural | Total  |
| 1938 .....                                               | 51,662  | 742          | 52,404 |
| 1939 .....                                               | 40,690  | 831          | 41,521 |
| 1940 .....                                               | 25,894  | 635          | 26,529 |
| 1941 .....                                               | 8,874   | 294          | 9,168  |
| 1942 .....                                               | 3,708   | 166          | 3,874  |
| 1943 .....                                               | 2,709   | 86           | 2,795  |

Last year, contributions from employers and employed amounted to £49 million; those from the Exchequer to £24.5 million; together with income from investments and miscellaneous receipts, total receipts amounted to £77.8 million. There was a decline of £2½ million in contributions from employers and employed, compared with 1942, due

(Continued on page 515)

### COMPANY MEETINGS

## REFUGE ASSURANCE COMPANY, LIMITED

ASSETS £85,200,000

INCOME £14,700,000

CLAIMS PAID IN YEAR £8,000,000

At the Eightieth Annual Ordinary General Meeting the chairman of the company, Mr J. Wilcock Holgate, in the course of his remarks, said:—

During the year our staff suffered a further net decrease of 451, and the total number released for the armed forces or other forms of whole-time national service is 3,198. Despite the difficulties caused by the absence of so many of our trained employees, by dint of constant re-organisation and the employment of temporary staff, many of whom are women, we are able to carry on our operations, and although we have not any staff concerned solely with the procurement of new business, the new premiums in each branch represented 85 per cent. of the 1942 figures.

### DEVELOPMENT OF ENDOWMENT ASSURANCES

The company's ordinary branch new business has long been predominantly of the endowment assurance type, and in the industrial branch also there has been a growing tendency to favour this type of assurance. Industrial assurance has progressed far beyond its original conception as a means of providing against funeral expenses only; so much so that the premiums collected under the company's industrial branch policies embodying the endowment principle now amount to over £3,000,000 annually.

There remains, however, a considerable demand for whole life assurance, the more so as it is only in the industrial branch that policies may be taken out for funeral expenses within certain permitted relationships; and whether or not any social security scheme put forward in the future embodies a death grant, this will not meet the need for provision against expenses in connection with deaths such as mourning, travelling, loss of wages, and the like. The point was appreciated by the members of the Cohen Committee in 1933, who stated that in their opinion there was a real demand for policies of this type, and who embodied a recommendation to this effect in their report.

### QUESTION OF SOCIAL SECURITY

The question of social security has been long before the public, but in accordance with our excellent national custom the Government has come to no hasty decisions on the matter. Very careful consideration is being given to the various proposals, and I feel that much may be learned from the experience of industrial assurance organisations. We are, of course, in cordial sympathy with the underlying aims of social security, since not only do our policies provide payments on death and make provision against old age, but we administer sickness and other benefits under the present and long-established National Insurance Scheme. The business provides also, by means of its agents, the benefit of frequent and regular calls which experience has shown suits the needs of the public, and for which it would prefer to pay rather than to spend time in travelling to some office to pay premiums, make enquiries or receive benefits. The necessity of such a home service has been clearly proved, not only in the past by the failure of the Post Office scheme for life assurance—which did not provide the service—but also at present by the large amount of voluntary service enlisted to promote and sustain the War Savings Campaign by

regular collection of contributions at the homes and workplaces of the bulk of the people.

### VALUE OF INDUSTRIAL ASSURANCE

As conducted to-day industrial assurance has first to seek out and then to satisfy its policyholders, and it is administered with a flexibility which enables it to meet a variety of needs, with wide discretionary powers to deal expeditiously with special cases. Industrial assurance organisations could not have been developed as they have done if the public had not desired and appreciated their services. Your own company has now been operating for eighty years, and the figures before you afford evidence of an initiative and a vitality which augurs well for our future progress.

A steady improvement as regards economy of administration has been a feature of the operations of the company for many years. In the last ten years the expense ratio in the industrial branch has been reduced by over one-sixth, and this has been accompanied by very considerable allocations of profit to policyholders, amounting to some £3,300,000 since 1933. We have always very present in our minds the importance of conducting the business of the company with the minimum of expense consistent with satisfactory service to our policyholders and proper remuneration to our staff.

### COMPANY'S LARGE HEALTH INSURANCE BUSINESS

On behalf of the National Amalgamated Approved Society, the company administers the national health insurance of a membership of 871,000 and during the year made payments of benefit amounting to £1,123,669. The services of our agents in times of sickness are very convenient to the insured people, and are obviously much appreciated by them; they are, of course, rendered possible only by the close association of industrial assurance with national health insurance. It is gratifying to remember that after 20 years' experience of national health insurance, of which he was the founder, Mr. David Lloyd George, M.P., congratulated industrial assurance Approved Societies on the maintained zeal and efficiency with which they played their part in a great social service.

### BONUSES

Since the outbreak of war, as a result of war conditions, over £750,000 has been paid in death claims on the lives of H.M. Forces and of civilians. The total premium income increased by £371,008 to £12,016,095. The total claims were £8,042,688, including £5,058,697 by maturity. The total assets were £85,215,797, an increase of £3,774,759 during the year. Valuations in both branches were made by the net premium method, using 2½ per cent. interest for all assurances and 3 per cent. for annuities. Of the Ordinary Branch surplus £204,244 is allocated to policyholders to provide bonuses on participating policies which become claims by death or survivorship within the twelve months commencing March 20, 1944, at the rate of £1 per cent. on the sum assured in respect of each full year's premium due and paid in 1939, 1940, 1941, 1942 and 1943 respectively. Until further notice an interim bonus at

the same rate will be allowed on policies becoming claims by death or survivorship. The amount carried forward is £3,025,420.

Of the industrial branch surplus £150,000 is transferred to the investments reserve fund, and £481,586 allocated to policyholders to increase temporarily, and in some cases permanently, the amounts payable under certain policies.

### INVESTMENTS

Our holding of British Government Securities is £44,996,100, having increased during the year by £5,623,623, and represents 52.8 per cent. of the total assets. Since the outbreak of hostilities the company has taken up, and still holds, various war loans amounting to £17,110,800, which is included in the above figure. 92.78 per cent. of the company's investments are now in Great Britain, and a further 5.16 per cent. in India, the Dominions and Colonies. The aggregate values of our Stock Exchange securities appreciated during the year and exceed considerably the values at which they appear in the balance sheets, the investment reserve funds totalling £5,250,000, being intact.

### RATES OF INTEREST

In the industrial branch the gross yield has fallen from £4 6s. 6d. per cent. to £4 4s. 5d. per cent., and the net yield from £4 0s. 7d. per cent. to £3 18s. 4d. per cent. In the ordinary branch the gross yield is £4 7s. 11d. per cent. against £4 9s. 0d. per cent. in 1942, and the corresponding net yield £3 5s. 5d. per cent. compared with £3 6s. 6d. per cent.

The chairman concluded his remarks with a tribute to the services of the staff and a hope that before long the conditions under which all are now working will be replaced by happier circumstances following the successful termination of the war.

The report and accounts were adopted and, the formal business having been transacted, a vote of thanks to the chairman terminated the proceedings.

## S. SMITH AND SONS (MOTOR ACCESSORIES) LIMITED

### CHANGE OF NAME APPROVED

An extraordinary general meeting of S. Smith and Sons (Motor Accessories), Limited, was held on the 12th instant at Cricklewood to consider a resolution sanctioning the change in the name of the company to S. Smith and Sons (England), Limited.

Mr Walter Henderson-Cleland, M.C. (chairman of the company) said: For some time past your directors have been concerned that the name of S. Smith and Sons (Motor Accessories), Limited, was not adequate for a company whose activities have developed into much wider scope than the motor accessory business. The field of the company's activities is, as you know, divided into four spheres: The motor accessory group, the clock group, the aircraft instrument group, and the industrial instrument group. The change of name will not now entail any alteration in the parent company's financial structure and the same board of directors will function as at present.

A new company—Smith's Motor Accessories—will be formed in order to maintain the goodwill of S. Smith and Sons (Motor Accessories), Limited, which is known even more familiarly as "Smith's Motor Accessories."

Smith's English Clocks is already in existence. A new company entitled Smith's Aircraft Instruments will now be formed to deal with all aircraft instruments side of the business. A further new company, to be named Smith's Industrial Instruments, Limited, will look after all matters concerning our industrial instruments section.

A separate board will be formed for each of these four group subsidiary companies, and will work, of course, under the direction of the parent board.

The resolution was carried unanimously.

### ROYAL BANK OF CANADA

#### DIVIDEND No. 227

NOTICE IS HEREBY GIVEN that a DIVIDEND of 1½ per cent., being at the rate of 6 per cent. per annum, upon the paid-up Capital Stock of the Bank has been DECLARED for the three months ending 31st May, 1944, and will be PAYABLE at the Bank and its branches on and after 1st June, 1944, to shareholders of record 28th April, 1944.

By Order of the Board.

E. B. MCINERNEY, London Manager.

6 Lothbury, London, E.C. 2.  
13th April, 1944.

## SELFRIDGE (HOLDINGS) LIMITED

### POSITION OF CONSIDERABLE STRENGTH

#### MR H. A. HOLMES' STATEMENT

The annual general meeting of Selfridge (Holdings), Limited, will be held at 400 Oxford Street, London, W., on the 21st instant.

The following is an extract from the statement of the chairman (Mr H. A. Holmes) which will take the place of the usual address made at the meeting:—

The trading profit of Selfridges, Limited, as shown in the attached accounts, after making provision for depreciation of leaseholds, fixtures and plant, and £25,000 for deferred repairs is £426,611, against £441,324 a year ago. Debenture stocks absorb £54,337 for interest and £33,600 for sinking funds under the terms of the trust deeds, leaving a net profit for the year of £338,674, which is a reduction of £14,837 on the previous year, a not unsatisfactory showing under the conditions which prevailed and one which has exceeded the board's expectations.

#### VOLUME OF SALES

The volume of sales and the percentage of gross profit earned both show declines, but these, to some extent, have been counterbalanced by a further small reduction in the percentage of selling expenses. Costs of sales, however, must now be regarded as being at the irreducible minimum—in point of fact they are considerably below the level of efficiency, because of serious depletion of staff and other causes beyond our control.

Provision for estimated income-tax and N.D.C. to January 31, 1944, is £230,000, against £180,000, and the amount transferred to reserve for future income-tax is £40,000, against £100,000. I referred a year ago to the heavy incidence of taxation on a new company, but I think now that it can be said that the reserves are sufficient to meet all such obligations, and it is anticipated that future appropriations under this heading will be limited to the tax applicable to the earnings of each year. £10,000 has again been transferred to staff benevolent fund, and from the balance of profit remaining a dividend of 12½ per cent., less tax for the year, amounting to £62,500, has been declared and will be paid to Selfridge (Holdings), Limited. The unappropriated balance carried forward is £22,155, as against £25,981 brought in.

#### REDUCED WARTIME STOCKS

The balance-sheet shows a large reduction under the heading of stock in trade, which has fallen from £747,810 to £496,441. Stockholders will naturally wonder whether this is occasioned by the shortage of supplies, and, to some extent, it would be true to say that it is, but the major cause has been the planned policy of reducing the stocks of wartime productions, which will be improved upon when we emerge from the period of hostilities to the days when better-quality goods become available. It would, however, only be right to give the warning that for the remainder of the war period we cannot hope to replace many lines of durable merchandise which are rapidly becoming exhausted.

The other important change, on the assets side, is the large increase in cash at bank, which has risen from £563,899 to £933,788. This sum, together with tax reserve certificates and other investments, leaves us with a comfortable figure of over £1,000,000 in hand.

The accounts of Selfridge (Holdings), Limited, show a net income for the year of £63,040, against £49,754, owing to the larger amount credited under rents receivable, which have benefited by the inclusion of adjustments in respect of earlier years. With the balance brought in from the previous year, the amount available is £94,171. Of this sum £24,816 has been appropriated

for redemption of the "A" secured income redemption stock, £7,445 for the redemption of the "B" secured income redemption stock, £12,167 for reduction of mortgages, etc., leaving a balance of £49,743, which the directors recommend should be carried forward to next account.

#### A POLICY OF "AUSTERITY"

The balance-sheets, read together, show a position of considerable strength in the form of substantial cash balances and reserves, which fully justifies the financial policy approved by the shareholders three years ago. The prudent course followed might, in fact, in these days, be appro-

priately referred to as a policy of "austerity," which will undoubtedly prove to be of enormous benefit in the conduct of post-war business, when very large sums of money will be required for restocking our shelves, the rehabilitation of our indoor appointments, and the expansion of trade which can reasonably be anticipated, and my feeling is that a business such as ours cannot have too much cash available to take full advantage of such opportunities.

Present conditions of trade indicate that we must expect some further decline in profits during the remainder of the war period, but as this will be temporary, our minds are much occupied in laying our plans for post-war expansion of business.

## THE ALLIANCE TRUST COMPANY, LIMITED

### SATISFACTORY RESULTS

#### MR JAMES PRAIN'S STATEMENT

The annual general meeting of the Alliance Trust Company, Limited, will be held, on the 21st instant, in the company's office, Meadow House, 64 Reform Street, Dundee.

The following is the statement by the chairman (Mr James Prain) circulated with the report and accounts for the year ended January 31, 1944.

#### TRIBUTE TO THE LATE MR DAVID PIRIE

Before giving you my review of the position, I must refer to the loss we have sustained in the death last September of Mr David Pirie. For twenty-four years he gave to the company in unstinted measure and with a high sense of responsibility the benefits of his wide experience and sound judgment. In this long tenure of office and by constant attention to the company's affairs, he acquired an intimate knowledge of our manifold interests, which, along with his natural business acumen, gave to his opinions that quality which commands respect. His loss is a very real one and to his colleagues a matter of great personal regret.

#### INCREASED GROSS REVENUE

The accounts for the past year disclose a gross revenue from investments of £667,832, an improvement of £26,273 over the figure for the previous year. A considerable part of the increase is absorbed by taxation, but the final result shows that we are able to recommend once again a dividend of 25 per cent. on the ordinary stock, which requires £137,812, leaving a substantial surplus for the year of £67,770, of which £60,000 is transferred to general contingent fund and £7,770 is added to the amount to be carried forward.

This is a satisfactory result, and it is of interest to note that the figure for gross revenue is the best we have submitted during the war years and equals the amount collected in 1939, when we had not yet felt the effect of the requisitioning of our comparatively high-yielding dollar securities, nor the loss of revenue from areas under enemy occupation.

#### MORTGAGE BUSINESS

In the mortgage business we have experienced on the whole more favourable conditions, which are reflected in larger collections of principal and interest. The improvement has been most marked in Canada, where the farmers are still receiving the benefit of the bumper crops of 1941 and 1942, which they have been slow to market, and also the 1943 crop, which, although of average size, is of a value above the average. In the United States the demand for land which might have been expected to result from higher prices for agricultural products, and the fears of inflation, has not materialised to any great extent. The control of prices and the difficulty of obtaining suitable farm labour are, I believe, in the main, deterrents. Nevertheless, the process of liquidation of the

mortgage business proceeds steadily, and it is now but a small part of the company's business. It has well repaid the care which has been expended on its management, and I would take this opportunity to pay tribute to the efficient and loyal service we receive from our agents in Canada and the United States.

#### STRONG POSITION

The general level of Stock Exchange values at January 31st last, although somewhat below the highest point reached in 1943, showed a further advance on that of January a year ago. Without question, therefore, there is a considerable appreciation over the book values. As I have remarked on a previous occasion, the high prices now quoted in these wartime markets do not have the same significance for us as in peacetime, when they would suggest some grounds for the expectation of improving returns. All we can say is that the balance-sheet shows a position of considerable strength and we face the uncertainties of the future with substantial reserves.

In surveying the immediate prospect it is evident that under our wartime economy the industries of this country are now stabilised to a great extent by the steady flow of Government orders, while the operation of the Excess Profits Tax tends to even out fluctuations in profits. With the continuation of these conditions in the current year I would expect our revenue collections to show but little change.

#### STATE CONTROL AND PRIVATE ENTERPRISE

In providing finance for the development and expansion of all forms of legitimate commercial activity, the investment trusts, along with other financial institutions, have played their part in taking the initial risk either by subscribing to or guaranteeing the subscription to new issues of capital. If I understand it rightly, there is now a school of thought which advocates that these functions should be performed by a Government Department or be subject to some form of State control. This to my mind is a dangerous doctrine and one for which I can find no justification. Under peace conditions all our nation's old skill and resource will be required to meet the problems which specially face this country, and these qualities will only be brought out satisfactorily under a system of private enterprise. If that system is to work it must be untrammelled or the driving force will go out of it. I would remind those who in State control see a cure for all our economic ills that this country depends probably more than any other on the bold initiative of its industrial leaders. The fact that State control is exercised elsewhere does not mean that it would suit our requirements. Countries with ample agricultural resources and comparatively small export trade can afford to make economical experiments of a revolutionary nature without incurring the risk of starvation, but we here depend for our bread and butter

on being able to maintain our position in the markets of the world—and not a State-controlled world, but a world of all sorts, and a competitive one at that. We should take thought, therefore, before we tamper with a system which, with all its faults, has so far kept us in the van of progress and I firmly believe will continue to do so.

## BRITISH INSULATED CABLES, LIMITED

### SIR ALEXANDER ROGER ON POST-WAR TASKS

The forty-eighth ordinary general meeting of British Insulated Cables, Limited, will be held in Liverpool on the 20th instant.

The following is an extract from the statement by the chairman, Sir Alexander Roger, K.C.I.E., circulated with the report and accounts:—

Turnover has been almost as high as that of 1942, but there have been important changes in its composition; and this, coupled with higher costs, has resulted in a reduced rate of profit and a decrease in the total trading profit. The decrease, however, has been mitigated by the use of part of the E.P.T. cushion available from previous years, leaving the profit as stated in the accounts £18,778 lower at £1,130,253. The heavy burden of income tax is strikingly revealed in the provision of £566,482 necessary for estimated liability on 1943 profits.

#### PROBLEMS OF COMING CHANGE-OVER

We are still in the throes of war, but the signs and portents encourage us to take the view that we are in sight of a victorious conclusion of the European war, while definite progress is being made in dealing effectively with the Japanese menace. It would be well, however, if the public, which is so deeply interested in industry, were able to give some thought to the immensity of the task which will have to be undertaken in due course by both Government and people in changing over from war to peace and also to some of the problems which will require to be overcome.

When peace comes the vast war production will gradually cease and the gap must be filled by the production of civilian needs if we are to reach full employment successfully. We are going to meet numberless difficulties in achieving this, but there are encouraging features which we can and will convert for the common good, and our international traditions and experience will be of great aid in such directions.

It is probably easier to convert from peace to war than from war to peace, and it must be remembered that it has taken years for industry to achieve the present great volume of war output. Conversely, it will take years before we are completely turned over to peace-time occupations.

#### ECONOMIC COLLABORATION OF ALLIES

There is also real ground for hope that economic collaboration will come about on

(Continued from page 512)

mainly to the calling up for the Services and the introduction of part-time uninsured workers in industry. The Unemployment Insurance Committee does not speculate, or offer any suggestions, about the future use of the Fund—since this is not its function. The Exchequer may well be glad to have it in hand against any dislocation that may arise in the transition from war to peace or the development of any temporary post-war slump.

#### Fewer British Films

In answer to a question in the House of Commons on April 4th, Mr Dalton, President of the Board of Trade, pointed out that the number of British long films (that is, feature films) registered during the year ended March, 1944,

a mutually satisfactory basis between the United States, Britain, Russia and China, and if that not too easy task is surmounted many other nations will follow their example. One of the few benefits which have already arisen from this war is the better understanding and the satisfactory growth of mutual respect among the United Nations.

It is true that competition for world markets will be keen, but much has been done in this country to modernise plant and machinery during the war, and the finest machine tools have been installed, not only in big plants, but in thousands of small plants, leading to much improved methods in factory production generally.

As I see it industry must work and strive ever harder to produce everything that is asked of it for the war in Europe and in the Pacific until the last shot is fired. Secondly it should collaborate and plan effectively so that it may carry out successfully the change-over from war to peace and so rebuild employment and prosperity.

Government will then be free and undisturbed for the gigantic task of directing the prosecution of the war followed by the almost equally onerous task of planning a world peace that will endure.

## AUTOMATIC TELEPHONE AND ELECTRIC COMPANY, LIMITED

### RECORD OUTPUT

The twenty-fourth ordinary general meeting of this company will be held, on the 20th instant, in Liverpool.

The following is an extract from the statement by the chairman (Sir Alexander Roger, K.C.I.E.) circulated with the accounts:—Factory output was the highest in our history. Profit on trading, dividends on investments, etc., at £280,952, after providing for taxation and adjustment of provision for contingencies, compares with £261,888. Net profit is £212,312, compared with £191,005. After deduction of income-tax on 1943 profits of £127,478 and dividends already paid of £17,324, your directors recommend: transfer of £20,000 to war contingencies reserve; final dividend of 7 per cent. on the ordinary stock (making 10 per cent. for the year), plus a cash bonus of 2½ per cent., both subject to tax; dividend of 10 per cent. on the deferred stock and shares, plus a cash bonus of 2½ per cent., both subject to tax. The carry forward, £130,348, compares with £138,669 brought in.

In these days, when private enterprise is under fire, the experience of this company might be of value. In 1911 we purchased for a large sum from America the manufacturing rights, patents and technique of a pioneer system of automatic telephony known as the "Strowger." We modernised our old factories and built new ones. We improved the amenities for our employees. We spent large sums annually on research, development, education, the accumulation of technique, improved processes, exploitation and its attendant risks, better machinery, and steadily reduced the cost of our

products and our selling prices. I am convinced that our progress, designed to secure prosperity and stable employment, could not have been achieved under public ownership.

## JOHN BARKER AND COMPANY, LIMITED

### JUBILEE YEAR

The fifty-first ordinary general meeting of John Barker and Company, Limited, was held, on the 12th instant, at 99/121 Kensington High Street, London, W.

Mr Trevor A. Bowen, D.L., J.P. (chairman and one of the joint managing directors), said that they celebrated this year the jubilee of the company, and, as they looked at its present position, he thought they could heartily congratulate themselves on the remarkable growth of the business. Fifty years ago it had been a matter of practically only local interest; to-day it was an institution national in its character, universal in its service, in itself a street of shops, an amazing progress in the span of an ordinary lifetime.

Trade conditions had been exceedingly difficult during the past year, particularly as regarded shortage of staff, while in connection with the issue of Orders and trader regulations they had almost reached a position now which imposed a breaking strain upon business efforts. Having regard to those facts, he thought it would be agreed that the resulting net profit of £329,068 for the year under review was satisfactory.

The report and accounts were adopted and the proposed dividend of 10 per cent., less tax, was approved.

## WESLEYAN AND GENERAL ASSURANCE SOCIETY

### MANY GOOD FEATURES

The one hundred and third annual general meeting of the Wesleyan and General Assurance Society was held, on the 4th instant, at Birmingham.

Mr Arthur L. Hunt, F.S.S., F.C.I.I. (chairman and managing director), said that there were many good features in the one hundred and third annual report and statement of accounts before them. In the ordinary department 7,057 policies had been issued during the year assuring £1,275,270, and in the industrial department 96,510 policies assuring £2,602,375. There was a substantial increase in the number of policies on the books, there being now 107,222 policies in the ordinary department and 2,155,797 policies in the industrial department. The premium income of the ordinary department had increased by £43,521 in the year to £861,673, and that of the industrial department by £65,336 to £1,637,899.

The assets listed in the balance-sheet now amounted to £19,771,016, having increased by £869,083 in the year.

A satisfactory volume of business continued to be transacted in the fire and general departments.

The report was adopted.

was 70, compared with 103 during the year ended March, 1939. The reduction in output, as is well known, is not due to any sinister attempts by American producers to dominate the British cinema, but to the shortage of manpower and studio space, most of which has been requisitioned by the Government. After the war these limiting factors on British production will disappear. But the existence of adequate physical capacity, and even of financial resources, will not in itself lead to a flourishing film industry in this country. This again is by now well known. The real problem of the industry is to produce, not so much more films as a greater number of films of a quality that the public is anxious to see. There is no short cut to the fulfilment of this aim. It can only be fulfilled gradually by the creation of first-class teams of producers, directors and script writers. It is an uphill job.



# RECORDS and STATISTICS

## INVESTMENT Stock Exchanges: London "FINANCIAL NEWS" INDICES

| 1944         | Total<br>Bargains<br>in S.E.<br>List | Corres.<br>Day<br>1943 | Security Indices   |                   |
|--------------|--------------------------------------|------------------------|--------------------|-------------------|
|              |                                      |                        | 30 Ord.<br>shares* | 20 Fixed<br>Int.† |
| Mar. 30..... | 4,811                                | 5,087                  | 104.3              | 134.6             |
| " 31.....    | 4,790                                | 5,107                  | 104.4              | 134.5             |
| April 3..... | 6,208                                | 6,561                  | 104.7              | 134.4             |
| " 4.....     | 4,730                                | 5,476                  | 104.6              | 134.4             |
| " 5.....     | 5,515                                | 5,144                  | 104.6              | 134.4             |
| " 6.....     | 5,013                                | 5,180                  | 104.6              | 134.4             |
| " 7.....     | (a)                                  | 5,429                  | (a)                | (a)               |
| " 8.....     | (b)                                  | 7,730                  | (b)                | (b)               |
| " 10.....    | 5,846                                | 6,175                  | 104.7              | 134.4             |
| " 11.....    | 4,796                                | 5,822                  | 104.8              | 134.4             |
| " 12.....    |                                      |                        |                    |                   |

\* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1944: highest, 104.8 (April 12); lowest, 103.9 (Feb. 28). 20 Fixed Int., 1944: highest, 135.4 (Feb. 23); lowest, 134.0 (Jan. 3). (a) Good Friday. (b) Easter Monday.

## New York

(WEEKLY AVERAGES) (1935-36=100)

| 1944                | 1944     |           | Mar.<br>22,<br>1944 | Mar.<br>29,<br>1944 | April<br>5,<br>1944 |
|---------------------|----------|-----------|---------------------|---------------------|---------------------|
|                     | Low      | High      |                     |                     |                     |
| 37 Industrials..... | 95.1 (a) | 99.7      | 99.4                | 97.2                | 97.6                |
| 32 Rails.....       | 88.9 (b) | 101.2 (c) | 101.2               | 97.9                | 98.5                |
| 40 Utilities.....   | 85.0     | 88.9 (d)  | 88.6                | 87.6                | 87.6                |
| 419 Stocks.....     | 93.6 (a) | 97.9      | 97.8                | 95.7                | 96.1                |
| Av. yield %.....    | 4.83 (e) | 4.60      | 4.63                | 4.73                | 4.72                |

\* Common Stocks. (a) Feb. 9. (b) Jan. 5. (c) Mar. 22. (d) Mar. 8. (e) Feb. 23.

## STANDARD STATISTICS INDICES

DAILY AVERAGE OF 50 COMMON STOCKS

| 1944         | Average | Transactions | 1944         | Average | Transactions |
|--------------|---------|--------------|--------------|---------|--------------|
| Mar. 24..... | 118.8   | 842,000      | Mar. 31..... | 118.4   | 797,000      |
| " 25.....    | 119.2   | 448,000*     | April 1..... | 118.3   | 323,000*     |
| " 27.....    | 119.1   | 693,000      | " 3.....     | 118.5   | 693,000      |
| " 28.....    | 119.0   | 1,344,000    | " 4.....     | 117.7   | 572,000      |
| " 29.....    | 117.8   | 1,107,000    | " 5.....     | 117.8   | 772,000      |
| " 30.....    | 117.6   | 682,000      | " 6.....     | 117.9   | 758,000      |

1944: High, 121.2 (Mar. 18). Low, 113.8 (Feb. 8). \* Two-hour session.

## Capital Issues

| Week ending<br>April 15, 1944                        | Nominal<br>Capital       | Con-<br>versions         | New<br>Money |
|------------------------------------------------------|--------------------------|--------------------------|--------------|
| By Permission to Deal.....                           | 1,857,412                | ...                      | 2,269,296    |
| Particulars of Government issues appear on page 517. |                          |                          |              |
| Year†                                                | Including<br>Conversions | Excluding<br>Conversions |              |
| 1944.....                                            | 408,340,094              | 397,647,438              |              |
| 1943.....                                            | 512,808,169              | 502,410,913              |              |

## Destination\* Nature of Borrowing\*

| Year†     | U.K.        | Brit. Emp.<br>ex. U.K. | Foreign<br>Countries | Deb.        | Prof.     | Ord.      |
|-----------|-------------|------------------------|----------------------|-------------|-----------|-----------|
| 1944..... | 397,316,717 | 330,721                | Nil                  | 394,519,478 | 1,701,749 | 1,426,211 |
| 1943..... | 501,623,313 | 787,600                | Nil                  | 497,598,171 | 609,837   | 4,202,905 |

\* Conversions Excluded. † Includes Government issues to April 4, 1944, only. Above figures include all new capital in which permission to deal has been granted.

## A QUARTER'S CAPITAL ISSUES

The following tables give quarterly figures for capital issues, on both "new" and "old" basis, with the usual comparisons

TABLE I—TOTAL BORROWING (MILLION £)

| First Quarter<br>of Years                  | British    |                       |        |               | Empire | Foreign | Totdl<br>Issues | Indices     |
|--------------------------------------------|------------|-----------------------|--------|---------------|--------|---------|-----------------|-------------|
|                                            | Government | *Home<br>Corporations | Others | Total<br>Home |        |         |                 |             |
| By Direct Public Offer (Old Basis)         |            |                       |        |               |        |         |                 |             |
| 1928.....                                  | 85.8       | 1.0                   | 47.6   | 134.4         | 21.6   | 13.0    | 169.0           | 1928<br>100 |
| 1941.....                                  | 327.3      | Nil                   | Nil    | 327.3         | 2.5    | Nil     | 329.8           | 190         |
| 1942.....                                  | 493.1      | Nil                   | Nil    | 493.1         | Nil    | Nil     | 493.1           | 292         |
| 1943.....                                  | 459.0      | Nil                   | 0.2    | 459.2         | Nil    | Nil     | 459.2           | 271         |
| 1944.....                                  | 315.0      | Nil                   | 0.9    | 315.9         | 0.1    | Nil     | 316.0           | 187         |
| Including "Permission to Deal" (New Basis) |            |                       |        |               |        |         |                 |             |
| 1935.....                                  | 3.0        | 3.8                   | 57.4   | 64.2          | 9.1    | 1.4     | 74.7            | 1935<br>100 |
| 1941.....                                  | 327.3      | Nil                   | Nil    | 327.3         | 2.9    | Nil     | 330.2           | 442         |
| 1942.....                                  | 493.1      | Nil                   | 1.8    | 494.9         | 0.2    | 0.1     | 495.2           | 663         |
| 1943.....                                  | 459.0      | Nil                   | 5.8    | 464.8         | 0.8    | Nil     | 465.6           | 623         |
| 1944.....                                  | 315.0      | Nil                   | 1.5    | 316.5         | 0.1    | Nil     | 316.6           | 423         |

\* Including County and Public Board Loans.

TABLE II—TOTAL COMPANY ISSUES (MILLION £)

| First Quarter<br>of Years | Old Basis |      |      |      | New Basis |      |      |      |
|---------------------------|-----------|------|------|------|-----------|------|------|------|
|                           | 1941      | 1942 | 1943 | 1944 | 1941      | 1942 | 1943 | 1944 |
| Debentures.....           | Nil       | Nil  | Nil  | 0.6  | 0.2       | 0.1  | 1.7  | 0.6  |
| Preference.....           | Nil       | Nil  | Nil  | 0.1  | Nil       | 0.2  | 0.6  | 0.5  |
| Ordinary.....             | 2.5       | Nil  | 0.1  | 0.5  | 2.7       | 1.8  | 4.2  | 0.8  |
| Total.....                | 2.5       | Nil  | 0.1  | 1.2  | 2.9       | 2.1  | 6.5  | 1.9  |

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

|                               | First Quarter<br>(Old Basis) |             | First Quarter<br>(New Basis) |             |
|-------------------------------|------------------------------|-------------|------------------------------|-------------|
|                               | 1943                         | 1944        | 1943                         | 1944        |
| British Govt. Loans.....      | 459,040,900                  | 315,001,800 | 459,040,900                  | 315,001,800 |
| Breweries & Distilleries..... | Nil                          | Nil         | 64,900                       | Nil         |
| Oil.....                      | Nil                          | Nil         | 750,000                      | Nil         |
| Coal, Iron & Steel.....       | Nil                          | Nil         | 3,793,100                    | 63,000      |
| Stores & Traders.....         | Nil                          | Nil         | 92,100                       | Nil         |
| Electric Light.....           | Nil                          | Nil         | 131,200                      | Nil         |
| Motors.....                   | Nil                          | Nil         | 31,000                       | 31,000      |
| Hotels, Theatres, etc.....    | Nil                          | Nil         | 70,000                       | 70,000      |
| Manufg. & Misc.....           | 136,200                      | 968,200     | 1,753,700                    | 1,537,600   |
| Total.....                    | 459,177,100                  | 316,001,000 | 465,625,900                  | 316,643,400 |

## FINANCE AND BANKING

**THE MONEY MARKET.**—Credit has been available in abundance during the week. The bank cash position has been eased by a net increase of about £3,500,000 in securities held by the Bank of England and a decrease of about £2,000,000 in Public Deposits. Of these combined stimuli to the volume of bank cash £4,320,000 has been neutralised by a further expansion in the note circulation. This has left £1,352,000 to be added to bankers' deposits which, at £168,184,000 are at a level in keeping with the comfortable conditions experienced in the money market this week. The latest increase in the note circulation carries the expansion for the past three weeks to £30,000,000 or more than twice the increase in the corresponding Easter weeks of 1943. The past week's expansion has reduced the reserve of unissued notes to £26,694,000.

**MONEY RATES, LONDON.**—The following rates remained unchanged between Mar. 31st and April 13th: Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days, 1½%; 3 months, 1½%; 4 months, 1½%; 6 months, 1½%; Treasury Bills: 2 months, 1-1½%; 3 months, 1-1½%; Day-to-day money, 1-1½%. Short Loans, 1-1½%. Bank deposit rates, ½%. Discount deposits at call, ½%; at notice, 1%.

**Exchange Rates.**—The following rates fixed by the Bank of England remain unchanged between Mar. 31st and April 13th. (Figures in brackets are par exchange). United States, 3 (4-88) 4-02½-03½; mail transfers 4-02½-03½. Canada, 1 (4-88) 4-43-47; mail transfers 4-43-47½. Switzerland, Francs (25-28) 17-30-40. French Empire, Francs 1971-2001. Syria, p. 8-81-85. Sweden, Krona (18-169) T.T. 16-85-95. Dutch West Indies, Florin (12-11) 7-58-6. Portugal, Escudos (110) 99-80-100-20; mail transfers 99-80-100-30. Panama, 64-02-04; mail transfers 4-02-04½. Brazil, 83-64½ cr. (buying); mail transfers 83-56½. Uruguay, 7-6597 p. (buying).

**Fixed Rates for Payment at Bank of England for Clearing Offices.** Spain Pesetas 44-00. Turkey, Piastres 520. Italy, 71-25 lire.

**Marked Rates.**—The following rates remained unchanged between Mar. 31st and April 13th. Egypt, Piastres (97½) 97½-1. India, Rupee (18d. per rupee) 17½-18½. Siam, Baht (100) 17-18½. China, National 33-3½. Iran, Rl. 128-130.

**Special Accounts** are in force for Chile, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London. Rate for payment into Argentine special account: 16-15 pesos.

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

## NEW YORK EXCHANGE RATES

|                     | New York<br>on | Mar.<br>28 | Mar.<br>29 | Mar.<br>30 | Mar.<br>31  | April<br>1  | April<br>3  | April<br>4 |
|---------------------|----------------|------------|------------|------------|-------------|-------------|-------------|------------|
| Cables:—            |                |            |            |            |             |             |             |            |
| London.....         | 402½           | 402½       | 402½       | 402½       | 402½        | 402½        | 402½        | 402½       |
| Montreal.....       | 89-37½         | 89-430     | 89-500     | 89-430     | 89-430      | 89-430      | 89-430      | 89-430     |
| Zurich.....         | 27-00          | 27-00      | 26-70      | 26-80      | 27-00       | 27-00       | 27-00       | 27-00      |
| Buenos Aires.....   | 24-95*         | 24-85*     | 24-76*     | 24-76*     | 24-85*      | 24-85*      | 24-85*      | 24-85*     |
| Rio de Janeiro..... | 5-16           | 5-16       | 5-16       | 5-16       | 5-16        | 5-16        | 5-16        | 5-16       |
| Lisbon.....         | 4-10           | 4-10       | 4-10       | 4-10       | 4-10        | 4-10        | 4-10        | 4-10       |
| Barcelona.....      | 9-20           | 9-20       | 9-20       | 9-20       | 9-25        | 9-20        | 9-20        | 9-20       |
| Stockholm.....      | 23-86          | 23-86      | 23-86      | 23-86      | 23-85       | 23-86       | 23-86       | 23-86      |
| New York<br>on      | April<br>5     | April<br>6 | April<br>7 | April<br>8 | April<br>10 | April<br>11 | April<br>12 |            |
| Cables:—            |                |            |            |            |             |             |             |            |
| London.....         | 402½           | 402½       | 402½       | 402½       | 402½        | 402½        | 402½        | 402½       |
| Montreal.....       | 89-500         | 89-810     | 89-875     | 90-125     | 90-310      | 90-310      | 90-310      | 90-310     |
| Zurich.....         | 27-00          | 27-00      | 27-00      | 27-00      | 27-00       | 27-00       | 27-00       | 27-00      |
| Buenos Aires.....   | 24-90*         | 24-88*     | 24-90*     | 24-90*     | 24-90*      | 24-92*      | 24-92*      | 24-88      |
| Rio de Janeiro..... | 5-16           | 5-16       | 5-16       | 5-16       | 5-16        | 5-16        | 5-16        | 5-16       |
| Lisbon.....         | 4-10           | 4-10       | 4-10       | 4-10       | 4-10        | 4-10        | 4-10        | 4-10       |
| Barcelona.....      | 9-20           | 9-20       | 9-20       | 9-20       | 9-20        | 9-20        | 9-20        | 9-20       |
| Stockholm.....      | 23-86          | 23-86      | 23-86      | 23-86      | 23-86       | 23-86       | 23-86       | 23-86      |

\* Official Buying Rate 29-78. † Free Rate. § Bid.

(Continued on page 518)

## GOVERNMENT RETURNS

For the 8 days ended April 8, 1944, total ordinary revenue was £51,508,000, against ordinary expenditure of £12,100,000, and against sinking fund allocations of £72,965. Thus, including sinking fund allocations the deficit accrued since April 1st is £60,665,000 against £120,484,000 for the corresponding period a year ago.

## ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

| Revenue                     | Receipts into the<br>Exchequer<br>(£ thousands) |                                             |
|-----------------------------|-------------------------------------------------|---------------------------------------------|
|                             | April 1,<br>1943,<br>to<br>April 10,<br>1943    | April 1,<br>1944,<br>to<br>April 8,<br>1944 |
| ORDINARY REVENUE            |                                                 |                                             |
| Income Tax.....             | 29,717                                          | 19,481                                      |
| Stamp Duty.....             | 2,100                                           | 1,450                                       |
| State, etc., Duties.....    | 2,813                                           | 2,955                                       |
| Lotteries.....              | 150                                             | 150                                         |
| Post Office.....            | 658                                             | 470                                         |
| P.T. & T.....               | 11,556                                          | 11,198                                      |
| Other Inland Revenue.....   | 10                                              | ...                                         |
| Total Inland Revenue.....   | 46,854                                          | 35,704                                      |
| Customs.....                | 14,615                                          | 10,684                                      |
| Excise.....                 | 4,500                                           | 4,100                                       |
| Total Customs & Excise..... | 19,115                                          | 14,784                                      |
| Motor Duties.....           | 632                                             | 441                                         |
| P.O. (Net Receipts).....    | ...                                             | ...                                         |
| Wireless Licences.....      | ...                                             | ...                                         |
| Home Lands.....             | ...                                             | ...                                         |
| Receipts from Sundry        | 216                                             | ...                                         |
| Loans.....                  | 971                                             | 579                                         |
| Miscellaneous Receipts..... | ...                                             | ...                                         |
| Total Ordinary Revenue..... | 67,788                                          | 51,508                                      |
| SELF-BALANCING              |                                                 |                                             |
| P.O. and Broadcasting.....  | 3,000                                           | 1,700                                       |
| Total.....                  | 70,788                                          | 53,208                                      |

| Expenditure                 | Issues out of the<br>Exchequer to meet<br>payments<br>(£ thousands) |                                             |
|-----------------------------|---------------------------------------------------------------------|---------------------------------------------|
|                             | April 1,<br>1943,<br>to<br>April 10,<br>1943                        | April 1,<br>1944,<br>to<br>April 8,<br>1944 |
| ORDINARY EXPENDITURE        |                                                                     |                                             |
| Int. & Man. of Nat. Debt.   | 20,427                                                              | 20,568                                      |
| Payments to N. Ireland.     | ...                                                                 | ...                                         |
| Other Cons. Fund Services   | ...                                                                 | ...                                         |
| Total.....                  | 20,427                                                              | 20,568                                      |
| Supply Services.....        | 167,600                                                             | 91,500                                      |
| Total Ord. Expenditure..... | 188,027                                                             | 112,100                                     |
| Banking Funds.....          | 213                                                                 | 73                                          |
| Total.....                  | 188,272                                                             | 112,173                                     |
| SELF-BALANCING              |                                                                     |                                             |
| P.O. and Broadcasting.....  | 3,000                                                               | 1,700                                       |
| Total.....                  | 191,272                                                             | 113,873                                     |

A change has been made in the method of showing excess of Post Office Expenditure over Post Office Revenue. Such excess is now included as ordinary expenditure (under "Total Supply Services") instead of being shown, as up to July 24 inclusive, as a deduction from ordinary revenue.

After increasing Exchequer balances by £64,898 to £3,357,832, the other operations for the period (no longer shown separately) raised the gross National Debt by £2,559,994 to £19,653 millions after allowing for £15 million for sinking funds in 1943-44.

| NET ISSUES (£ thousands)      |       |
|-------------------------------|-------|
| Post and Telegraph.....       | 150   |
| Post Office Act.....          | 5     |
| Foreign Trade Guarantees..... | 1,030 |

## FLOATING DEBT (£ millions)

| Date     | Treasury<br>Bills |        | Ways and<br>Means<br>Advances |                            | Treasury<br>De-<br>posits<br>by<br>Banks | Total<br>Float-<br>ing<br>Debt |
|----------|-------------------|--------|-------------------------------|----------------------------|------------------------------------------|--------------------------------|
|          | Ten-<br>der       | Tap    | Public<br>Depts.              | Bank<br>of<br>Eng-<br>land |                                          |                                |
| 1943     |                   |        |                               |                            |                                          |                                |
| April 10 | 975.0             |        | Not available                 |                            |                                          |                                |
| 1944     |                   |        |                               |                            |                                          |                                |
| Jan. 8   | 1210.0            |        |                               | " "                        |                                          |                                |
| " 15     | 1200.0            |        |                               | " "                        |                                          |                                |
| " 22     | 1190.0            |        |                               | " "                        |                                          |                                |
| " 29     | 1180.0            | 1936.2 | 290.6                         | " 1390.0                   | 4796.8                                   |                                |
| Feb. 5   | 1170.0            |        | Not available                 |                            |                                          |                                |
| " 12     | 1170.0            |        | " "                           |                            |                                          |                                |
| " 19     | 1170.0            |        | " "                           |                            |                                          |                                |
| " 26     | 1170.0            | 1946.9 | 340.3                         | 32.3 1376.0                | 4865.5                                   |                                |
| Mar. 5   | 1170.0            |        | Not available                 |                            |                                          |                                |
| " 11     | 1170.0            |        | " "                           |                            |                                          |                                |
| " 18     | 1170.0            |        | " "                           |                            |                                          |                                |
| " 25     | 1170.0            |        | " "                           |                            |                                          |                                |
| " 31     | 3,149.1           |        | 394.5                         | " 1389.5                   | 4933.1                                   |                                |
| April 6  | 1170.0            |        | Not available                 |                            |                                          |                                |

# PROVINCIAL BANK CLEARINGS

|               | Week Ended    |               | Aggregate from Jan. 1 to |               |
|---------------|---------------|---------------|--------------------------|---------------|
|               | April 3, 1943 | April 1, 1944 | April 3, 1943            | April 1, 1944 |
| Working days: | 6             | 6             | 79                       | 78            |
| Birmingham:   | 3,230         | 1,953         | 35,991                   | 23,783        |
| Bradford:     | 2,027         | 2,492         | 29,353                   | 24,573        |
| Bristol:      | 798           | 642           | 9,568                    | 8,728         |
| Hull:         | 534           | 701           | 9,785                    | 8,235         |
| Leeds:        | 1,246         | 1,697         | 17,333                   | 16,490        |
| Leicester:    | 1,182         | 999           | 12,869                   | 11,318        |
| Liverpool:    | 5,361         | 6,115         | 60,032                   | 61,268        |
| Manchester:   | 14,398        | 3,713         | 175,334                  | 44,502        |
| Newcastle:    | 1,450         | 1,757         | 21,050                   | 23,554        |
| Nottingham:   | 446           | 431           | 7,453                    | 5,557         |
| Sheffield:    | 1,109         | 815           | 15,324                   | 13,832        |
| Southampton:  | 121           | 118           | 2,064                    | 2,082         |
| 12 Towns:     | 31,902        | 21,433        | 396,156                  | 249,922       |
| Dublin:       | 7,724         | 7,856         | 97,056                   | 102,085       |

\* Mar. 27, 1943, and Mar. 25, 1944

|               | Week Ended     |               | Aggregate from Jan. 1 to |               |
|---------------|----------------|---------------|--------------------------|---------------|
|               | April 10, 1943 | April 8, 1944 | April 10, 1943           | April 8, 1944 |
| Working days: | 6              | 5             | 85                       | 83            |
| Birmingham:   | 2,283          | 1,676         | 38,274                   | 25,459        |
| Bradford:     | 1,062          | 1,062         | 30,895                   | 25,635        |
| Bristol:      | 637            | 679           | 10,205                   | 9,407         |
| Hull:         | 502            | 580           | 10,288                   | 8,815         |
| Leeds:        | 827            | 910           | 18,160                   | 17,401        |
| Leicester:    | 738            | 845           | 13,607                   | 12,166        |
| Liverpool:    | 4,159          | 4,133         | 64,191                   | 71,401        |
| Manchester:   | 10,511         | 2,846         | 185,845                  | 47,348        |
| Newcastle:    | 1,368          | 1,422         | 22,418                   | 24,976        |
| Nottingham:   | 370            | 434           | 7,823                    | 5,991         |
| Sheffield:    | 900            | 1,278         | 16,224                   | 15,111        |
| Southampton:  | 99             | 119           | 2,154                    | 2,201         |
| 12 Towns:     | 23,936         | 15,984        | 420,084                  | 265,911       |
| Dublin:       | 8,912          | 9,161         | 105,968                  | 111,246       |

\* April 3, 1943, and April 1, 1944

# OVERSEAS BANK RETURNS

## U.S. FEDERAL RESERVE

| Million \$'s                                |               |               |               |              |
|---------------------------------------------|---------------|---------------|---------------|--------------|
|                                             | April 1, 1943 | Mar. 23, 1944 | Mar. 30, 1944 | Apr. 6, 1944 |
| 12 U.S.F.R. BANKS                           |               |               |               |              |
| Resources                                   |               |               |               |              |
| Gold certifs. on hand and due from Treasury | 20,337        | 19,151        | 19,134        | 19,084       |
| Total reserves                              | 20,740        | 19,766        | 19,143        | 19,258       |
| Total cash reserves                         | 362           | 336           | 318           | 295          |
| Total U.S. Govt. secs.                      | 6,549         | 12,243        | 12,297        | 12,332       |
| Total loans and secs.                       | 6,575         | 12,317        | 12,390        | 12,388       |
| Total resources                             | 28,834        | 34,165        | 34,093        | 33,853       |
| LIABILITIES                                 |               |               |               |              |
| F.R. notes in circ.                         | 12,839        | 17,429        | 17,499        | 17,636       |
| Excess m. bank res.                         | 1,980         | 900           | 600           | 900          |
| Mr. bank res. dep.                          | 13,110        | 12,405        | 12,053        | 12,277       |
| Govt. deposits                              | 213           | 495           | 753           | 426          |
| Total deposits                              | 14,499        | 14,793        | 14,724        | 14,504       |
| Total liabilities                           | 28,834        | 34,165        | 34,093        | 33,853       |
| Reserve ratio                               | 75.9%         | 61.3%         | 61.3%         | 61.2%        |
| BANK AND TREASURY RESOURCES                 |               |               |               |              |
| Monetary gold stock                         | 22,541        | 21,600        | 21,600        | 21,540       |
| Treasury & bank currency                    | 3,994         | 4,090         | 4,092         | 4,093        |
| LIABILITIES                                 |               |               |               |              |
| Money in circulation                        | 16,353        | 20,934        | 21,037        | 21,191       |
| Treasury cash and dep.                      | 2,442         | 2,828         | 3,082         | 2,773        |

## CENTRAL BANK OF IRELAND

| Million £'s          |               |               |               |              |
|----------------------|---------------|---------------|---------------|--------------|
|                      | Mar. 11, 1944 | Mar. 18, 1944 | Mar. 25, 1944 | Apr. 1, 1944 |
| ASSETS               |               |               |               |              |
| Gold                 | 2.65          | 2.65          | 2.65          | 2.65         |
| British Govt. secs.  | 22.91         | 23.15         | 23.40         | 23.65        |
| Sterling balances    | 2.07          | 2.04          | 1.82          | 1.62         |
| LIABILITIES          |               |               |               |              |
| Notes in circulation | 28.07         | 28.20         | 28.17         | 28.24        |

## SWISS NATIONAL BANK

| Million Swiss Frs.   |              |               |               |               |
|----------------------|--------------|---------------|---------------|---------------|
|                      | May 15, 1943 | Feb. 15, 1944 | Feb. 23, 1944 | Feb. 29, 1944 |
| ASSETS               |              |               |               |               |
| Gold                 | 371.5        | 422.6         | 423.3         | 425.9         |
| Foreign exchange     | 66.1         | 85.5          | 93.4          | 77.2          |
| Discounts, etc.      | 89.5         | 100.4         | 107.3         | 173.4         |
| Advances             | 15.6         | 14.2          | 14.5          | 15.0          |
| Securities           | 64.8         | 64.7          | 64.7          | 64.7          |
| LIABILITIES          |              |               |               |               |
| Notes in circulation | 252.6        | 282.9         | 283.7         | 291.9         |
| Other sight liab.    | 232.6        | 243.0         | 248.5         | 237.1         |

## BANK OF CANADA

### Million Can. \$'s

|                      | Mar. 3, 1943 | Feb. 23, 1944 | Feb. 23, 1944 |
|----------------------|--------------|---------------|---------------|
| ASSETS               |              |               |               |
| Reserve: Gold        | 0.3          | 0.32          | 0.32          |
| Securities: Other    | 1008.3       | 1277.37       | 1280.42       |
| LIABILITIES          |              |               |               |
| Note circulation     | 697.6        | 864.59        | 867.47        |
| Deposits: Dom. Govt. | 31.4         | 40.76         | 49.37         |
| Chartered banks      | 264.7        | 355.62        | 337.87        |

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

## RESERVE BANK OF INDIA

### Million rupees

|                       | Mar. 26, 1943 | Mar. 10, 1944 | Mar. 17, 1944 | Mar. 17, 1944 |
|-----------------------|---------------|---------------|---------------|---------------|
| ASSETS                |               |               |               |               |
| Gold coin & bullion   | 444           | 444           | 444           | 444           |
| Rupee coin            | 147           | 130           | 118           | 118           |
| Balances abroad       | 873           | 1,514         | 1,501         | 1,543         |
| Sterling currency     | 4,217         | 7,638         | 7,768         | 7,798         |
| Ind. Govt. rup. secs. | 1,745         | 583           | 583           | 583           |
| Investments           | 56            | 85            | 86            | 86            |
| LIABILITIES           |               |               |               |               |
| Notes in circ.: India | 6,436         | 8,740         | 8,834         | 8,854         |
| Deposits: Govt.       | 365           | 786           | 827           | 885           |
| Banks                 | 470           | 628           | 552           | 554           |
| Reserve ratio         | 71.1%         | 92.0%         | 92.2%         | 92.2%         |

## RESERVE BANK OF NEW ZEALAND

### Million £N.Z.'s

|                        | Jan. 25, 1943 | Jan. 10, 1944 | Jan. 17, 1944 | Jan. 17, 1944 |
|------------------------|---------------|---------------|---------------|---------------|
| ASSETS                 |               |               |               |               |
| Gold and stg. exch.    | 31.55         | 37.77         | 38.80         | 38.80         |
| Advances to State      | 31.24         | 41.75         | 41.32         | 41.32         |
| Investments            | 4.46          | 10.32         | 10.32         | 10.32         |
| LIABILITIES            |               |               |               |               |
| Bank notes             | 29.99         | 37.0          | 36.67         | 36.67         |
| Demand liab.: State    | 12.44         | 18.36         | 14.09         | 14.09         |
| Banks and other        | 23.58         | 33.14         | 38.32         | 38.32         |
| Reserve to sight liab. | 47.8          | 42.6          | 43.3          | 43.3          |

# COMPANY RESULTS (March 22, 1944, to March 31, 1944)

| Company                             | Year Ended | Total Profit | Deprecia-<br>tion, etc. | Net Profit<br>after Deb.<br>Interest | Available for<br>Distribution | Appropriation |              |            |                     |                               | Preceding Year  |               |              |
|-------------------------------------|------------|--------------|-------------------------|--------------------------------------|-------------------------------|---------------|--------------|------------|---------------------|-------------------------------|-----------------|---------------|--------------|
|                                     |            |              |                         |                                      |                               | Prof.<br>Div. | Ord.<br>Div. | Rate       | To Free<br>Reserves | + or -<br>in Carry<br>Forward | Total<br>Profit | Net<br>Profit | Ord.<br>Div. |
| <b>Breweries, &amp;c.</b>           |            |              |                         |                                      |                               |               |              |            |                     |                               |                 |               |              |
| Edward (Thomas & James)             | Jan. 31    | £ 15,048     | £                       | £ 12,048                             | £ 21,735                      | £ 4,375       | £ 7,500      | 10%        | £                   | + £ 173                       | £ 15,498        | £ 15,498      | 10%          |
| <b>Coal, Iron and Steel</b>         |            |              |                         |                                      |                               |               |              |            |                     |                               |                 |               |              |
| Edwards (Sir William) & Co.         | Dec. 31    | 212,430      | 20,000                  | 51,645                               | 102,747                       | 15,050        | 14,835       | 25         | 20,000              | + 1,760                       | 211,470         | 59,352        | 25           |
| Edwards (Thos.) & Brown (John)      | Dec. 31    | 578,853      | 175,000                 | 340,870                              | 521,417                       | 42,000        | 155,000      | 10 1/2     | 100,000             | + 43,870                      | 537,920         | 296,357       | 10 1/2       |
| Edwards & Co.                       | Dec. 31    | 88,525       | 28,000                  | 25,394                               | 70,685                        | 2,400         | 12,376       | 7 1/2      | 10,000              | + 618                         | 85,995          | 23,451        | 7 1/2        |
| Edwards Steel Corporation           | Dec. 31    | 726,190      | 350,000                 | 293,868                              | 451,603                       | 78,010        | 197,946      | 17 1/2     | ...                 | + 17,912                      | 708,558         | 326,636       | 17 1/2       |
| Edwards Limited                     | Dec. 31    | 239,205      | ...                     | 192,679                              | 925,916                       | 6,750         | 121,299      | 22 1/2     | ...                 | + 64,630                      | 254,617         | 202,264       | 22 1/2       |
| Edwards & Askam Hematite Iron       | Dec. 31    | 203,407      | ...                     | 87,481                               | 129,237                       | 27,362        | 29,243       | 10         | 30,000              | + 876                         | 125,848         | 81,221        | 7 1/2        |
| Edwards & Co.                       | Dec. 31    | 1,052,969    | ...                     | 984,119                              | 1,767,566                     | 312,052       | 307,887      | 10         | 250,000             | + 114,180                     | 1,031,450       | 962,600       | 10           |
| Edwards & Co.                       | Dec. 31    | 46,778       | 3,733                   | 6,171                                | 27,020                        | 5,930         | 7,800        | 5          | ...                 | + 1,559                       | 95,605          | 45,523        | 5            |
| Edwards Navigation Steam Coal       | Dec. 31    | 52,589       | 11,152                  | 2,637                                | 16,103                        | ...           | ...          | ...        | ...                 | + 2,637                       | 12,952          | Dr. 3,219     | Nil          |
| <b>Electric Lighting and Power</b>  |            |              |                         |                                      |                               |               |              |            |                     |                               |                 |               |              |
| Edwards Power Co.                   | Dec. 31    | 310,334      | ...                     | 274,500                              | 287,999                       | 96,000        | 152,000      | 8          | 25,000              | + 1,500                       | 293,543         | 270,831       | 8            |
| <b>Financial, Land, &amp;c.</b>     |            |              |                         |                                      |                               |               |              |            |                     |                               |                 |               |              |
| Edwards & Co.                       | Dec. 31    | 75,466       | 17,550                  | 45,588                               | 67,039                        | ...           | 39,375       | 5          | ...                 | + 6,213                       | 57,840          | 41,753        | 5            |
| Edwards & Co.                       | Dec. 31    | 248,231      | ...                     | 189,093                              | 270,423                       | 78,000        | 80,000       | 20         | 30,000              | + 1,093                       | 228,174         | 187,594       | 20           |
| Edwards & Co.                       | June 30    | 169,786      | ...                     | 28,654                               | 69,070                        | ...           | 19,300       | 12         | 9,000               | + 354                         | 126,058         | 38,743        | 12           |
| Edwards & Co.                       | Feb. 29    | 483,318      | ...                     | 227,244                              | 285,835                       | 117,740       | 92,531       | 15         | 10,000              | + 6,973                       | 442,118         | 223,885       | 15           |
| Edwards & Co.                       | Dec. 31    | 162,895      | ...                     | 18,107                               | 46,865                        | ...           | 12,877       | 15         | ...                 | + 5,230                       | 159,190         | 15,555        | 15           |
| Edwards & Co.                       | June 30    | 795,826      | ...                     | 238,648                              | 702,234                       | ...           | 158,812      | 12         | 80,000              | + 1,64                        | 678,523         | 327,669       | 12           |
| Edwards & Co.                       | Nov. 11    | 29,377       | ...                     | 29,377                               | 71,527                        | 19,310        | 5,850        | 9          | ...                 | + 4,217                       | 30,881          | 30,881        | 9            |
| Edwards & Co.                       | June 30    | 36,688       | ...                     | 10,811                               | Dr. 10,465                    | ...           | ...          | ...        | ...                 | + 10,811                      | 14,897          | Dr. 27,588    | Nil          |
| <b>Hotels, Restaurants, &amp;c.</b> |            |              |                         |                                      |                               |               |              |            |                     |                               |                 |               |              |
| Edwards (John), London              | Sept. 30   | 124,243      | ...                     | 20,137                               | 38,123                        | 7,500         | 11,250       | 7 1/2      | ...                 | + 1,387                       | 126,001         | 19,157        | 7 1/2        |
| Edwards & Co.                       | Jan. 1     | 40,098       | ...                     | 23,335                               | 24,493                        | ...           | 15,500       | 10         | 8,000               | + 165                         | 39,326          | 24,497        | 10           |
| <b>Motor, Aviation, &amp;c.</b>     |            |              |                         |                                      |                               |               |              |            |                     |                               |                 |               |              |
| Edwards Aviation Co.                | Sept. 30   | 376,882      | ...                     | 201,034                              | 240,521                       | ...           | 82,220       | 8 1/2      | 100,000             | + 18,814                      | 405,036         | 179,411       | 8 1/2        |
| Edwards & Co.                       | Dec. 31    | 974,669      | 466,789                 | 384,743                              | 253,164                       | 9,000         | 150,000      | 20         | ...                 | + 225,743                     | 977,447         | 460,184       | 20           |
| <b>Oil</b>                          |            |              |                         |                                      |                               |               |              |            |                     |                               |                 |               |              |
| Edwards Leascholds Limited          | June 30    | 1,424,107    | 383,626                 | 140,230                              | 281,014                       | ...           | 137,623      | 15         | ...                 | + 2,607                       | 1,305,053       | 142,605       | 15           |
| <b>Rubber</b>                       |            |              |                         |                                      |                               |               |              |            |                     |                               |                 |               |              |
| Edwards (Sumatra) Rubber            | Sept. 30   | Dr. 872      | ...                     | Dr. 872                              | 9,871                         | ...           | ...          | ...        | ...                 | + 872                         | Dr. 1,172       | Dr. 1,172     | Nil          |
| Edwards Rubber                      | Dec. 31    | 795          | ...                     | Dr. 1,414                            | 9,191                         | ...           | ...          | ...        | ...                 | + 1,414                       | Dr. 700         | Dr. 1,809     | Nil          |
| Edwards Buaya (Sumatra) Rubber      | Sept. 30   | Dr. 8,137    | ...                     | Dr. 8,137                            | Dr. 5,466                     | ...           | ...          | ...        | ...                 | + 1,424                       | Dr. 8,384       | Dr. 8,384     | Nil          |
| Edwards Kinta Rubber                | Dec. 31    | 571          | ...                     | Dr. 14                               | 10,560                        | ...           | ...          | ...        | ...                 | + 14                          | 509             | Dr. 687       | Nil          |
| <b>Shops and Stores</b>             |            |              |                         |                                      |                               |               |              |            |                     |                               |                 |               |              |
| Edwards (John) & Co.                | Jan. 31    | 1,574,796    | 31,455                  | 194,069                              | 429,581                       | 46,175        | 110,633      | 10         | 50,000              | + 12,739                      | 1,627,916       | 260,057       | 10           |
| Edwards & Co.                       | Jan. 31    | 54,760       | ...                     | 29,472                               | 39,653                        | 15,750        | 15,400       | 10         | ...                 | + 322                         | 46,301          | 31,039        | 10           |
| Edwards (Frederick)                 | Jan. 31    | 38,949       | ...                     | 27,383                               | 50,559                        | 10,000        | 14,000       | 7          | ...                 | + 3,883                       | 37,121          | 26,204        | 7            |
| Edwards Limited                     | Jan. 31    | 2,020,909    | 80,708                  | 302,181                              | 515,377                       | 150,000       | 88,608       | 8          | 50,000              | + 13,573                      | 2,158,800       | 439,840       | 8            |
| Edwards & Co.                       | Jan. 31    | 492,239      | ...                     | 164,734                              | 241,648                       | 60,000        | 90,000       | 5          | ...                 | + 14,734                      | 459,337         | 161,601       | 5            |
| Edwards & Co.                       | Jan. 31    | 90,853       | 5,621                   | 3,754                                | 12,837                        | 7,500         | 1,502        | 10         | ...                 | + 5,248                       | 99,191          | 12,531        | 10           |
| Edwards, Turner & Boldero           | Jan. 15    | 48,004       | ...                     | 33,828                               | 39,329                        | 10,800        | 22,825       | 5          | ...                 | + 203                         | 42,969          | 33,532        | 5            |
| <b>Textiles</b>                     |            |              |                         |                                      |                               |               |              |            |                     |                               |                 |               |              |
| Edwards Limited                     | Dec. 31    | 89,827       | ...                     | 38,001                               | 81,581                        | 5,000         | 20,000       | 20         | 10,000              | + 3,001                       | 82,806          | 34,449        | 20           |
| Edwards & Co.                       | Dec. 31    | 112,989      | 23,320                  | 33,132                               | 10,780                        | ...           | ...          | ...        | ...                 | + 33,132                      | 108,953         | 27,170        | ...          |
| Edwards & Co.                       | Dec. 31    | 3,687,422    | ...                     | 1,133,123                            | 1,166,308                     | 200,000       | 900,000      | 7 1/2      | ...                 | + 33,123                      | 3,995,401       | 1,262,130     | 7 1/2        |
| Edwards & Co.                       | Dec. 31    | 82,850       | 11,945                  | 8,660                                | 27,560                        | 8,438         | 7            | ...        | ...                 | + 222                         | 74,200          | Dr. 5,290     | 7 1/2        |
| Edwards & Co.                       | Dec. 31    | 48,284       | 2,229                   | 12,544                               | 21,443                        | 4,301         | 3,452        | 3          | 4,000               | + 791                         | 79,193          | 11,990        | 3            |
| Edwards (C. F.) & Co.               | Dec. 31    | 68,629       | 7,364                   | 33,777                               | 96,573                        | 9,600         | 16,000       | 10         | 5,000               | + 3,172                       | 68,046          | 33,969        | 10           |
| <b>Tramway and Omnibus</b>          |            |              |                         |                                      |                               |               |              |            |                     |                               |                 |               |              |
| Edwards United Trans                | Dec. 31    | 210,722      | 35,000                  | 45,790                               | 45,790                        | 16,500        | 27,621       | 10         | 1,669               | ...                           | 243,150         | 45,635        | 10           |
| <b>Trusts</b>                       |            |              |                         |                                      |                               |               |              |            |                     |                               |                 |               |              |
| Edwards Trust Co.                   | Jan. 31    | 107,262      | ...                     | 32,085                               | 73,108                        | 14,610        | 11,458       | 5          | 5,000               | + 1,017                       | 97,833          | 27,001        | 5            |
| Edwards Property Investment Trust   | Jan. 31    | 20,360       | ...                     | 5,302                                | 11,339                        | 3,382         | 1,807        | 7          | ...                 | + 113                         | 18,833          | 4,992         | 6            |
| Edwards Funds Investment Trust      | Jan. 15    | 21,265       | ...                     | 8,434                                | 11,683                        | 3,750         | 4,500        | 6          | ...                 | + 184                         | 20,572          | 8,126         | 5 1/2        |
| Edwards & Co.                       | Jan. 31    | 48,916       | ...                     | 22,712                               | 42,160                        | 19,594        | 5            | ...        | ...                 | + 3,118                       | 46,378          | 20,617        | 5 1/2        |
| Edwards & General Trust             | Jan. 31    | 37,426       | ...                     | 11,003                               | 73,856                        | 14,792        | ...          | ...        | ...                 | + 3,789                       | 38,976          | 10,570        | Nil          |
| Edwards & Co.                       | Jan. 31    | 78,497       | ...                     | 25,498                               | 46,495                        | 9,175         | 10,124       | 8          | 20,000              | + 13,801                      | 75,963          | 24,430        | 7 1/2        |
| Edwards & Co.                       | Jan. 31    | 121,271      | ...                     | 37,463                               | 101,640                       | 45,000        | 6,000        | 1          | 5,000               | + 1,463                       | 113,649         | 50,476        | Nil          |
| Edwards & Co.                       | Feb. 29    | 57,591       | ...                     | 17,618                               | 27,553                        | 8,380         | 5,074        | 4          | 2,500               | + 1,664                       | 53,938          | 16,037        | 4 1/2        |
| Edwards Western Investment Co.      | Jan. 31    | 126,076      | ...                     | 44,371                               | 97,966                        | 14,610        | 24,063       | 10 1/2     | 5,000               | + 1,698                       | 115,665         | 38,798        | 10 1/2       |
| <b>Other Companies</b>              |            |              |                         |                                      |                               |               |              |            |                     |                               |                 |               |              |
| Edwards & Co.                       | Dec. 31    | 183,643      | ...                     | 50,771                               | 74,639                        | 20,000        | 30,000       | 10         | ...                 | + 771                         | 125,643         | 50,667        | 10           |
| Edwards (George) & Co.              | Dec. 31    | 40,736       | ...                     | 18,815                               | 40,945                        | 2,400         | 13,437       | 7 1/2      | 5,000               | + 2,022                       | 44,619          | 20,674        | 7 1/2        |
| Edwards Electrical Industries       | Dec. 31    | 695,266      | 235,295                 | 459,971                              | 749,707                       | 52,306        | 246,092      | 10         | 150,000             | + 11,573                      | 686,527         | 452,820       | 10           |
| Edwards & Co.                       | Dec. 31    | 63,123       | ...                     | 25,608                               | 68,854                        | ...           | 25,000       | 10         | ...                 | + 508                         | 52,119          | 20,279        | 8            |
| Edwards Industries                  | Nov. 30    | 41,107       | ...                     | 37,074                               | 54,183                        | 2,750         | 18,750       | 37 1/2     | 10,000              | + 5,574                       | 40,952          | 36,119        | 37 1/2       |
| Edwards Aluminium Co.               | Dec. 31    | 1,068,937    | 75,000                  | 342,687                              | 594,684                       | 45,000        | 150,000      | 10         | 125,000             | + 22,687                      | 1,051,119       | 569,869       | 10           |
| Edwards & Co.                       | June 30    | 172,234      | ...                     | 9,209                                | 4,781                         | 22,462        | ...          | ...        | Dr. 15,500          | + 2,247                       | 186,828         | 32,240        | Nil          |
| Edwards Automatic Co.               | Dec. 31    | 77,616       | 28,743                  | 12,233                               | 17,008                        | ...           | 12,000       | 6          | ...                 | + 233                         | 93,301          | 16,734        | 8            |
| Edwards & Co.                       | Dec. 31    | 527,588      | 124,833                 | 150,741                              | 361,501                       | 40,863        | 54,765       | 12         | 50,000              | + 5,113                       | 528,207         | 129,510       | 12           |
| Edwards Tyre & Rubber               | Sept. 30   | 272,825      | 43,910                  | 100,220                              | 172,658                       | 11,250        | 49,500       | 11         | 37,500              | + 1,970                       | 270,933         | 108,977       | 11           |
| Edwards Xylonite Co.                | Dec. 31    | 72,816       | ...                     | 37,230                               | 94,392                        | 10,000        | 15,000       | 10         | ...                 | + 12,230                      | 63,492          | 28,296        | 10           |
| Edwards & Co.                       | Jan. 16    | 104,663      | ...                     | 72,762                               | 162,374                       | 8,437         | 34,750       | 12 1/2     | 25,000              | + 5,275                       | 97,494          | 65,594        | 12 1/2       |
| Edwards & Co.                       | Dec. 31    | 272,398      | ...                     | 109,292                              | 305,275                       | ...           | 88,750       | 10         | 100,000             | + 10,542                      | 275,001         | 192,122       | 10           |
| Edwards & Co.                       | Dec. 31    | 144,639      | ...                     | 154,635                              | 154,635                       | 56,875        | 30,043       | 3          | 50,000              | + 7,723                       | 256,316         | 256,316       | 3            |
| Edwards & Co.                       | Dec. 31    | 573,802      | ...                     | 174,270                              | 263,038                       | 10,000        | 138,750      | 15         | 50,000              | + 5,520                       | 543,422         | 189,660       | 15           |
| Edwards (Alfred)                    | Dec. 31    | 52,066       | ...                     | 51,566                               | 122,362                       | 10,000        | 41,500       | 20 1/2     | ...                 | + 66                          | 46,019          | 22,282        | 18 1/2       |
| Edwards & Co.                       | Dec. 31    | 33,137       | ...                     | 16,065                               | 93,703                        | ...           | 9,593        | 17 1/2     | ...                 | + 6,472                       | 43,306          | 22,282        | 17 1/2       |
| Edwards (M. B.) & Sons              | Dec. 31    | 61,998       | ...                     | 21,338                               | 122,813                       | ...           | 20,000       | 16         | ...                 | + 1,338                       | 46,793          | 20,857        | 15           |
| Edwards & Co.                       | Dec. 24    | 79,562       | 20,085                  | 79,562                               | 127,146                       | 28,500        | 50,314       | 15 1/2, 25 | ...                 | + 748                         | 69,117          | 69,117        | 12 1/2       |
| Edwards (S. J.) & Co.               | Dec. 31    | 26,321       | 368                     | 10,370                               | 22,290                        | 2,750         | 2,750        | 10         | 2,000               | + 2,870                       | 38,946          | 8,100         | 10           |
| Edwards, Barber & Co.               | Dec. 31    | 13,841       | 1,174                   | 7,569                                | 9,483                         | ...           | 8,320        | 8          | ...                 | + 751                         | 14,060          | 8,578         | 8            |
| Edwards (Wm. P.), Limited           | Oct. 31    | 111,434      | 22,204                  | 33,730                               | 63,327                        | 12,500        | 20,000       | 8          | ...                 | + 1,230                       | 132,335         | 45,223        | 8            |
| Edwards Manufacturing               | Dec. 31    | 221,666      | ...                     | 205,709                              | 273,577                       | 37,500        | 87,500       | 17 1/2     | 50,000              | + 30,709                      | 228,193         | 184,766       | 17 1/2       |
| Edwards & Co. (Publishers)          | Dec. 31    | 188,938      | 1,081                   | 102,211                              | 143,365                       | 131,200       | ...          | ...        | ...                 | + 28,989                      | 96,650          | 45,163        | Nil          |
| Edwards & Co.                       | Sept. 30   | 169,333      | 55,352                  | 41,904                               | 224,862                       | 12,875        | 4,500        | 9          | ...                 | + 24,529                      | 144,253         | 34,664        | 9            |
| Edwards & Co.                       | Dec. 31    | 260,766      | 18,500                  | 112,116                              | 174,735                       | 75,342        | 19,577       | 6          | 10,000              | + 7,197                       | 257,136         | 90,881        | 6            |
| Edwards & Co.                       | Dec. 31    | 140,197      | 10,318                  | 114,255                              | 283,858                       | 3,300         | 90,378       | 22 1/2     | ...                 | + 20,577                      | 133,625         | 119,020       | 22 1/2       |
| Edwards & Co.                       | Dec. 31    | 43,578       | ...                     | 11,267                               | 22,818                        | ...           | 10,000       | 20         | 2,500               | + 1,133                       | 46,775          | 18,178        | 8            |
| Edwards (Albert E.)                 |            |              |                         |                                      |                               |               |              |            |                     |                               |                 |               |              |



## EXCHANGE RATES (Monthly Tables)

## AUSTRALIA AND NEW ZEALAND

| London on Australia and N.Z.* |           |           |           | Australia and N.Z. on London |      |           |      |
|-------------------------------|-----------|-----------|-----------|------------------------------|------|-----------|------|
| Buying                        |           | Selling   |           | Buying                       |      | Selling   |      |
| Australia                     | N.Z.      | Australia | N.Z.      | Australia                    | N.Z. | Australia | N.Z. |
| T.T.                          | Ord. Mail | Air Mail  | Ord. Mail | 125                          | 124  | 125       | 124  |
| Sight                         | 126       | 126       | 126       | 125                          | 124  | 125       | 124  |
| 30 days                       | 127       | 127       | 127       | 125                          | 124  | 125       | 124  |
| 60 days                       | 127       | 127       | 127       | 125                          | 124  | 125       | 124  |
| 90 days                       | 128       | 128       | 128       | 125                          | 124  | 125       | 124  |

Since April 7, all bills on Australia will be purchased at sea mail rates only. Bill will be sent by air mail on payment of appropriate postage.  
 \* All rates (Australia and N.Z.) now based on £100—London. † Plus postage.  
 ‡ Via Durban. By America/N.Z. Air Mail (Australia) Demand, 126½; 30 days, 126½; 60 days, 127½; 90 days, 127½. (N.Z.) Demand, 125½; 30 days, 126½; 60 days, 126½; 90 days, 127½ (plus postage).  
 † Any Mail.

## SOUTH AFRICA

Buying rates in London for T.T.s and bills on South Africa are (per £100 sterling) £101 for T.T.; £101½ (sight); £102½ (30 days); £102½ (60 days); £102½ (90 days). For Rhodesia the corresponding rates are £100½, £100½, £101½, £101½ and £102½. Selling rates in London (per £100 sterling) for T.T.s and sight bills are £100½ for South Africa and £99½ for Rhodesia.

## CENTRAL AND SOUTH AMERICA

The following rates, issued by Bank of London and South America, are related to U.S. \$: approximate sterling rates can be calculated from \$-£ rate.

Colombia • Open market sight selling rate 175 pesos per 100 U.S. \$ on Feb. 22nd.  
 Ecuador • Official sight selling rate 14.10 sucres per U.S. \$ on Feb. 5th.  
 Guatemala • Sight selling rate maintained at one quetzal per U.S. \$, plus commission of 1 per cent to Central Bank.  
 Nicaragua • Official sight selling rate for payment of imports 2.50¢ on Jan. 1, 1941. 5.03½ cordobas per U.S. \$ (excluding 10 per cent tax).  
 El Salvador • Sight selling rate New York was 2.50 colones per \$ on Jan. 31st.  
 Venezuela • Sight selling rate New York 3.35 bolivares per U.S. \$ on Jan. 12th.  
 Peru • Sight selling rate 6.50 soles per U.S. \$ on 12th January 1943.  
 • Official exchange controls are operative in these countries.

## OVERSEAS BANK RATES

| Changed        | From          | To    | Changed        | From          | To    |
|----------------|---------------|-------|----------------|---------------|-------|
| Amsterdam      | June 28, '41  | 1/2   | Madrid         | July 15, '35  | 5     |
| Athens         | Mar. 10, '42  | 5     | Montreal       | Feb. 8, '44   | 24    |
| Belgrade       | Feb. 1, '35   | 6 1/2 | Oslo           | May 12, '40   | 4     |
| Berlin         | April 9, '40  | 4     | Paris          | Mar. 17, '41  | 2     |
| Brussels       | Jan. 25, '40  | 2 1/2 | Pretoria       | June 2, '41   | 3 1/2 |
| Bucharest      | Sept. 17, '40 | 3 1/2 | Rio de Janeiro | May 31, '35   | ...   |
| Budapest       | Oct. 22, '40  | 4     | Rome           | May 18, '36   | 5     |
| Calcutta       | Nov. 28, '35  | 3 1/2 | Sofia          | Sept. 16, '40 | 6     |
| Chile          | June 13, '35  | 4 1/2 | Stockholm      | May 29, '41   | 3 1/2 |
| Copenhagen     | Oct. 15, '40  | 4 1/2 | Zurich         | Nov. 25, '36  | 2     |
| Helsinki       | Dec. 3, '34   | 4 1/2 | Tokio          | ...           | ...   |
| Lisbon         | Jan. 12, '44  | 3 1/2 | Wellington     | July 20, '41  | 2     |
| N.Y. Fed. Res. | Oct. 30, '42  | 1     | Dublin         | Oct. 26, '39  | 4     |

(a) For banks and credit institutions.

(b) For private persons and firms.

# THE ECONOMIST

ESTABLISHED 1843

Vol. CXLVI No. 5252

REGISTERED AS A NEWSPAPER

APRIL 22, 1944

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

ONE SHILLING

|                                |     |                                |     |
|--------------------------------|-----|--------------------------------|-----|
| Can We Afford It? - - -        | 521 | China's Seventh Year - - -     | 526 |
| Pressure on the Neutrals - - - | 523 | American Motor Cars - - -      | 533 |
| The Site of Government - - -   | 524 | US Banks and War Finance - - - | 539 |

|                         |     |                            |     |
|-------------------------|-----|----------------------------|-----|
| NOTES OF THE WEEK - - - | 527 | LETTER TO THE EDITOR - - - | 536 |
|-------------------------|-----|----------------------------|-----|

Mr Bevin Acts; Diplomatic Embargo; National Union in Italy; Governments in Eastern Europe; Dominion Relations; Mr Bracken Speaks Out; War Effort of the Dominions; Water for All; Economic Disarmament; Pensions Bill; Australian Censorship; Attitude to India; God and Caesar; Colonel Knox Testifies; Concessions in Saudi Arabia; Ford and the Unions; Back to Shops; The Opticians Protest; What Sort of Protection?; Shorter Note.

|                       |     |
|-----------------------|-----|
| AMERICAN SURVEY - - - | 533 |
|-----------------------|-----|

The Automobile Industry; The Passing of MacArthur; The Silent Service; Mr Hull's Programme; Butter on Their Boots.

|                          |     |
|--------------------------|-----|
| THE WORLD OVERSEAS - - - | 535 |
|--------------------------|-----|

Authoritarian Gains at Algiers; Military Projects in North Canada.

## THE BUSINESS WORLD

|                      |     |
|----------------------|-----|
| BUSINESS NOTES - - - | 540 |
|----------------------|-----|

The Motor Industry's Chance; Conditions of Success; Dual Control Abandoned; ICI Results; The Banks' Investments; Still More Treasury Bills; South African Gold Contract; The Montreal Scheme; Control of Industrial Location; Electric Power in Scotland; Uninformative Circulars; Milk Distribution; A New Yield Index; Company Result.

|                        |     |
|------------------------|-----|
| COMPANY MEETINGS - - - | 546 |
|------------------------|-----|

|                              |     |
|------------------------------|-----|
| RECORDS AND STATISTICS - - - | 551 |
|------------------------------|-----|

THE ECONOMIST, BRETTENHAM HOUSE, LANCASTER PLACE, STRAND, LONDON, W.C.2. TELE.: TEMPLE BAR 3316. ANNUAL SUBSCRIPTION £3.

## Can We Afford It?

IT is always rash to rule out the possibility of surprises on Budget Day. But the prospects are that when Sir John Anderson opens his first Budget on Tuesday he will produce few novelties so far as the revenue and expenditure of the present year are concerned. It may be, however, that he will give the House of Commons and the public their first glimpse of post-war plans and possibilities. Clearly, there is a double need for financial reconstruction plans: first, because the fiscal and budgetary system needs some reconsideration; and secondly because finance is a part of every other plan. The nature and weight of post-war taxation are, in themselves, a fascinating subject which deserves careful exploration. But it is subject to the overriding question of how large the operations of the Government are going to be. When the tide of abnormal war expenditures had ebbed after the last war it was found that the level of expenditure had permanently risen from less than two, to something more like eight, hundred millions a year, or expressed—as it is more accurate to do—in terms of the national income, the increase was from around 7 per cent to around 17 per cent. What is to be the experience this time? There is no lack of projects for spending public money. How many of them can we afford?

The objection that the money cannot be found for

projected expenditure, or that the finding of it would involve inflation or the even more nameless disasters associated with departure from "sound finance" seems very old-fashioned to-day. Indeed, a war generation which has witnessed the raising of £3,000 million in taxes, and the spending of twice as much, almost all of it on destruction, is understandably impatient of arguments that suggest any impossibility in spending much smaller sums on much worthier objects. The only argument that such a generation will respect is the physical one: if the men and materials are available to do the job, it can be done, otherwise not.

But this new mood of revolt from purely financial limitations shows signs of going much too far in the opposite direction. For one thing, even in a strictly physical argument, the conditions of war cannot be translated bodily into the conditions of peace. Such enormous sums can be spent by the Government in wartime only because the public is content to consume only about half of what it produces and, moreover, to do so in a straitjacket of controls. The distribution of the national resources will be very different in peacetime, and the Government share will be much smaller than it is to-day. The really relevant question is whether the British people, when they have returned to the ways of peace, will be willing

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ASSETS EXCEED - £83,000,000

CLAIMS PAID EXCEED - £155,000,000

(1943 Accounts)

AGGREGATE ASSETS at 31st March, 1943 £67,128,395

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NOTICE IS HEREBY GIVEN that a Final Dividend (No. of 35 per cent, less Income Tax at 10s. in the £, has this been RECOMMENDED on the issued Capital of the Corporation in respect of the year ended 30th September, 1943, and will be payable on and after the 12th May, 1944, to all Members on Registers on the 12th April, 1944.

In the event of Dominion Income Tax Relief being due Members as the result of the imposition of Income Tax by Gold Coast Government, the gross rate of this dividend will be varied so as to leave the net dividend unaltered.

THE TRANSFER BOOKS WILL BE CLOSED from the 20th April, 1944, both dates inclusive, for the preparation of Dividend Lists.

By Order of the Board.

H. E. ASHBY, Manager and Secretary  
 Temporary Registered Address: St. Hilda's, Bushey, Hert  
 12th April, 1944.

## BIBIANI (1927), LIMITED

NOTICE IS HEREBY GIVEN that a Final Dividend (No. of 17½ per cent, less Income Tax at 9s. in the £, has this been RECOMMENDED on the Capital of the Company in respect of the year ended 30th September, 1943, and will be payable on and after the 12th May, 1944, to all Members on the Registers on the 12th April, 1944.

In the event of any further Dominion Income Tax Relief being due to members as the result of the imposition of Income Tax by the Gold Coast Government, the gross rate of this dividend will be varied so as to leave the net dividend unaltered.

THE TRANSFER BOOKS WILL BE CLOSED from the 20th April, 1944, both dates inclusive, for the preparation of Dividend Lists.

By Order of the Board.

H. E. ASHBY, Secretary  
 Temporary Registered Address: St. Hilda's, Bushey, Hert  
 12th April, 1944.

## THE CUNARD STEAMSHIP COMPANY LIMITED

NOTICE IS HEREBY GIVEN that the Sixty-seventh Ordinary General Meeting of THE CUNARD STEAMSHIP COMPANY LIMITED, will be held at CUNARD BUILDING, in the City of LIVERPOOL, on Wednesday, the 26th April, 1944, at 10 o'clock a.m.

1. To receive and consider the Statement of Accounts Balance Sheet to the 31st December, 1943, with the Report of the Directors and Auditors.

2. To sanction the declaration of final dividend for the year 1943.

3. To elect Directors and Auditors in place of those retiring, but who being eligible offer themselves for re-election.

By Order of the Board.

H. J. FLEWITT, Secretary  
 Offices: Cunard Building, Liverpool.  
 13th April, 1944.

to let the Government dispose of a larger fraction of their annual output of goods and services than it did before; and if so, how much larger.

This is the economic argument. But before it is pursued, the observation must be made that purely financial factors cannot be quite so cavalierly swept aside. Even if the reconstruction enthusiast can convince himself that material resources and manpower are available for his project, the Chancellor of the Exchequer has still to find the money. The money, in most cases, can—or at least should—be raised only by taxation. The idea of a double budget, for income and capital items, is now very widely accepted, and it would be reasonable that the capital budget should not have to be strictly balanced every year. But the normal, continuing expenditure of the state belongs in the income budget and should ordinarily be met out of revenue. There are limits to the raising of taxes. There are political limits—it is questionable whether the public, in peacetime, would tolerate a 10s. income tax, with such reduced allowances, or duties on beer and tobacco of anything like the present height, or a purchase tax of the present dimensions. There are also economic limits—every tax reduces in some degree the incentive to economic activity, and it may be that the growth of the National Income, on which even the most severely non-financial argument is predicated, would be hindered if the level of taxation were too high. Such very productive wartime taxes as the EPT should, for this reason, be wholly removed when the war is over. The finding of the money is thus not quite so negligible a factor as is often implied.

#### Transfer Payments

This is what lends importance to the so-called "transfer payments" which, because they impose no burden on the output of real resources, are customarily ignored in the National Income calculations. It is true that if a sum of money is raised and paid out as interest on the National Debt, no materials and no manpower (except that of the clerks in the Debt Office) have been used up. This is true; but the money still has to be raised. Similarly with Social Security schemes, the effect is to transfer command over real resources from one set of individuals—the well-to-do, the employed and the healthy—to another set of individuals—the poor, the unemployed and the ill, rather than to use up any resources. Nevertheless, the raising of the large sums involved sets a problem for the Chancellor of the Exchequer—for, of course, even if the employers' and the employees' contributions are not brought into the Budget they are nevertheless taxes. It is probable that, after the war, the annual cost of the National Debt will be at least £250 million more than it was before the war. The additional cost of Social Security, according to the Beveridge plan, will be a slightly larger sum. The total of £500-600 million is not a charge on the National Income; it is not even a net charge on the Budget; but it does use up taxable capacity which would otherwise be available for other purposes. Nevertheless, though these financial difficulties cannot be ignored, they are less fundamental considerations than those that concern the absorption of real resources. In the last pre-war year, the Gross National Income of the United Kingdom was £5,587 million\*, divided among the main constituents as follows:—

|                                                                              | (£ millions) |
|------------------------------------------------------------------------------|--------------|
| Government (incl. Government expenditure on capital).....                    | 845          |
| Public—Consumption.....                                                      | 4,035        |
| Maintenance, replacement and increase of capital, domestic and overseas..... | 707          |
|                                                                              | 5,587        |

How much larger will the total be, at the same value of money, after the war—not immediately after the

\* Footnote for statisticians: This is Net National Income at market price plus a conventional figure of £475 million for expenditure on depreciation. It has been assumed that there was no Government expenditure on capital overseas.

armistice, but after the demobilisation is complete? The estimates cover a wide range, from those who predict a fall to those who foresee an increase of 25 per cent or even more. Reasons have been given in *The Economist* for expecting some increase†, and it would be reasonable to conclude from the experience of last time that the increase might be about one-tenth or one-eighth. The increase may turn out to be greater than this—there is some reason for hoping so; but this is, more than most, a matter where unhatched chickens should not be counted, and an increase in the available resources of from £560 to £700 million would seem to be quite as much as can prudently be assumed. Even this reposes on assumptions about unemployment and overseas trade which are reasonable but by no means certain.

Who are the claimants on this sum? Much as public opinion is supporting schemes for what can be called Government-sponsored consumption—such things as education, hospitals, houses—it is most unlikely that any reduction in voluntary consumption—that expenditure over which individuals have full control—will be popular. Quite on the contrary; not only will there be arrears of consumption expenditure to be made good, lasting over many years, but the whole apparatus of incentives to consumption will be once again in full swing. Economists can argue that, in the national interest, the level of consumption ought to be kept below its 1938 level; politicians know that it will not be. Indeed, especially if there is less unemployment than there was in 1938, the likelihood is that voluntary consumption will be higher. As a matter of probability, not of desirability, some part of the £560-700 million should be allocated for this. (Increases due to the rise in prices are, of course, excluded from this calculation.)

The allocation for capital—the third of the items in the above table—will also probably be higher. There can be no question that it ought to be higher. The replacement of wartime capital wastage and the overtaking of arrears of maintenance and replacement will last for many years, and in addition there is a growing realisation that the nation's rate of accumulation of capital in the inter-war years was too low. If the technical efficiency of British industry, on which the growth of the standard of living depends, is to keep pace with other countries, more resources will have to be sunk, year by year, in the upkeep and increase of plant. For these reasons, an increase in the capital item should be budgeted for.

How much does this leave available as a fund that can prudently be regarded as available for additional Government command over real resources of manpower and materials? It is difficult to say; but the figure can hardly be more than £350 to £400 million a year at 1938 prices (the postwar figure depending on the level at which the value of money settles down). This is not a large sum. Expanded and more heavily equipped defence forces will be the first charge on it and the increase in defence expenditure can hardly require less than half the suggested total. The "ultimate" increase in the cost of education is estimated at £102 million, but at a price-level higher than that of 1938. There is a similar projected increase in expenditure on health services of nearly £80 million, though some part of this should be reckoned as "transfer payments." The cost of housing and town planning has yet to be specified, but is not likely to be small.

#### Call a Halt

It is difficult to resist the conclusion that the available fund is already mortgaged and that the time has come, not on grounds of "sound finance" but of material prudence, to call a halt. It may be, to repeat, that the estimated increase in the National Income which underlies this calculation will turn out to be unduly pessimistic. If so, so much the better; the feast when the chickens hatch can be all the larger—and, indeed, it will be legitimate to prepare a larger feast as soon as it becomes apparent that a larger brood is going to hatch. But any more optimistic estimate rests on theory and on assump-

† "Shall We Be Poorer?", *The Economist*, December 18, 1943.

tions; it outruns anything that can be deduced from ascertained experience; and it involves the belief that the as yet untried techniques of economic management are going to be as successful as their advocates (of whom *The Economist* is one) hope they will be. On the other hand, the dangers of over-optimism are very real. If the Government is committed to an expansion in its own expenditure on goods and services larger than the increase in the National Income actually turns out to be, then either the consumption of the public or else the provision for the maintenance, replacement and increase of the community's capital equipment will necessarily suffer. If the British public, after five years of unprecedented exertion, is prepared to impose a further self-denying ordinance on itself—and prepared not merely to do so in theory, but to suffer the practical inconveniences of doing so in practice—then well and good. But not even the most convinced believer in the nobility of a democratic electorate would advance this as a reasonable probability. The likelihood is that if the Government sector of the national income is too rapidly expanded, it will be the provision for capital that will suffer. There could hardly be anything more calamitous. The lesson can be clearly drawn either from the East or from the West, either from

the communism of Russia or from the capitalism of America, that the rate of increase of a country's productivity, its strength in war and its wealth in peace, rest on a regular and adequate provision for capital. This is not a matter of theories of ownership; Socialist and Capitalist can be at one in realising that to expand the immediate level of consumption—voluntary and state-organised together—at the cost of its future increase would be the most improvident of all policies.

The throwing of cold water on enthusiasms is never a pleasant task. But a little of it is needed now. This is—it should hardly be necessary to say—no argument against proceeding as rapidly as possible with those items of reconstruction that are already firmly on the agenda; it is an argument for pausing to inquire whether projects for spending public money have not now gone just about as far as they should. One of the great slogans of the present age is that, if a plan is physically feasible, mere shortage of money should not stop it. The slogan is a true one—or an almost entirely true one. But in the enthusiasm over its discovery, another equally true principle is being neglected—that if the physical resources are not adequate to do everything at once, no financial contrivance can make them so.

## Pressure on the Neutrals

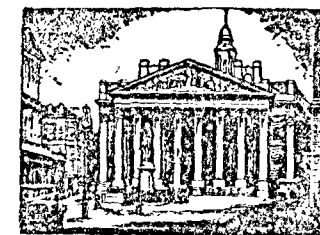
IT is a mistake to think of Mr Hull's warning to the neutrals and the British and American Notes of protest as a new departure. They are part of a consistent policy of economic pressure which began with the war and has grown more and more intensive ever since. In the first year, the principle underlying Britain's war trade agreements with the neutrals was to persuade them to limit their trade with the Axis to its pre-war volume. This principle was later abandoned, and for at least two years now the aim of all negotiations with the neutrals has been to persuade them to reduce their trade with Axis countries to the smallest possible amount and, where persuasion failed, to use direct pressure. This sometimes takes the form of cutting off vital outside supplies. Another effective method is the black-listing of individual firms. The stoppage of all oil supplies to Spain this spring followed earlier and less publicised precedents.

While a general reduction of trade with Germany was sought, particular emphasis was laid at different times on different articles of export. Last year, for example, precision instruments and vital manufactured parts such as Swedish ball-bearings or Swiss fuses were high on the priority list of the British Ministry of Economic Warfare and the former Board of Economic Warfare in America

(now absorbed into the Foreign Economic Administration). In the last nine months or so, the emphasis has been extended to metals and particularly to the ferro-alloys. The German war effort is growing exceedingly short of special steels. This fact has been confirmed by recent examinations of German weapons. Twice last year, the chief source of molybdenum at Knaben in Norway was bombed, with the result that over a year's production has been very seriously curtailed. The loss of Nikopol has deprived the Germans of their chief supplies of manganese. Tito's guerrillas have made the delivery of chrome ore from the Balkans very precarious. The Germans have become more and more dependent upon the deliveries of chrome from Turkey and of wolfram from Spain and Portugal. Tungsten, which is derived from wolfram and for which there is no satisfactory substitute, is essential for tool tips in armament production and for the shot-cores for tank and anti-tank guns. So highly do the Germans prize it and so short are their supplies that they have even equipped submarines as blockade runners to bring in minute amounts from the Far East. Their only substantial source of supply is the Iberian Peninsula.

This year both Sweden and Switzerland are making substantial reductions in their exports to the Axis. During

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the last few days, the Swedes have themselves published the fact that their reductions, notably in iron ore and ball and roller bearings, are the result of a new War Trade Agreement negotiated last year in London with the British and American Governments. The other neutrals, Spain, Portugal and Turkey, have in the past limited their trade with Axis countries and there were a number of reasons why, last year, no new pressure was brought to bear on them. In Portugal, the needs of strategy seem to have taken precedence over economic warfare. The chief concern of the British Government was to secure the use of the Azores base. In Spain, political questions such as the presence of the Blue Division in Russia were under discussion and there was the British need to get certain supplies from Spain to set against the need to reduce Spanish exports to Germany. Turkey was still thought to be a potential belligerent. These seem to have been the main reasons why no greater economic pressure was exerted on Turkey and the Iberian states. It should be remembered, too, that in many ways they are less dependent upon outside supplies than either Sweden or Switzerland.

The new value set on metals by the Ministry of Economic Warfare would in any case have led to new attempts to limit Germany's supplies during 1944. The stoppage of oil supplies to Spain in February was the first sign of a new approach. But while the aim of the new initiative in no way differs from the Allies' consistent policy, the manner and method are new. Supplies have been cut off from neutrals before, but without publicity. Great pressure has been put on their governments, but it has not made headlines in the daily press. In 1944, the methods have been revolutionised. The stoppage of supplies to Spain was fully advertised. Mr Cordell Hull's recent warning and the Notes despatched to the neutral governments are front page news. The aim of all this is unexceptionable. The neutrals are assisting the enemy,

Turkey in particular has actually increased its shipments of chrome. The only question is: can the method of full publicity give as good and as quick results as the old less sensational methods? If not, is it wise to repeat the Irish experiment and risk an open rebuff?

It is difficult at this point to assess the wisdom of the new approach. It has the major disadvantage of raising in each case the question of "national honour." No government likes to look as though it were yielding to pressure, and the attitude of the De Valera Government may very well be repeated. The Swedes plead the special difficulty of having very recently concluded a new trade agreement with Germany in which all the ceilings set in their previous agreement with the Allies were observed; and in Spain there is the very real danger that if agreement is not reached, large quantities of wolfram which are stored near the frontier may be despatched to Germany *en bloc* in the next few weeks. It may now be that the prospect of an Allied victory is so certain, that a much publicised heavy hand will have effect. But this has not been the case in the past. In making concessions to German pressure, smaller states have always had the fear that military intervention might follow. It is a tribute to the Allies that the neutrals have no such fear in their dealings with them, but this fact very seriously limits the effectiveness of a policy of open pressure and threat. If the earlier policy of unpublicised pressure had had no effect, there might be some point in this new method of frontal attack. As it is, the Allies may well increase the smaller states' fear that, after the war, they will find their policies managed and controlled by their great neighbours. Their co-operation will be needed if any of the post-war schemes of reconstruction are to be successful. Yet to use the big stick now may well drive them to an uncooperative attitude when the time for peace making comes.

## The Site of Government

IN one sense the distinction that is commonly made between central and local government is unreal, or at any rate incomplete. In practice, almost all administration is local in the sense that it affects particular persons in particular places. If the seat of government is in Westminster and Whitehall, the site of government is in Birmingham, Bootle and Broadstairs.

This is true whether administration on the spot is done by national or local officials. The difference between centralised systems of government, such as prevailed mainly on the Continent before the war, and our own less centralised form is not that, while in the one case major decisions are made at the centre, in the other case they are not. In few cases are more of the major decisions of administrative policy made more centrally than in this country. The difference lies in the fact that an unusually high proportion of administrative activity is carried on by locally appointed officials responsible in their day-to-day duties to locally elected bodies, who carry out duties placed on them or permitted by central statutes, and under the supervision of central departments.

There is thus a large, though lessening, penumbra of freedom which allows each local authority to reflect and respond to the wishes—or the apathy—of local communities. Politically the major task, as the scope of public administration, central and local, extends, is to preserve this margin of local decision; and the sanction of local responsibility is the proviso that public services which are locally administered should be largely locally financed.

Lest it should be thought that this recital of familiar constitutional facts belongs too much to the field of political theory and too little to that of political practice, it should be said at once that there is no more important single item in the drafting of a programme for postwar

reconstruction than this question of the division of tasks and costs between central and local bodies. In peacetime the local administration of public services by national officials, and wholly out of national funds, was chiefly confined to the Post Office, the Ministry of Labour, the Inland Revenue and, for a very few years before the war, the Assistance Board. Other local services, including the key activities of education, public health, police and much road construction, were locally administered. That is to say, they were performed by the local officers of local councils and in large part financed out of local rates.

It is therefore not possible to say simply that, to avoid wartime controversy, the reconstruction of local government must be put off until the reconstruction of the public services has been completed. It is essential to ask from the outset whether it is possible to maintain popular local control of local administration and at the same time to ensure efficient performance and adequate financing. This is not to suggest that there can or should be any radical refashioning of the present administrative system. In theory it might perhaps be desirable to start again: to sweep away the structure of districts, boroughs and counties which has grown up piecemeal during the past century out of the older administrative units of earlier history; and to put in their place new local authorities devised and mapped so as to ensure that each local service would be operated in the most appropriate area for technical efficiency. Many proposals have been made for a new three-storey structure of administration. This would interpose a new layer of regional authorities between the Whitehall departments and the local authorities. The regional authorities would work in areas similar to those covered by the present civil defence regions, which have been employed for administrative

purposes during the war by a number of wartime Ministries. To each kind of administrative agency, central, regional and local, would be attached its own source of revenue, so that administrative responsibility would still be matched by financial responsibility at each level.

It is probable that the evolution of local government is already moving in this direction. Both the Education Bill and the Health White Paper give signs of it. The main administrative principle of the former is that, so far as possible, all stages of education in each area should be operated by a single authority, usually a county or county borough, in order to secure uniform and continuous standards of administration and policy. In the latter case, joint regional authorities are to be created or the administration of services, such as hospitals and specialist treatment, which can only be made fully effective if they can draw on the resources of areas larger than those of most existing local authorities. In the case of town and country planning, the necessity for regional uniformity and co-operation has long been recognised.

But it remains necessary, in practice, to build upon and adapt the existing system, which has deep roots in history and tradition, rather than to make revolutionary changes according to preconceived and theoretical principles. We cannot say with Pope or the totalitarians that "What e'er is best administered is best." If British democracy is again to flourish, nothing is more important to keep or revive than representative and responsible local government in the areas which, despite large and often artificial changes, still stand, however weakly, for a sense of communal pride and for communal liberties. The historic counties of England have been as chopped and changed as the ancient diocesan sees, but tradition still breaks through, and its image is local election and local responsibility.

The question then is: Can the existing local authorities do the job and pay their way? And it must be answered before, not after, the reconstruction programme is finally drawn up. Already it is very clear (as was pointed out in two articles in *The Economist* on September 25th and October 2nd last year) that, with the present distribution of administrative and financial burdens between central and local authorities, it will be impossible to carry out even the extensions of locally administered educational and health services that have already been proposed. The rough and ready estimates attached to the Health White Paper propose an increase of something like a fifth in the rate charge for public health. The added charges proposed in the Education Bill are even larger and would, by themselves, involve an increase in the rates, on the average of all local authorities, of nearly 3s. in the £. Administratively, it is possible to proceed towards a solution step by step—as by the institution of single county administration in education and joint regional authorities for public health or planning. Financially, there is no such empirical remedy.

Is it possible, while preserving the present system, either to increase the financial resources of local authorities or to decrease their financial commitments? Before the war the average rate poundage throughout the country was between 13s. and 15s. in the £, and varied in county boroughs between 27s. 6d. in the £ in Merthyr Tydfil and 7s. 10d. in Bournemouth. It would be possible, and certainly desirable, to equalise rates by levying them at a uniform rate in all localities and then distributing the proceeds from a national pool according to need. This would get rid of the worst discrepancies. But some authorities would still have considerably more rateable capacity to draw upon than others; and the addition of the extra charges already contemplated, whether equalised or not, would probably raise the general level of rates above 20s. in the £.

Several ways of increasing local revenue without raising the rate burden to such onerous levels have been suggested. One is to go back on the derating of industrial and agricultural properties which was dictated by the interwar depression. Another is the introduction of a local or regional income tax—which would simply cut into or add to the central income tax. No way suggested

seems likely to do more than soften the asperity of the problem. Almost certainly it will be necessary to follow the alternative road—that is, to reduce the total of expenditure falling upon local funds.

The danger of doing this is that the principle of local responsibility may be weakened. The present rough division is half of the expenditure from taxes and half from rates. There are people who see the solution in an alteration of this proportion. During the committee stage of the Education Bill it was proposed that the Government instead of meeting 55 per cent of the cost should meet 70 per cent. But it is hardly consistent for the local authorities who see in the Education Bill a considerable and ominous increase in the mandatory powers of the Board of Education, to ask at the same time for a reduction of the local share of financial responsibility. For this would almost certainly carry with it a reduction also of the local share of administrative responsibility. The local authorities are being very short-sighted, in their own interest, in asking for larger grants from the Exchequer. Thereby their freedom of action would undoubtedly be curtailed rather than enhanced.

Thus it appears, from a process of elimination, that the only practicable solution is to reduce local commitments by reducing the number of locally-administered and locally-financed services. The local authorities could then continue to be, if not masters, at least partners in their own house, though the house would be appreciably smaller. Already public assistance is passing to the central administration. A deal of highway expenditure has already gone that way. On financial grounds a case could be made for the transfer of police powers and costs; but on political grounds the institution of a completely centralised system of police would be undesirable. A better subject for transfer might be housing. But even these transfers would still leave local authorities in serious doubt about their capacity to finance the locally-administered services that would remain. Because of the importance of local initiative and diversity in schooling, to transfer education, the most costly item, would be the poorest of policy. There can be little question that a sufficiently large saving in rate expenditure could only be made by transforming public health, the highest single charge on local funds after education, into a national service.

To those who say that the transfer of health services would be a serious lessening of local responsibility in a vital sphere, the answer can only be that, without some such drastic step, the local authorities will be financially incapable of maintaining their present degree of democratically controlled responsibility in any sphere. Better a complete surrender in one sphere than an almost complete surrender in all. The local authorities would in fact gain much more than they would lose; in the services left to them they would still have the chance, which they are now in considerable danger of losing, of successfully combining efficiency, popular control and financial solvency.

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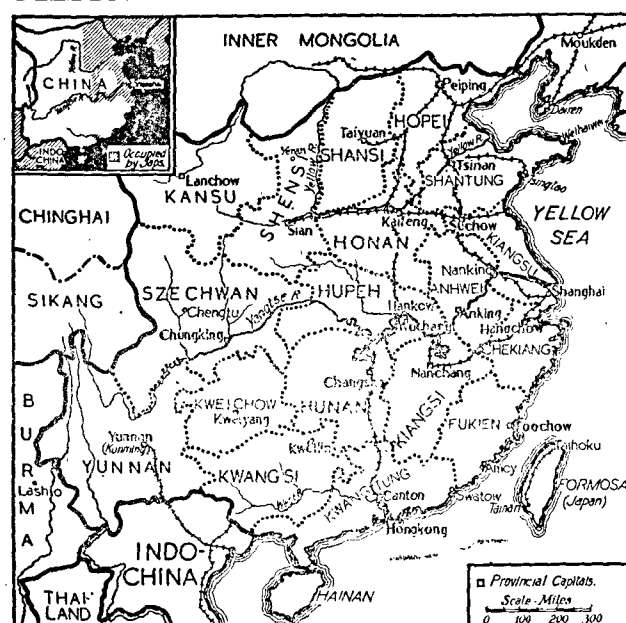
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## China's Seventh Year

THE Japanese penetrations into Manipur and the transfer of Admiral Mountbatten's headquarters from New Delhi to Ceylon have been accompanied by scores of criticisms and commentaries covering every aspect of Allied policy in the Far East. From them has emerged the fact that many observers in America believe the British and Americans to hold completely different views about China and, as a result, to be advancing different strategies for a Far Eastern victory. This view would have it that the British have no respect for China either as a political or a military power and think of the Far Eastern war in naval terms with the "liberation of the British Empire"—Singapore and Hongkong—as the first objective, while the Americans believe in China as a Great Power, count on its military assistance and therefore put the highest priority on the reopening of the Burma Road. A contrast is being built up between a British "amphibious" strategy and American belief in the direct approach by land.

The absurdity of this supposed division of view is obvious enough. The chief exponent of the "amphibious approach" to Japan, via the Philippines and landings in South China, is not Admiral Mountbatten in Ceylon but



Admiral Nimitz in Hawaii. And on the other hand, there are more British and Indian troops fighting in Burma than American and Chinese. In the political sphere, Britain certainly did not lag behind the United States at Moscow or Cairo in recognising the status and prestige of Free China. Finally, it is from the United States that the most factual statements about Chungking's internal difficulties have come. Yet even though the supposed division between British and American opinion is fanciful, the question on which it turns—the political and military contribution that China can make to the Far Eastern war—is vitally important, and any discrepancies which may exist in the British and American approach must be ironed out now.

It is undoubtedly true that Free China faces formidable internal difficulties. The financial machinery of the Chungking Government is breaking down under the triple pressure of a bad tax system, the lack of consumer goods and the unreliability of the civil service. Little attempt is made to evolve and impose a genuine budgetary policy. Income tax stands at only four per cent and even so does not touch the cost of living bonuses, which now make up nine-tenths of the income of the salaried classes. There is a provincial *octroi* but very little of the proceeds seems to reach Chungking. To finance its expenditure the Government has resorted to the printing press. The flood

of bank notes grows as the trickle of consumer goods decreases. The presence of foreigners increases the stringency. American officials and troops are paid on imported dollar notes. These are sold openly on the black market. Experts estimate that the cost of living index in Chungking in 1943, taking 1939 as 100, was 12,000. The pace of inflation is increasing and one must ask whether under these conditions the currency system will not collapse altogether.

The total failure of the Government's financial machinery would of course cripple the war effort. It would be a factor making for the political disintegration of China. But its likelihood and its effects cannot be judged by Western standards. Currency is much less important to the working of China's economy than to a more highly developed and industrialised system. About 80 per cent of the people live on the land. The Government's most effective tax is a tax in kind. Rice is requisitioned from the peasants and used to supply the hordes of men under arms. So long as there is no large-scale fighting, this system, though it leads to some discontent among the peasantry, keeps the army alive.

Against the growing economic insecurity at Chungking must be set the very great growth in political prestige which Marshal Chiang Kai-shek has earned by his diplomatic successes in recent months. The acceptance of China as one of the Big Four, China's signature of the Moscow Declaration, Marshal Chiang's meeting with Mr Churchill and Mr Roosevelt at Cairo—all these events have buttressed the authority of Chungking and helped it very considerably in rallying the dispirited and the wavering through long months of economic stringency and military stalemate. Nevertheless the internal political difficulties of the regime are probably more serious and immediate than any danger of economic collapse. There are besides Chungking two other competing centres of political authority, the so-called National Government of Wang Ching-wei at Nanking and the Communist headquarters at Yen-an in Shensi. Nanking has nominal authority in the areas effectively occupied by the Japanese. In South China, in spite of some trouble from local war lords, unoccupied territory is for Chungking. In the North a more complex situation has arisen. In Shensi the Eighteenth Chinese Army Group—formerly the Eighth—is the core of Communist control. Its headquarters at Yen-an are virtually a government with a writ running as far north as Hopei and Jehol and eastwards and southwards into occupied territory in North China. Remnants of the officially dissolved Communist New Fourth Army are still active near the lower Yangtse. Thus in between the areas of Japanese occupation, which coincide with the cities and the main lines of communication, the Communists are coming to exercise considerable influence. They organise effective guerilla warfare. They have set up village councils. Notorious quislings have been shot. And "mass mobilisation and political education" are reinforcing the hold of Communism on the peasantry.

The task of the Communist leaders is made easier by the collapse of the traditional Chinese social structure under the pressure of Japanese occupation. In South China, the old basis of society still holds. The petty rural gentry with their two or three tenants, their sons officers in the army and their cousins officials in the administration, are the dominant class and are nationally the social basis of the Kuomintang and of the Chungking Government. Their tenants are share croppers and this system of payment in kind often turns the landowner into a merchant and banker as well. There are few big estates, but in some provinces the pressure on the tenants is overwhelming. In the North, this structure has been ground away between the requisitioning Japanese armies and the requisitioning Communist guerillas. In its place, Communist political influence has some chance of lasting success.

This situation has been watched with growing anxiety

from Chungking. According to the 1937 agreements which the Communists concluded with Marshal Chiang they recognised his authority and agreed to an effective party truce. They have not kept it, and last autumn there was even fighting between the Chinese Army and the Communists. Some of the best Chinese troops are posted at Sian under the command of General Hu Tsung-nan, not only to guard the back door to Chungking, but also to blockade the Communists inside their province of Shensi. Many military leaders argue that time is playing into the hands of the Communists, that they are steadily building up a state within a state, and that unless they are dislodged now, the withdrawal of Japan from North China will be the preface not to reuniting China under its central Government but to the permanent division of China between rival Governments. Marshal Chiang Kai-shek wisely preaches moderation. Last September he admitted the difficulties of the situation at a meeting of the Kuomintang's Central Executive Committee but argued against civil war and said that political not military means must be used to solve a primarily political problem. Yet uneasiness is growing. Influential people at Chungking are disturbed by the formula applied by Mr Churchill to Yugoslavia—that arms and help will go to any resisting group, whether or not it accepts the authority of a government officially recognised by the Allies. Does this mean that the arms and goods which can alone make the Free Chinese armies effective will in the event be divided between Chungking and the Chinese Communists? The authority of Marshal Chiang's Government rests so much on the degree of international recognition it has received that any change of front on the part of the Allies would have violent repercussions at Chungking.

Wang Ching-wei and the Nanking Government are also factors in the problem. At present their influence is very small. Now that the certainty of Japanese defeat grows, the nominally puppet Chinese of Nanking behave in a less and less puppet-like fashion. The Japanese are trying to woo them—the latest treaty with Wang Ching-wei provides for the complete withdrawal of all Japanese troops from China after the war—but are finding that

the ways of obstruction open to Chinese officials far exceed the sands of the sea. The Japanese have in fact nothing to offer. Occupied China is even shorter of food than Free China, and the dearth of consumer goods is almost as great. There is inflation, black marketing, requisitioning, and even though the Tokyo High Command has decreed a policy of co-operation and good will, the local army commanders have made savage nonsense of it. So long as the Chungking regime can, with Allied economic and political backing, combat the fissiparous and disintegrating tendencies inherent in the present situation, the Nanking Government is little more than a cipher. But if Chungking were led by any major change in Allied policy to believe itself betrayed and abandoned, then the temptation to come to some understanding with Nanking might be very strong.

The political equilibrium of China is therefore very nicely poised and if the Western Allies approach the period of liberation with no more carefully prepared policy than in Africa and Italy—if, that is, they take far-reaching political decisions on the basis of temporary military expediency—the results may be disastrous. For the period of the war the Allies need a strong Chinese government dedicated to the alliance of the United Nations—in other words, they need to support Chungking. After the war they also need a strong central government in China—but with the proviso that it should be dedicated to peace with its neighbours and to democratic advancement and economic development at home. Whether the policy that is right for the war is also the policy that is right for after the war is, at the moment, very difficult to say. But at least there is no inevitable contradiction. If all the Great Allies could act in concert they could, by that fact alone, have a great influence on China's development. Unhappily, the anomalous position of Russia in the Far East—neutral as against Japan and with a certain natural sympathy with the Chinese Communists—makes such a policy impracticable to-day. But it is in this direction that British and American diplomacy should work, and the first step is to secure not only that London and Washington speak with one voice, but that the voice is clear.

## NOTES OF THE WEEK

### Mr Bevin Acts

The new Defence Regulation to restrain persons responsible for strikes or lock-outs is, in essence, a measure to reinforce the authority of trade unions over their members. It is for this reason a minor not a major measure. There already exist two wartime provisions against strikes. One, the Conditions of Employment and National Arbitration Order of 1940, prohibits strikes or lock-outs "in connection with any trade dispute." The other, Defence Regulation 1A of 1939, forbids acts "calculated to prevent or interfere with the carrying on of their work by persons engaged in the performance of essential services." The new Defence Regulation, 1AA, is formally designed to complete the picture by extending the penalties of the law to stoppages which, like the shipyard apprentices' strike, are not properly trade disputes, and to persons who are not bound by trade union agreements to abandon the strike weapon for the duration of the war. In fact, it is directed against the so-called Trotskyite agitators whose rôle in recent strikes, though noticeable as a lesser factor, has been much exaggerated. The glaring fact that emerges from the record of the wartime years is that, while trade union officials themselves have faithfully observed the self-denying ordinance in the matter of strikes, strikes have taken place with increasing frequency—though by no means on the scale of the last war—without the existing Order and Regulation being used to prevent them. Now it has apparently been decided that, though it is impossible to use the Order of 1940 or the Regulation of 1939 against tens of thousands of strikers, it may be possible to use the new Regulation of 1944 against the handful of agitators upon whom the main blame for trade union indiscipline is being, most tendentially, placed. The few, who are no doubt guilty, are to suffer for the misdeeds of the many—and for the failure of the leaders of the many to rein in their fol-

lowers. This interpretation is amply proved by the actual terms of the new Regulation. From its provisions are excepted any person "having ceased work or refused to continue to work or to accept employment," and "any act done at a meeting of members of a trade union." What is done or said in the closed shop, though formally unlawful, is not to come under the new penalties, while what is done or said in the public house, the open street and, presumably, the press, may be penalised.

To criticise the new Regulation in this sense is not to carp about lost peacetime liberties, or to voice press alarms. Fundamental issues are involved. The first is that a few rabble-rousers are being used as the scapegoats for events which go much deeper into the present attitude and grievances of the industrial masses. The second is that a weapon is being forged which may prove a boomerang against the trade unionists who have forged it. The third, and most important, is that the symptoms as distinct from the causes of strike action are being dealt with. The question is not whether a handful of revolutionary pamphleteers are to be permitted to carry on their dirty work. It is what can be done to prevent 100,000 miners or 10,000 engineers from going on strike. Even the mandate given to the Mineworkers' Federation to conclude a wage agreement is not in itself a solution. During the military emergency, when the Second Front is opened, no workers are likely to go on strike. The emergency in itself no doubt justifies the most drastic penal measures against fomenters; but political wisdom will surely see much further than this. It is not without significance that the measures and procedure which were sufficient in 1940 have apparently proved insufficient in 1944, the fifth year of the war, and they will be insufficient in 1945 when the German war ends and the tension breaks.



### Diplomatic Embargo

The Germans are going through a war of nerves exactly comparable to the uneasiness and strain they inflicted on their western neighbours in 1940. To-day it is Allied movements, preparations, troop concentrations that send a storm of rumours over the wires, and it is the Germans who announce that their nerves are steady and their defence measures complete. Some of their military commentators admit that the Allies have a good chance of making "deep penetrations," warn their readers to expect a terrifying increase in aerial warfare, and predict that parachute troops will be landed far into the interior to cut communications and disrupt transport. No single Allied action has so heightened the tension as the decision announced on April 18th to suspend for a time all secret diplomatic communications between Governments and their representatives in Britain, and to place a temporary embargo on all permits to diplomats to leave this country. This order does not cover the Russian and American Governments or the fighting Dominions. It is an entirely unprecedented step. In the past the Axis countries have made it, in fact, difficult for free and secret diplomatic exchanges to be maintained, but they at no stage introduced a complete formal embargo. To do so is to stretch total war to practically the last remaining sector of civilian life. The many Allied and other governments affected are anxious to see an Allied victory, and a temporary infringement of their diplomatic rights is not a heavy price to pay. Yet it is as well that the entirely abnormal and unprecedented character of the steps should be underlined. It is a grave restriction of a clearly established right, and to-day there are few areas in international life in which the smaller nations can feel themselves to be in absolutely unequivocal possession of such rights. The embargo will undoubtedly be raised on the very day that the need for it has passed. Meanwhile no opportunity should be lost to underline its exceptional and temporary character.

### National Union in Italy

Marshal Badoglio's Government has resigned, and the King has charged him with the task of forming a new administration which will take into account "the wishes expressed by all parties." The Italian parties have been asked to submit candidates for office, and there is little doubt that a Government of National Union is likely to be the result of these negotiations. This is a result warmly to be applauded by the Allies. The European peoples' only chance to pass from war to peace without frightful internal upheavals lies in the existence in each liberated country of a Government which can transcend deep social and economic cleavage. The experience of working together, after the many years in which no party has worked at all except in opposition, may have a sobering and decisive effect. All groups in Italy are presumably committed to the post-war consultation of popular opinion in the shape of free elections. But one may ask on what basis the peoples will be able to choose if they have had no opportunity of seeing the political parties in action. In pre-war France, the unwillingness of Left wing parties to assume responsibility was a permanent weakness. It was not until 1936 that the Socialists were ready to enter a Left wing coalition, and in 1939 the Communists were still petulantly guarding a sterile political virginity. Now in the crisis of war, armistice and peace, it seems, judging by France as well as Italy, that the parties of the Left are ready to exchange total ideological purity for a measure of practical experience. There is a chance that the possibilities of parliamentary life in Europe will be strengthened as a result. But it would be more reassuring if in Italy and in France the initiative towards co-operation had come from the Italian parties themselves. In fact, the impetus has been given by an outside agency, the Soviet Government, and it is the Italian Communists' readiness to follow the Russian lead that has brought all the political parties into line. Russian influence is based on two very strong foundations—the tremendous prestige Russia has gained by its victories; and the existence in most European countries of a docile Communist party. That the lead should have to come from the Communists is a measure of Italy's democratic weakness. In Algiers the Communists are joining, not creating, a Government of National Union. But in any country where Fascist methods of government have prevailed in the last decade, a similar political anaemia must be expected among the political parties, and Russian and Communist influence will inevitably be strong.

### Governments in Eastern Europe

There are obvious similarities between the political crisis in Italy and the problems raised by the situation of the various exiled Allied governments of Eastern Europe. For all the Eastern Allies, a government of National Union would be the best insurance of a just and reasonable transfer from war to peace. If post-war elections can be organised by an administration representing all parties, the chance of their expressing the popular will is obviously greater. Yet the possibilities of reaching an understanding on the Italian model are at present remote, and the chief factor in each case is the same. National Union could be secured in Greece, Yugoslavia and even in Poland, if the Soviet Government would follow the diplomacy it adopted in Italy. The record of the Yugoslav King in fighting the Germans is better than that of the King of Italy, the record of Greece and above all, of Poland is incomparably better. There are thus no political obstacles. What could be done in the case of Italy, the ex-enemy, can surely be done for the three Eastern Allies. At present the outlook is not bright. King Peter of Yugoslavia is negotiating in London for the creation of a new administration. The resignation of Mr. Purich is expected daily and would have been handed in weeks ago, if a satisfactory alternative to his administration could have been found. In the case of Greece, new possibilities have been opened by the resignation of M. Tsouderos and the appointment of M. Sophocles Venizelos as Prime Minister and, for the time being, Lord High Everything Else. If representatives of EAM's newly founded Provisional Political Committee under Colonel Bakardjis will join a new Cairo Government—it is Russia's role to persuade them—and the Cairo Government will accept representation from these genuine forces of internal resistance—it is the job of Britain and America to persuade the King—then a "Unity Government" is within sight. Not all the members of the Provisional Committee are Communist; but as in the case of Italy, the Communists, backed by the immense power and prestige of Russia, have the initiative in political moves. There remains the case of Poland. Here, too, a government of National Union can be secured if Russia is willing to play as generous and shrewd a rôle as it has done in Italy and has sought to do in Finland. The Polish Government in London is, for all the boasting of the Union of Polish Patriots, a truer representative of Polish opinion than any "government" that might be established at this late stage of the struggle. It might be possible, on the analogy of Italy and France, to include Communist representation in a reconstituted government—the Union of Polish Patriots is a possible substitute for the non-existent Polish Communist Party. But an essential preliminary is Soviet recognition of the Mikolajczyk Government. It should not be a more painful diplomatic operation than recognising Badoglio.

### Dominion Relations

This week's debate in Parliament on relations between the members of the British Commonwealth is the prelude to the London Conference of Dominion Prime Ministers which will be held shortly. In the debate, as at the conference, the Government's wish is to hear the views of others rather than to state its own policy. Lord Cranborne has emphasised that it is not for Britain to "impose" any programme or formula for closer association upon the independent Dominions; and it is plainly as a judicial arbiter rather than a leader that the Government regards its rôle in Commonwealth affairs. The views of Australia and New Zealand have already been embodied in the Canberra Agreement of last January, which arranged for continuous collaboration between the two Dominions on military, economic, territorial and commercial matters in their common region. Mr. Curtin's proposals for closer Commonwealth co-operation, like the long-settled views of General Smuts, who speaks for South Africa, are now well known. To-day, as in 1917, while he is opposed to suggestions for any formal federal framework for the Commonwealth, General Smuts asks for the utmost consultation in the concerting of a common policy for diplomacy and defence. Hitherto the chief divergence in Commonwealth views has seemed to be between these Dominions and Canada. Canada looks first to its American connection and to the prejudices of its own French population; and Lord Halifax's speech at Toronto, suggesting no more than a search for common policies in peacetime as in wartime, was severely criticised on the

ground that it represented Imperialism rather than Internationalism.

### Mr Bracken Speaks Out

Strong though the domestic political reasons are why all Canadian political parties have felt constrained to oppose projects for drawing the ties of Commonwealth too tight, it has always been obvious that a considerable number of Canadians could not fail to see the advantages of a Commonwealth policy and its real compatibility with schemes for wider international collaboration. It is significant that this view has now been stated forcibly by Mr John Bracken, leader of the Progressive Conservative Party, which is a rising force in Canadian politics. Mr Bracken accuses the critics of Lord Halifax of having failed "to emerge from Colonial habits," and of being "afraid to take responsibility as a full-grown nation and a partner in this freely associated Commonwealth." He accuses them of being still the victims of "the folly of isolationism." The danger that Commonwealth arrangements might become exclusive and sectarian is, of course, always to be reckoned with; and Canadian hesitations may be for this reason salutary. Nevertheless, it remains a fact that, so far from being hostile to international collaboration, Commonwealth collaboration in defence, economics and foreign policy is a necessary part and prelude of it. The British Empire, as General Smuts said twenty-seven years ago, is "the only successful example of international organisation that has yet been devised"; and, if the heresy of an Imperial ring fence can be avoided, the Commonwealth has a great and indispensable contribution to make to the world organisation of world peace.

### War Effort of the Dominions

The latest issue of the *Bulletin of International News* issued by the Royal Institute of International Affairs contains the fifth of an interesting series of articles on "Economic War Efforts" in which a contributor is attempting to reduce to comparable terms the available data on the magnitude of the war efforts being made by all the belligerents. The present instalment deals with the Dominions, where the data, in the majority of cases, are very scanty. To arrive at useful conclusions involves a process that can better be called quantitative guessing than estimation, but the figures given are probably of about the right order of magnitude. An exception may, however, be appropriate in the case of Canada, where the contributor to the *Bulletin* finds an increase of 80 or 90 per cent in the real national income between 1938 and 1943. This may be due to defects in the statistics. It is known that there have been considerable revisions in recent years in the Canadian national income statistics, and it is widely held that the pre-war total (which gave Canada a *per capita* income far below that of the United States, even in depression) was too low. There is a certain resemblance in the course of events in each of the four Dominions, though there are differences in degree. In each there has been a considerable expansion in the real national income, which has been devoted entirely to the war effort. In Canada and South Africa the total of private investment on consumption and investment has remained about stationary in real terms. In Australia and New Zealand it has fallen, but it is probable that this decline has affected investment more than consumption. In all four Dominions the conclusion is reached that consumption is not substantially below the pre-war level. Figures for national incomes and war expenditure (exclusive of receipts under lend-lease or from the United Kingdom) in 1943, all converted into sterling at what the author of the articles believes to be appropriate rates of exchange, are as follows:

|                   | National Income. | War Expenditure. |
|-------------------|------------------|------------------|
|                   | (£ million)      | (£ million)      |
| Canada .....      | 2,000            | 790              |
| Australia .....   | 1,100            | 430              |
| New Zealand ....  | 240              | 75               |
| South Africa .... | 620              | 90               |
| Total .....       | 3,960            | 1,385            |

The war expenditure of India would raise the total to £1,500 million, which does not include goods and services made available to the United Kingdom on loan. No figures are given for the Colonial Empire; but even without that, the article concludes:

It is clear that the Empire as a whole (including the Mother Country) is in the same class, as a producer of goods and services for war purposes, with the Soviet Union or the Old Reich (to which perhaps two-thirds of the economic war-output arrived at for Greater Germany may be attributed), and that it has achieved something like half the gigantic output of the United States.

### Water for All

The White Paper on a National Water Policy (Cmd. 6515) will not rank among the most impressive of the Government's reconstruction sketches. Most of the right things are said about the present inadequate use and distribution of water; but little specific provision is proposed to remedy it. The position is that this country is given by nature more than fifteen times the water it needs, but that nevertheless many districts, especially in rural areas, are either continuously under-provided or periodically overtaken by drought. The need for a central planning authority, a central plan and the central enforcement of a national policy have been recognised for more than a generation. So, too, has the need for proper knowledge of the water available. It is upon this second need that the White Paper mainly concentrates in its recommendations. The Inland Water Survey must be "pressed on with vigour." Surveys of the "bulk needs of large areas" must "continue to be carried on" by Regional Advisory Water Committees. The Ministry of Health, whose duty it is to promote the provision of adequate water supplies and to conserve water resources, must carry out surveys of the efficiency of water services. The Ministries of Agriculture and Fisheries and of Town and Country Planning must pool their information. The Ministry of Health must collect facts from users of water and sinkers of wells. When these duties are embodied in a Bill, the fact-finding service will be adequate. Whether policy, that is, results in terms of the sufficiency and continuity of water supplies, will be adequate is another matter. It can be said without malice that, in the final analysis, the recommendations of the White Paper add nothing at all that is definite to general policy. Good will no doubt be done. The amalgamation of water undertakings is to be "encouraged." The giving of bulk supplies by one undertaker to another is even to be enforced—"if necessary." But, broadly, the situation will remain as it has been, with a multiplicity of water undertakings and an extreme variation of water resources between district and district, with only this difference—that whatever administrative action can do within the present framework will be done with much more force than it has been hitherto—and with the important change that really substantial sums of money will be made available by an early Bill to extend piped water supplies and sewerage in rural areas. The expenditure contemplated amounts to £15 million for England and Wales and £6,375,000 for Scotland. It is not necessary to accept the root-and-branch proposal of a national grid system, to suggest more position action might have been envisaged, without controversial or radical innovation, to secure that no reasonable demand for water on tap, and guaranteed, should be refused.

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### Economic Disarmament

Lord Vansittart's motion in the House of Lords for the economic disarmament of German industry had the plausibility of technical thoroughness. The motion called for a committee of scientists to prepare a practical scheme aiming at the permanent prevention of the manufacture of explosives in Germany after the war. Particular attention was to be paid to the German chemical industry and the nitrates and hydrogenation plants. Unfortunately, the argument that military disarmament, to be thorough, must be extended to war industry as well as the instruments of war, ignores the obvious retort that there can be no logical limitation to such a principle in its practical application. Almost all components of peacetime production can at will be utilised in a war economy, and similarly there are relatively few industries essential to war production that are not equally essential to a developed industrial system under conditions of peace. The logical conclusion can only be either that the economic disarmament of Germany to be effective must be complete, and that every German industry of possible use in war must be "eliminated" or controlled on a super New Order pattern; or, that economic disarmament need only be extended to the production of the major end-products of modern warfare, without which no conceivable development of German chemical production could possibly threaten the peace of Europe. The difficulty of the first alternative, its disastrous repercussions on the whole of European and world trade, are only too obvious. This high price for security—so high that it would certainly not be exacted—is unnecessary if there is any other method which is both practicable and equally effective in its guarantee of peace. The alternative, as Lord Perth suggested in the debate, would be a complete ban on the German production of aircraft, battleships, submarines, tanks and the other major offensive weapons of aggression. Such a ban is the only common-sense solution that would not hinder economic development in Germany as elsewhere. If that could be enforced, nothing further would be needed. It could not be enforced, neither could more drastic prohibitions. In any case, such measures as Lord Vansittart proposes can only be seriously considered by a people willing to ignore the real challenge of peace. The final problem is not, as the Government reply made by the Paymaster-General suggested, one of curbing the German war potential, but of making it ineffective, firstly through the prohibition of offensive armament production, and, secondly, through the institution of an adequate system of international security.

### Pensions Bill

A number of amendments to the Pensions (Increase) Bill were accepted by the Commons during the Committee stage of the Bill this week. Clauses 1 and 2, dealing with the general provisions for increasing the pensions for public servants and with some special provisions, were considered on Tuesday. A number of amendments proposed in the name of the Chancellor of the Exchequer were accepted without much discussion. By these amendments the benefit system which, under the original Bill, was applicable only to children under 16, was extended to other possible dependants, and the upper income limits for pensioners, with and without dependants, entitled to benefit from the increased rates, were revised upwards to £300 and £225 respectively. With regard to the rates of increase proposed under the Bill, the Government also proposed an improvement for the various income-groups of pensioners. The original rates (see *The Economist*, April 8th, p. 466) were amended to include all pensions under £400 in the 10 per cent increase and to alter the higher groups proportionately up to a maximum pension of £645. At this point in the Committee stage, the House, while welcoming the Government's improvements, began to show a certain dissatisfaction with the inadequacies of this stop-gap measure. It was felt by some Members, for instance, that the Bill contained certain injustices, both to pensioners of the public service in general, and to certain special categories, such as the pensioners of the Indian and Colonial Civil Services, the Port of London Authority and the London Passenger Transport Board, who were not to benefit by the Bill, and pensioners already receiving disability pensions, which operated unfavourably on the amount of their ordinary pension. The most strongly voiced general criticism was that when the Government had brought down pensions with the cost of living, between 1922 and 1934, it had been done both promptly and precisely. When the cost of living

began to rise in 1935, however, and continued to rise from 150 to 200 in the last nine years, pensions had been allowed to remain at the trough point. This criticism, which the present Bill only goes a small way to meet, reflected the whole difficulty facing the House. The Treasury was inevitably accused of offering "a contemptuous, mean and ungenerous hotch-potch," but, until a general revision of all pensions schemes in the framework of social security can be worked out, any measure attempting temporarily to provide only for cases of severe hardship can hardly be anything more.

### Australian Censorship

It is not possible to give any final judgment on the events which led up to the recent suppression of certain issues of six Australian daily papers and one weekly, because little account of the offending articles has been cabled to this country. Censored passages included attacks on the Minister of Information, Mr Caldwell, and comments on labour troubles. It is clear, however, what the quarrel, which has been brewing for some time, is about. The Australian press has accepted readily any censorship of news or information that might endanger national security or aid the enemy. But, like the British press, it has been steadily opposed to any censorship of views or criticisms. In this country the distinction has, for the most part, been very carefully drawn by officials and Ministers; but there appears to have been some tendency in the high tension of Australian politics for the censors to confuse news and views, with the result that political criticism has come under its ban. Almost certainly this is the issue which is now being reviewed by the Australian High Court and will be considered, when the law has had its say, by the Australian Cabinet. The position is anomalous. Mr Curtin's Government has probably the strongest support ever possessed by an Australian administration; and the move of Mr Hughes, Australia's elder statesman of the last war, to join the War Advisory Council is only one instance of the way in which the tide is still flowing in its favour. The Prime Minister himself has defined the censorship as applying "only to information of use to the enemy"; and the Government has written specific safeguards for the freedom of the press into the constitutional proposals that are to be submitted to a referendum of the Australian electorate. The explanation seems to be that, while Mr Curtin's majority is large, the minority in Opposition is correspondingly virulent and outspoken, which is not congenial in the heat of the moment to certain Ministers. The chief allegation made by the Opposition is that the doctrines and methods of the Labour Government are autocratic; and it seems certain that any disposition to take wartime powers too far, in needless infringement of democratic liberties, can only play into the hands of the few embattled critics.

### Attitude to India

That it is necessary to continue the suspension of parliamentary government in the five provinces of British India, where Congress Ministries withdrew early in the war, cannot be doubted. Government on the lines laid down in the Act of 1935 is impossible if the Indian parties will not participate; and, on the ground of fair and efficient rule, there is no reason to suppose that the emergency regimes set up by the Governors of these provinces have done harm in the abnormal wartime situation. Certainly they contrast not unfavourably with the record of wartime Bengal, where, except for a brief period, parliamentary government has gone on. Whether Mr Amery was wise or tactful in attaching to his speech on Wednesday the familiar charges against the leaders of the Congress Party, who are now in prison and cannot answer, is much more doubtful. Whatever the justification for Mr Amery's remarks—and it is considerable—such a speech shows that British as well as Indian leaders are still looking backwards instead of forwards. The objects of policy in India at the present moment are three: first, to defend the country; second, to feed and supply the country; third, to free the country for self-government. Taken together, these aims can constitute a policy in themselves if by-gones can be allowed to be by-gones. They will be the topics of the forthcoming day's debate on India in the Commons, and spokesmen on both sides would do well to look for whatever signs there may be of new leaders and new attitudes among

the Indians rather than at the misdeeds of old ones. It is perfectly true that the many events of the war years in India have shaken faith in the ability of Indians to govern themselves properly. But, despite the mishandled but most fair Cripps offer, they have shaken faith in British rule no less, and the confused circumstances which now surround the conduct of the present military operations on India's eastern frontier have not improved the matter.

### God and Caesar

Political disunity is ten times as deep, and social cleavages are twenty times as bitter, when differences in political outlook and social status are backed by religious divergence. On the whole, religious issues have not played a prominent part in this war, for no belligerent can claim to be completely identified with any one religion or one branch of religion, and in so far as religious propaganda has been made, it has been on the general basis of the obvious anti-Nazi appeal of justice and brotherhood. Religious broadcasts have been made from London to members of the major religious communities in Europe. It is perhaps more surprising to know that frequent and fervent religious broadcasts have been made from Moscow. Just as the appeal to social revolution has to a large measure been abandoned, so, too, all trace of militant atheism and "godless" propaganda has been dropped in Russia's approach to what is still to a large extent a Christian Europe. The known attitude of the Russian Government puts these religious broadcasts into their proper perspective. They do not represent a change of heart on the part of the Kremlin, but a realistic calculation of the strength of the religious forces ranged against Hitler. This realism has now been carried a step further. After *Isvestia's* sharp attack on the "pro-fascist" policy of the Vatican, the Orthodox Church has joined the controversy on the theological plane. In a recent number of the *Church Bulletin*, the Patriarch Sergei attacked the ecclesiastical claims of the Pope. Thus it seems that the religious line, which has been devoted during the war with complete interdenominational impartiality to creating unity among Germany's enemies, may be used after the war in a strongly partisan spirit, to foster disunity in Eastern Europe. The Orthodox-Catholic split in Poland and the Balkans was a cause of religious and civil unrest before the last war, and, unabatedly, between the wars. It might be hoped—and perhaps it still can be hoped—that the efforts of Governments will be directed to allaying these disputes, not to reviving them. The line between Caesar and God has always been difficult to draw, but nothing is more disastrous than to use God so serve Caesar.

### Colonel Knox Testifies

It is announced that the projected talks on oil have started in Washington. The position in America is still obscure, for a considerable body of opinion opposes the Ickes pipeline scheme, chiefly on the grounds that it "brings government into business." It was presumably to meet this point that Colonel Knox recently gave some extraordinary testimony to the Naval Appropriations Subcommittee of Congress. Colonel Knox believes in the pipeline scheme, as does Mr Ickes, for a reason which most people in Britain will applaud—that it will commit the United States to active military co-operation in keeping world peace. But the reasons he put forward to Congress followed a very different line.

There were prospective oil reserves in Saudi Arabia, and the British were, I believe, offered them first. They thought there was no oil there, and said they were not interested. At that point American companies got interested. . . . They went in and made some explorations and discovered a huge pool of oil, currently estimated at 20,000,000,000 barrels. It is one of the largest pools known. They made some prepayments to the Arabian Government in anticipation of royalties running up to several millions of dollars. The Arabian Government at the same time was calling on the British for help, and they advanced considerable sums of money. Eventually the American companies became a little alarmed over the situation. They were private interests wholly, with no support from their own Government, in possible competition with the British Government and with the British companies having all the support and prestige that the British Government could bring. They came to us in a state of concern, and urged the American Government to protect these American-owned deposits.

This, of course, suggests to the American people the tradi-

tional picture of a grasping Britain out to make a sucker of Uncle Sam. This may be an effective way of gaining support for the pipe line plan, but it can hardly foster good relations with America's ally. It is, of course, a usual procedure in American politics, but the cumulative effect is to make the British resentful, distrustful, and, finally, angry.

### Concessions in Saudi Arabia

Colonel Knox's account of the situation in Saudi Arabia is very wide of the facts. British and American companies negotiated for the Saudi Arabian oil in the ordinary commercial manner. The British companies failed to reach an agreement, and the fact that the British Government owns shares in the Anglo-Iranian oil company did not affect the bargaining. It may well be that, faced with the large American oil companies, King Ibn Saud hopes to bring in some British interests as a counter-weight. American pressure has been increasing recently. In the course of the war, General Royce has twice visited Saudi Arabia, and Mr S. K. Twitchell, director of the American gold company in Saudi Arabia, undertook in 1942 a survey of the prospects for agriculture and irrigation. It was not very difficult to draw the inference that new concessions—for minerals and mining as well as oil—might be sought by American companies. The Arabian King would probably prefer his concessionaires to be drawn from more than one Great Power. So far, he has apparently been completely unsuccessful in raising a flicker of interest in either private or official circles in this country. The myth of grasping British imperialism has to be set against the truth of public and private unenterprise. It is true that the British Government pays certain subsidies to King Ibn Saud in compensation for the pilgrim traffic and other small items—but it has been paying them for twenty years, and they certainly do not bear the relation to Britain's commercial activities insinuated by Colonel Knox. It must be asked what advantage is gained either for the United States or for the oil project by giving an exceedingly distorted picture of British policy in the Middle East.

### Ford and the Unions

The agreement for the recognition of trade unions in their British factories by the Ford Motor Company, which was signed on Monday, brings to a conclusion negotiations which have been going on for several months between Lord Perry, chairman of the company, and Sir Walter Citrine. More than that, it closes a long chapter in the history of industrial relations. Non-unionism at Fords has been a set principle and a constant thorn in the flesh of the TUC. For many years, efforts to secure recognition have been made by unions both here and in the United States. In America

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they resulted in the recognition of the United Automobile Workers' Union (affiliated to the Congress of Industrial Organisations) three years ago. It should be emphasised that the British agreement was not sought and executed because of any dissatisfaction with working conditions at Fords, which, it is claimed in a joint statement, are actually better than in many British factories, and provide advantages which the trade unions have been trying to secure throughout industry. Holidays with pay are provided; a 40-hour five-day week is worked in peacetime, and there are many welfare arrangements. But these standards have been given of grace, not of right; and it is hoped that the agreement will ensure mutual co-operation in maintaining them. Mr Henry Ford's philosophy of life, described in his autobiographies, has always been that the best results are secured from contented workers, though he has always been a bitter enemy of trade unionism. The actual number of trade union members at Fords' British factories is small, though now it will probably increase. The agreement does not affect the existing arrangement whereby workers, whether members of unions or not, can take their grievances to the personnel manager or the management. There will be no suspicion of a closed shop.

### Back to Shops

It is right and proper that, as Colonel Llewellyn, Minister of Food, announced on Tuesday, keepers of food shops driven out of business by calling-up or war circumstances should have a prior and guaranteed right to start up again. (The details are given in a Note on page 551.) They will wish to resume their trade during a period when the control of retailing caused by shortage and rationing will probably still be in force. Thus, it will be easy to give them preferential licence to trade. On the other hand, one loud warning must be sounded. This must not be made the thin end of a restrictive wedge. There is no case in peacetime conditions, with ample food supplies, for the licensing of food traders. Free trade in food is imperative, and any restriction of entry would be contrary to the interests of consumers. Most careful guard must be taken against the institution of a lasting restriction of entry under the guise of consideration for ex-Service and other traders.

### The Opticians Protest

Opticians do not profess to treat diseased eyes; but they do claim to be able to detect ocular disease and to refer such cases to medical advice. Some doubts were expressed on these points, in a Note in *The Economist* on March 25th. The Joint Council of Qualified Opticians have replied to these doubts. Opticians, they point out, have their own examining bodies; and to become a qualified optician it is necessary to undergo clinical training, and to pass an examination, conducted by ophthalmic surgeons, which covers a wide range of physiology and pathology. It is therefore claimed that the optician has sufficient medical knowledge to sift the cases coming to him; and that the oculist's function should be to provide a complementary service, dealing with diseased eyes, while the optician's concern is with healthy eyes. That the optician should undergo a wide training, held under medical auspices, is much to the good. Unfortunately, however, there is no agreement about the number of eye cases which should have medical treatment. An analysis of the records of the medical-sponsored National Eye Service revealed that, in 35 per cent of cases, eye trouble was associated with some bodily defect. This result is probably overweighted as a sample of total eye cases; but against it, probably only about 3 per cent of the cases examined by opticians are passed on by them for medical treatment. The fact is that the distinction drawn by opticians between diseased eyes and healthy ones which need adjustment is an oversimplification. A great number of eye defects—some would even say all eye defects—can clearly benefit from medical opinion. For the patient to be seen first by an optician is to run some risk of inadequate diagnosis, since the passing of an examination, at some stage in one's life, can hardly be compared as a qualification with the continuous and professional contact with methods of eye treatment which the oculist should possess. This point was made by the

Royal Commission on National Health Insurance, which said,

It was admitted, even by medical witnesses who appeared before us to support the case of opticians, that, other things being equal, it would be preferable, for the purpose of testing eyesight, to have recourse to a properly qualified eye specialist rather than to the most highly qualified optician.

Whatever the proportion of cases that are distinctively pathological, the only sure guarantee that medical factors will not be overlooked is examination by medical experts.

### What Sort of Protection?

There is no reason whatever to belittle the achievements of opticians. What may be objected to is that the state should strengthen an arrangement which already falls short of the desirable by extending to the optician "the complete protection of his professional title," which is what he asks for. Messrs Carr Saunders and Wilson, in their book "The Professions," rightly laid down the principle that

it is most undesirable that, where a vital service is in question, the State should confer its hall mark except upon persons whose qualifications to perform services are uncontestable.

These authors, who can hardly be accused of medical bias, concluded that there should be a register of ophthalmic practitioners, but that no spectacle-maker should be eligible for admission to it. Without going as far as this, it might be possible to utilise the sight-testing experience of opticians at clinical centres, which would be under the general charge of an oculist. That there should be greater co-operation between optician and oculist is incontestable. But that the state should support a system under which the majority of eye cases never receive even a preliminary medical examination is difficult to admit. Certainly, opticians have a case for protection against the pretensions of those who have no qualifications at all in spectacle-making. As things are, any person is able to set up a shop and call himself an optician—a state of affairs which is not permitted in most of the Dominions and Colonies. This claim could be met, however, by a scheme of registration for spectacle-makers. Opticians should not be denied the state's protection—only this protection should be limited to those functions which can be fully substantiated as being within their province. Finally, the opticians have at least a strong negative case for State registration. The majority report of the Departmental Committee which examined the opticians' case in 1927, remarked that

we desire to emphasise that one of the principal reasons on which we base this opinion (i.e., against a State register) is our view that it is possible and probable that the medical profession will be able to provide insured persons . . . with the services of oculists at an early date.

Despite the institution of the National Eye Service, the expectations of this Committee are very far from having been fulfilled. As long as the ideal is so far from being realised, it is hard to resist the claim of those who have, not unskillfully, filled the gaps, to have their *de facto* position recognised.

### Shorter Note

The following table gives the number of civilian casualties in air-raids since September, 1939:—

|                          | Killed | Injured and<br>Detained in<br>Hospital | Total<br>Serious<br>Casualties |
|--------------------------|--------|----------------------------------------|--------------------------------|
| Sept., 1939-Aug., 1940.  | 1,494  | 1,960                                  | 3,474                          |
| Sept.-Dec., 1940.        | 22,282 | 28,522                                 | 50,804                         |
| Total, 1941.             | 20,863 | 21,839                                 | 42,702                         |
| Total, 1942.             | 3,221  | 4,149                                  | 7,370                          |
| Total, 1943.             | 2,357  | 3,462                                  | 5,819                          |
| October . . . . .        | 118    | 263                                    | 401                            |
| November . . . . .       | 119    | 238                                    | 357                            |
| December . . . . .       | 10     | 41                                     | 51                             |
| 1944—                    |        |                                        |                                |
| January . . . . .        | 107    | 270                                    | 377                            |
| February . . . . .       | 961    | 1,712                                  | 2,673                          |
| March . . . . .          | 279    | 633                                    | 912                            |
| Totals to date . . . . . | 51,564 | 62,567                                 | 114,131                        |

Those killed during last month's air-raids included 125 men, 116 women, and 38 children.

## AMERICAN SURVEY

### The Automobile Industry

(From a Correspondent in Chicago)

SINCE Pearl Harbour, when passenger car production was halted and the Government began rationing cars to essential users, the automobile industry has been functioning exclusively for the war effort. Engineers converted the great assembly lines of Detroit to the work of turning out tanks, airplane parts, and a thousand other items of war material. Meanwhile thousands of gasoline stations along the open roads of the country ceased business operations. Vacations by motor car became a memory. The retail tyre business all but disappeared. And that special American institution, which over a generation had become very close to a religious rite, the annual showing of new automobile models, vanished with the rest.

A few statistics tell most of the story. Since Pearl Harbour the reserve of new passenger automobiles has shrunk from 2,000,000 to 50,000, and most of this remainder will have been released to eligible buyers by July 1. Ward M. Canaday, chairman of Willys-Overland Motors, which developed the "Jeep" in co-operation with US Army Engineers, says that America's present stock of 24,000,000 passenger cars in use is being sent to the scrap heap at the appalling rate of nearly 10 each minute, or 13,000 a day. The backlog of new trucks has been depleted by 200,000 since truck rationing began in March, 1942, and the War Production Board will permit only 80,000 to be turned out this year for civilian use. Even motorcycles are affected, with domestic output limited to 2,130 cycles this year, and these only for police use, or other absolutely essential business.

The automobile industry, as Americans used to know it, has vanished, but it is still about the biggest thing in the national nostalgia for pre-war pleasures and freedoms. "America's biggest industry" it used to be called, and with its ramifications of sales branches and instalment financing, this claim was not too great. It has been an industry based on fishwife salesmanship, David Harum horse trading and mushroom capitalisation. The stock market operations of William C. Durant are perhaps the best illustration of the influence of gasoline smoke on the character of a rugged individual. Once head of General Motors, his name attracted more stockholders than any other company in the nation, with the exception of American Telephone and Telegraph. Then he lost control, as drivers will do on a sharp turn. All that can be said now is that the many millions of dollars involved in his operations look small by comparison with the national budget to-day, and he willingly ruined himself in order to protect his own stockholders.

General Motors to-day, no longer with Durant at its head, remains as a going concern. The company is doing well, as its recent dividend increase suggests. The financial streets of the United States quickly put their own interpretation on the news of the larger dividend. It was said that the General Motors management had decided that the expense of reconversion and adjustment to routine peacetime manufacture would be accomplished without too much strain on the company's finances. It was known for certain that the corporation over the past three years had allocated \$75 million from earnings as a reserve against the costs of going back into the production of civilian goods.

The rumour will not die that the automobile industry will be permitted to manufacture passenger cars next year, even though the War Production Board and the Army have repeatedly refused permission. The pressures being brought to bear for the re-establishment of a civilian motor car industry are incalculable. The reason is that automobiles are to Americans nearly as important as houses.

The automobile industry is gone for the time being, but not the automobile business. The great companies are holding their sales organisations however they may—by advertising services, repairs, etc., waiting for the green traffic light to be switched on. The classified advertisements in the newspapers are full of used car notices. The market is high.

The automobile market used to be centred in Detroit.

Now the hub is Omaha, Nebraska. Prosperity has come to the regions of the great plains, farm produce being a weapon of war. Farmers with ready cash are buying the automobiles that are still available—somebody else's cars. This demand is not a demonstration of useless indulgence in wartime. Human beings, from farm to farm in the great plains, are as widely scattered as Sir James Jeans describes the distribution of physical matter to be in the universe. America used to be able to get along with the horse and wagon, but under the pressure of present-day conditions, the motor car is an essential supplement to the railroad, even under the national speed limitation of 35 miles an hour. In addition to the demand for used cars from the farming areas, there is the demand from war plant workers, who have no means of transportation to their jobs except by motor car. Many of the new factories have been built in extremely inconvenient localities. There are not enough buses, or railroads, to get the people there.

Meanwhile, automobiles are wearing out, and tyres are wearing out, which amounts very nearly to the same thing. Mr Bradley Dewey, the Rubber Director, put a brush stroke or two into the picture of vehicle scarcity when he reported that tyre production in 1944 will probably fall 6,000,000 to 12,000,000 short of the 30,000,000 originally estimated to be the necessary minimum for this year. Cautious management, and the junking of ageing cars now on the road, he suggested, would be the only solution to the tyre problem, since the armed forces are "chewing up" rubber so fast that the output of civilian passenger car tyres must be limited to 1,000,000 a month.

That America is in the grip of inflation can be observed nowhere better than in the used-car market. Automobiles that sold, new, for \$1,000 in 1941 are being sold to dealers, after two years of depreciation, for a price of from \$1,200 to \$1,400, the dealer in turn disposing of them for a \$200 markup. Old cars—very old ones—are coming out of hiding and rolling over streets and highways. One sees a surprising number of model "A" Fords, and now and again even model "Ts." And names of machines whose companies long ago died or went into a different line of manufacture—Maxwells, Auburns, Reos—are mingled with the newest that remain after years of business competition.

Among city dwellers in the pre-war years, many more Americans bought automobiles than homes. It was a national habit. More than that, practically all of them bought their cars on time payment. Unwise as this may have seemed at the time, those who went into debt in order to buy the last new cars manufactured before the United States entered the war took about the best hedge that could be taken against inflation, and now that they are being called up for military service by the thousands, their ace in the hole is the family automobile, which will provide a stake for the wife and children when father puts on his uniform.

The Office of Price Administration has said, time and again, that it would put a "ceiling" price on used cars. The best authorities say the maximum ceiling prices are being based on the prices that appeared in the industry's official "guidebook" in January, 1944. This would slash hundreds of dollars from the current actual selling prices of used cars and would certainly work a great hardship on many people whose main property is an automobile. In an automobile-minded country like the United States the political implications of such a move are worth consideration. On the one hand, people who need automobiles will compete for them. On the other, people who have them to sell expect a price such as their neighbours have been receiving. If they think they have been unfairly dealt with, their reactions will be, at the very least, interesting.

Meanwhile the automobile spokesmen continue to predict. Studebaker says the new cars, after the war, will be cheaper. Chrysler says they will be more expensive. General Motors say, obliquely, that there will be a 50 per cent increase in autos used.

## American Notes

### The Passing of MacArthur

General MacArthur, like Governor Dewey, has announced that he is not seeking the Republican nomination for President. Coyness is becoming a political disease to which possible candidates appear strangely subject. The General's statement was induced by the publication of his correspondence with Representative Miller, of Nebraska, which has caused considerable embarrassment and perturbation in the Republican ranks. General MacArthur insists that his replies to Mr Miller were merely "amiable acknowledgments," but it was surely an excess of amiability which led him to apply the adjectives "scholarly" and "sobering" to Representative Miller's characterisation of the New Deal as a monarchy destined, if perpetuated, to threaten the rights of the common people. The General went further, and commented:

Indeed, we must not inadvertently slip into the same condition internally which we fight externally,

which appears to imply approval of Mr Miller's charges. General MacArthur has for long been the focus and figure-head of the Pacific First agitation which the "Chicago set," headed by Colonel McCormick, has stimulated to vilify the President and all his works. It would be gratifying to record that this was General MacArthur's misfortune, were it not for the encouragement he has supplied by hints of dissatisfaction with strategy as laid down in Washington. Thus in his last letter to Mr Miller he says:

The point is to bring before them the real facts. Out here we are doing what we can with what we have. I will be glad, however, when more substantial forces are placed at my disposal.

In the Illinois primaries last week, where he enjoyed the influential backing of the *Chicago Tribune*, General MacArthur won a smashing victory. It is being said now, however, that his implied criticism of his Commander-in-Chief puts him outside the pale. Certainly no other well-ordered country could afford to tolerate such political indiscretion in a commander in the field. General MacArthur's renunciation did not, it is being noted, include any unwillingness to be drafted; there was no hint of Sherman's fierce, "If nominated, I will not run; if elected, I will not serve." But traditionally American generals become President after, not before, they have won their battles, and the threat of the man on horseback riding into the White House is probably remote; particularly so in view of the surprising strength Governor Dewey is showing in the Middle West. The big surprise of the Nebraska primaries was the 15,000 strong write-in vote for Mr Dewey. If General MacArthur captures a significant number of delegates to the convention, and there is any hint of a deadlock—which now seems unlikely—his supporters might bring off a deal with the successful candidate. But even a Republican President might be forgiven for having doubts about the prudence of promoting so articulate and amiable a general.

### The Silent Service

The fate of the Republican aspirants for the Presidency is becoming like the nursery rhyme of the Ten Little Nigger Boys. First Governor Bricker blights a promising candidacy by making a few shy, but damping, personal appearances outside Ohio. Then Mr Willkie goes to Wisconsin and talks himself out of the nomination. Now General MacArthur writes himself out of it by indiscreet letters to Representative Miller. Who goes next? ask the would-be champions, glancing uneasily at one another. So far, Mr Dewey has neither spoken nor written about his Presidential aspirations, and he has glued himself to his desk at Albany. Lt.-Commander Stassen is protected by the silence of the Service and the vast wastes of the Pacific. The jinx or hoodoo that has overtaken Mr Willkie and General MacArthur will confirm the lesser hopefuls in the wisdom of saying, writing, hearing and doing nothing. It is an extraordinary situation that within two months of the Republican Convention all the horses left in the race are pretending to admire the landscape and ostentatiously keeping their eyes off the fatal track. It would be unfair to say that the Republicans are like Shelley's "party in a parlour, all silent and all damned," but for a great political party that recently was exultant at the prospect of sweeping victory, this abdication of leadership is at least a little odd.

Somebody must break the awful silence soon. The Republicans can hardly adopt a candidate in June of whom the best that can be said is that, like Ol' Man River, "he don't say nuthin', but must know somethin'."

### Mr. Hull's Programme

Mr Hull's broadcast defence of the methods and policies pursued by the State Department has met with restrained enthusiasm. Even his severest critics concede that the speech was a substantial advance upon earlier pronouncements. In particular, the outline of a world organisation based firmly upon a four-power agreement, his interpretation of the function of the Atlantic Charter as a statement of objectives, not solutions, and his efforts to secure bi-partisan support, have received approval. Meanwhile the thought of the State Department has been carried one step further in a speech by Mr Breckinridge Long, one of its assistant Secretaries of State. In sketching conclusions to which the Department has been led, Mr Long put a significant emphasis on the part to be played by the major nations in creating an international security organisation, in maintaining adequate forces to repel aggression, and in accepting responsibility for keeping the peace in special areas. As the *Herald-Tribune* points out:

The plan eschews any idea of world government or an international police force; it rests on a frank acceptance of national sovereignties as they exist. It properly begins by seeking to organise the three or four major centres of force which will exist when the enemy has been defeated. This represents about the maximum of what is to-day practicably and humanly possible.

Senator Connally, Chairman of the Senate Foreign Relations Committee, went even further in suggesting specifically that Britain and Russia be delegated to check German aggression, and saw the American sphere as stretching from Africa westward to Asia, and including both North and South America. This realistic approach is not universally approved, as is shown by Senator Ball's attack upon spheres of influence and power politics; but it is evidently the essence of the plan which Secretary Hull is to discuss with the three Republican and three Democratic Senators who are being appointed to meet with him. By this prior consultation and wooing of the Senate it is hoped to avoid a subsequent rejection of the plan for an international organisation. It is also reliably reported that the Administration has hopes of submitting the plan for ratification as an agreement, rather than a treaty, thus requiring only a majority of both Houses rather than a two-thirds vote of the Senate. Here the going is more delicate, for any open move to undermine the authority of the Senate would be likely to arouse the most violent resentment.

### Butter on their Boots

In the last war Russians were reliably reported to be in England, complete with snow on their boots. There are some Americans in this war also afflicted by Russian visions, but in the current account it is butter on their boots, good American Lend-Lease butter. The renewal of the Lend-Lease Act always seems to stimulate the higher flights of the imagination. This time Mr Crowley has had solemnly to deny that the Russians greased their boots with butter; that British officials in Washington charged up whisky parties to Lend-Lease; that Australian women received nylon hosiery; that Britain made whisky of Lend-Lease alcohol (sic!) for shipment back to the United States; that Russia traded US planes for rubber to the Japanese; and that the British substituted their own for American labels on Lend-Lease goods to obtain credit abroad. The diaper cloth for North Africa which has been relentlessly pursuing the Lend-Lease Administration emerges as the only rumour based on fact, but it was paid for in full by the French. With the regularity and inevitability of the return of spring, Representative Rogers has renewed her attacks upon the intentions governing the administration of the Act. The current Rogers amendment is based upon the fear that Britain may use Lend-Lease goods to get a head start in the race for markets after the war; and it provides that Congressional approval be required for the disposition of all undistributed Lend-Lease stocks after the war. The attempt to restrict the power of the President to make any final settlement of the Lend-Lease account is endemic in Congress. It will not be decided at this session.

## THE WORLD OVERSEAS

### Authoritarian Gains at Algiers

WITH the melancholy words "Men may go, France remains," General Giraud has left the stage. In his duel with General de Gaulle, which had lasted for more than a year, he has been strikingly, and it appears finally, defeated. The significance of this event is probably greater than it may seem at first sight, because the controversy has been much more than a wrangle between two rival generals. The consequences of General Giraud's dismissal will affect the whole outlook of the French army as well as the relations between the army and the politicians.

The post and title of Commander in Chief have been abolished. The reason given is that the French armies are not to fight under a single French command in the liberation of their country. This was as clear a year ago as it is now; and yet General de Gaulle himself has chosen this moment to assume the title of Head of the French armies. He has simply changed the name of the supreme post in the army in order to take it over.

The change of commander will entail an overhaul in the officers' corps of the French army which is now in the process of reconstruction. General Giraud was above all the flagbearer of the old officers' corps of the Third Republic. The outlook and tradition of that corps were, on the whole, conservative and Right wing. But they were also in a sense non-political. The French General Staff used, indeed, to be a potent factor in domestic and foreign politics; and its wishes, its activities, and at times its intrigues, counted for much behind the scenes of French political life. But the old military leaders, at least in recent decades, never aspired to assume direct, let alone sole, responsibility for political decisions or to substitute themselves for the civilian Government and Parliament. This happened only in 1940, when the Third Republic was crumbling, and Pétain hoisted the flag of the *Révolution Nationale* on its ruins.

The good name and traditions of the officers' corps were dragged down into the mud of Vichy; and General Giraud's brief career at Algiers was in essence an attempt to restore them. No French officer could have been better suited for this task. General Giraud, whatever his political and personal shortcomings, represented the officers' corps at its best—its courage, its loyalty, and its devotion to France. His name was not besmirched by the events of 1940. Indeed, it was surrounded by a legend which seemed for a while capable of matching the newly born *mystique* of General de Gaulle. His failure and dismissal mark the last mournful chapter in the history of the French officers' corps as it existed under the Third Republic. The events of 1940 went too deep, and were too destructive of old values to permit the prestige of the corps to be built up again. General Giraud's dismissal comes, significantly, only a very short time after the Consultative Assembly at Algiers declared the Constitution of the Third Republic null and void. In the person of General de Gaulle the Fourth Republic is cutting its links with the past.

### A New Military Leadership

This is not to say that the new officers' corps of the Fourth Republic can be created from entirely new elements. It will have to absorb and assimilate old ones. Indeed, the process of absorption has already started. General Bethouard, the new Chief of Staff, can be described as a Giraudist. But old elements of the army—*les giraudistes sans Giraud*—have apparently to be remoulded in the melting-pot of Gaullism. The new military leadership is full of contempt for the civilian politicians of the Third Republic. It has come into existence at a time when the air is still full of authoritarian bacilli. It is true that, in staking out its claim to political leadership, it has to reckon with the violent reaction of Frenchmen against the authoritarian experience under Marshal Pétain. This results in the ambiguity of Algerian politics. The new authoritarianism—so its critics believe—is working its way by zigzags and subtle political manoeuvres. On November 9th last year General de Gaulle became sole

President of the French Committee of National Liberation; and the reason given for the dismissal of General Giraud as co-President of the Committee was the need to separate military from civilian power. Yet General de Gaulle has now concentrated in his hands more military and civilian power than any Frenchman has ever wielded since the downfall of Napoleon III.

This General de Gaulle has done on the basis of the law of July 11, 1938, which gave plenary powers to M. Daladier, then Prime Minister. To declare the whole constitution of the Third Republic to be null and void, and at the same time to pick out and use one particular statute of the Third Republic seems an obvious contradiction. The new military leadership does insist upon its popular origin and backing. In this it differs strikingly from the officers' corps of the Third Republic, and bears a close resemblance to its Bonapartist predecessor. In fact, the only historical analogy to the controversy between General de Gaulle and General Giraud is the tussle between President Louis Bonaparte and the Orleanist General Changarnier in 1851. Like Louis Bonaparte, General de Gaulle defeats his traditionalist opponents by the appeal to popular will, popular sentiments, and popular prejudice. Louis Bonaparte—Emperor by the grace of the People—established his Empire on the basis of universal suffrage, which he had introduced against the opposition of his traditionalist adversaries. General de Gaulle has extended universal suffrage to the women of France against the opposition of those Frenchmen who would prefer to stick to the constitution and laws of the Third Republic.

### The Communists' Role

This claim to popular origin and support has now been immensely strengthened by the adhesion of the Communist Party to the National Committee of Liberation. After long negotiations, two of its leaders have become members of the Committee. M. François Billoux, leader of the North African Communists, takes over the Commissariat of Air, and M. Fernand Grenier, deputy for St. Denis, becomes Minister of State. The most important Communist leaders, who have remained outside the Committee, M. Marty and M. Bonté, have declared that the two new Commissioners have entered the Committee on behalf of the party, which is now committed to support General de Gaulle's Provisional Government.

This decision of the Communist Party marks a radical departure from all the traditions of French Communism, traditions that went back to Guesdes' fight against Millerand's participation in the Coalition Government of Waldeck-Rousseau. Even in the years of the Popular Front the anti-Millerandist tradition was still strong enough to prevent French Communists from accepting seats in the Governments of MM. Blum and Daladier. Their abstention was one of the sources of the weakness of the Popular Front, since it enabled the Communist party to vote for the Popular Front in the Chamber, and to oppose it in the factories. It is certainly a striking if somewhat paradoxical political victory for General de Gaulle that he has succeeded where M. Blum failed.

Political trends at Algiers have thus had two apparently contradictory results. They have strengthened the representative character of the National Committee of Liberation, because the Communist Party is a powerful factor in the Resistance in France itself. But they have at the same time weakened the principle of representative Government, since within the broadened framework of the Committee all power has now been vested in General de Gaulle.

The attitude of the Communists will be of crucial importance, but it is not yet clear what it is going to be. The ordinance under which General de Gaulle has become Head of the French armies, and assumed plenary power on the basis of the law of 1938, was announced a few days after the entry of the Communists into the National Com-



mittee. The decision to dismiss General Giraud was passed by the Committee—unanimously, according to the official communiqué. From this one might have inferred that the Communist members voted for it. Later on, however, the Communist leaders at Algiers declared that MM. Grenier and Billoux had voted for the dismissal of General Giraud from the post of Commander in Chief only because they had believed that he would accept the post of Inspector General which was offered to him. In addition, the Communist members of the Consultative Assembly lodged a protest against the plan for the provisional administration of liberated France adopted by the Committee of National Liberation. They have accused General de Gaulle of the intention to set up a "French Amgot" brought to France from abroad, and demanded safeguards for the establishment of democratic self-government by Frenchmen in France.

In the contest between authoritarian and democratic tendencies at Algiers the authoritarian tendency has recently gained new ground. It would be unwise to rely on the defence of democratic principles by the Communists. Unfortunately, the representatives of the genuinely democratic parties at Algiers have not spoken their minds openly. Such reservations against dictatorial practice as they have made have, as a rule, been wrapped up in so many tributes to the Gaullist mystique that they could hardly enlighten French public opinion about the real character of the controversies. The all powerful mystique has put all sorts of dampers on political thought and speech in France's temporary capital, until it has muffled them almost completely. It seems less and less likely that French democracy can be rescued and invigorated in the political climate of North Africa. Will it, at least, regain its strength when it reaches its native—and liberated—soil?

## Military Projects in North Canada

[FROM OUR OTTAWA CORRESPONDENT]

THE general principles governing the post-war disposal of military projects undertaken by the United States Government in the Canadian North have been agreed upon for some time now. No permanent proprietary right in any expenditure made by the United States during the war in Canada will survive for more than one year after the end of the war. This is a reciprocal principle.

On airfields, roads, buildings, oil development, airplane landing strips, and other projects on Canadian territory, the United States has expended about \$300 million. Not one foot of land has passed into American ownership as a result. By far the greater portion of this expenditure has gone into the Alaska Highway and the Canol project, the latter being a development of the oil field at Norman Wells, on the Mackenzie River, with pipeline to Whitehorse and a refinery of 3,000-barrel daily capacity.

The general formula for the post-war disposition of defence projects, installations and facilities, where no specific provisions have been made, was contained in an exchange of Notes in January, 1943. The formula provides:

1. Within one year after the end of the war, all immovable defence installations built by the United States in Canada will become Canadian property.

2. Within one year after the end of the war, all movable defence installations paid for by the United States may be removed by the United States Government, or offered to Canada for sale at a price fixed by independent valuation.

3. If both Governments agree, movable installations may be offered for sale in the open market, within one year after the end of the war.

4. If no sale can be made, the Canada-United States Permanent Joint Board on defence shall be determined what will be done with the installations.

The key organisation in all military arrangements between Canada and the United States is the permanent Joint Defence Board. Its purpose is to consider all measures for the joint defence of Canada and the United States. Its field, of course, is not confined to the Northwest, but to all theatres in which Canadian and American defence problems coincide. It is through the Board that American interests in joint defence are safeguarded and, conversely, Canadian interests. It is the Board that will determine measures to maintain defence installations after the war. In this way, it is more useful even than outright ownership of the defence installations by the United States. It is the reason why Canada has

never been involved in recurrent criticisms arising in US political circles of possible loss of American rights in military expenditures by the United States in various parts of the world. As a choice between a thorough military alliance—which has been in force between Canada and the United States since August, 1940—and rights of proprietorship in foreign lands, it is obvious that the relationship of alliance contained in the permanent Joint Defence Board serves the interests of both countries with least friction.

### Alaskan Air Route

In the recent purchase by Canada of American installations on the Northwest Staging Route, a vital air trunk line through Canada to Alaska, an example of the working arrangement can be found. Canada spent \$25 million on this chain of airports before a single US plane had flown over it, before even the United States entered the war. This skyway will probably become one of the important arteries of world aviation in the future. As originally constructed, it possessed landing strips of 3,000 feet in length and other facilities. During 1942 and 1943, enlargement became necessary and both Canadian and American expenditures were made. This year, when Mr Howe announced that the Canadian Government would pay for all American additions and improvements to the skyway, he gave the final joint cost, now to be borne entirely by Canada, as \$59,500,000. In the purchase, Canada in effect exercised an option that already existed.

This purchase will not shut out any American or other user of the Asia-bound air route in the future. Use of Canadian air facilities by international services is a matter of future agreement. Mr Howe said:

In arranging for the post-war use of the Northwest Staging Route, the Government of Canada will pursue a liberal policy of co-operation with other nations. We hope that the right to use the route will become part of a general scheme of international co-operation in air transport matters, which will provide greater freedom of movement of aircraft and of air traffic, within a suitable international framework.

One incidental feature is worth noting. Canada was able to pay cash to the United States simply because this country possessed ample supplies of US dollars. This, in turn, was the result of an elementary economic relationship, in that wartime trade between Canada and the United States has risen to phenomenal levels, on a free trade basis as far as war materials are concerned. The United States buys heavily in Canada for essential war materials, and Canada does the same in the United States. This is the basic reason why Canada has not required lend-lease assistance from the United States, and why it is in the position of being able to pay in US funds for materials and services such as the United States provided in expanding the skyway to Alaska and Asia.

## Letter to the Editor

### Pay and Allowances

TO THE EDITOR OF THE ECONOMIST

SIR,—In your Note on "Equal Pay" I was surprised to find no mention of family allowances or more effective income-tax rebates for children. Surely they are an essential corollary to any extension of equal pay, and should, if anything, precede rather than follow it.

Present practice has obviously many anomalies and imperfections when the needs and responsibilities of individuals are compared. It does, however, in some degree take account of the existence of dependent children, though everyone realises some men have no children, and some women have to provide for other persons. Without fiscal adjustment, Equal Pay is going to make no improvement on this present somewhat hit-and-miss method of providing for dependants. On the contrary, it will mean for the man with children a definitely lower standard of living than that enjoyed by women of equal occupational status.

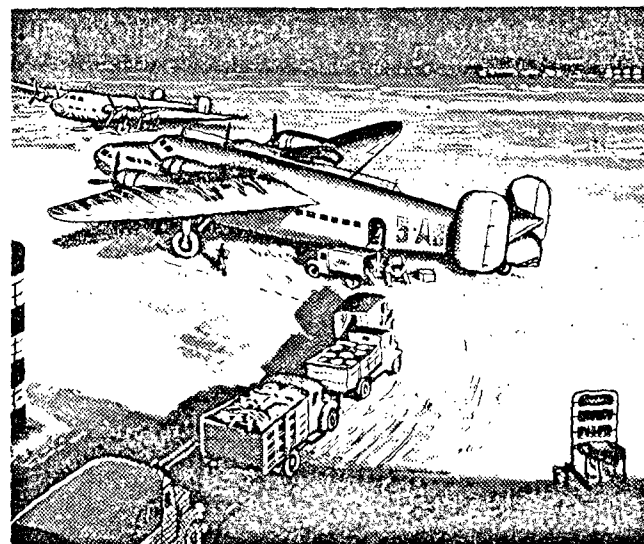
The teaching profession is one of the social groups with a very low birth-rate, a long way under unity. It would be regrettable if, by Equal Pay, those with children were put at a still greater disadvantage compared with the childless. Is it not, therefore, desirable, on grounds of both equity and the future of our population, that Equal Pay should also mean more effective adjustment of taxation in favour of the parent?—Yours, etc.,

Birmingham.

L. J. CADBURY.

# G.E.C.

*in war — as in peace —*  
at the service of the Empire



Civil air transport is everywhere destined to leap ahead as soon as the war ends. For the present, however, plans must be held up because so many of the firms who would make the equipment for the factory, or the aircraft, or the aerodrome, are fully engaged on war production. This is the case with the G.E.C., the largest British electrical manufacturing organization in the Empire.

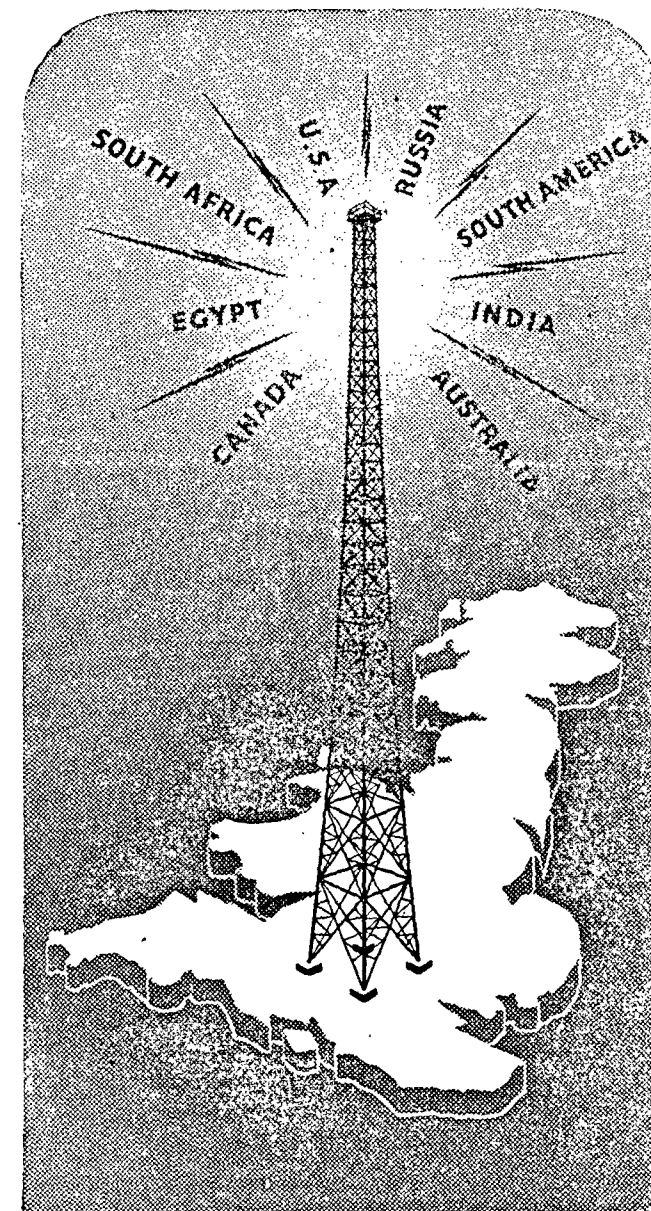
Working in close collaboration with Government experts, the G.E.C. research and manufacturing organizations have made developments of the utmost scientific importance. When war priority ceases, however, the technical advances made by the Company in all applications of electricity, including the important one of electronics, will be available to all in every part of the world for the carrying out of complete electrification schemes of any magnitude.

### Electrification Schemes

G.E.C. Electrification Schemes have been applied to all industries, including: Aircraft Factories; Chemical Works; Collieries; Food Factories; Gold Mines; Iron, Steel and Copper Works; Locomotive and Railway Carriage and Wagon Works; Motor Car Works; Oil Refineries; Ships and Shipyards; Textile Mills, etc., etc.

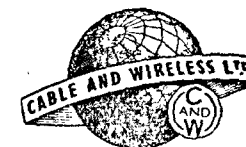
*G.E.C. — always in the  
forefront of electrical progress*

THE GENERAL ELECTRIC CO., LTD., MAGNET HOUSE, KINGSWAY, LONDON, W.C.2



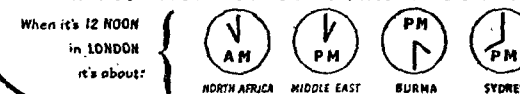
### MESSENGER OF THE FREE PEOPLES

Britain is now the European nerve centre of the Allied Nations. The governments of Occupied Europe are in Britain and the Empire. The military headquarters of the forces of the new world are 'over here.' From Britain radiate the messages that control this mighty effort. Approximately two million words pass through the central telegraph station of Cable and Wireless every day. The heavy strain which has been thrown upon Cable and Wireless resources is being met and overcome by the skill and loyalty of the staff. No difficulties to be met in the future can prove insuperable to men who do not know the word 'defeat.'

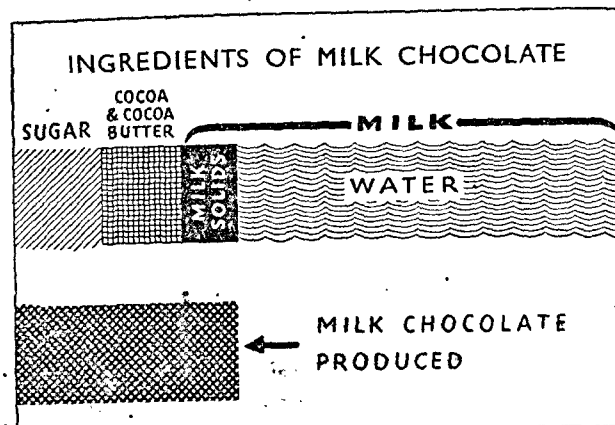


CTR

WHAT TIME IS IT 'OVER THERE'?

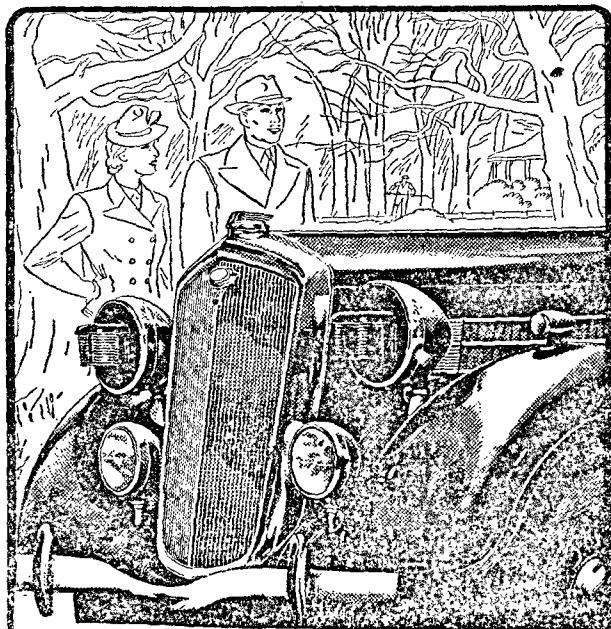


## Conserving the FOOD VALUE of our Milk



MILK Chocolate is a convenient medium for carrying, storing and conserving milk, but there is much more to it than that. . . Fresh dairy milk consists of two elements — water, which averages 87½%, and 'milk solids' (fats, protein and milk sugar), which contain calcium, phosphorus and Vitamin D and which constitute the whole food value of the milk. As the chart shows, Cadburys Milk Chocolate retains all the milk solids of all the milk used, and only the water is eliminated.

Cadbury means Quality



**WOLSELEY**  
The Trustworthy Car



## Is your drinking water above suspicion?

IF there is any doubt about the matter, STILL MALVERN WATER, the purest natural spring water known, can still be supplied without restriction of area throughout Great Britain.

STILL MALVERN WATER is singularly free from mineral salts which may be harmful, and its medicinal value lies in its essential purity.

Order from your Wine Merchant,  
Chemist or Grocer.

## NEWS of WHITE HORSE

No. 3

### Providing for to-morrow as well as to-day

Suppose that good fortune has brought you a bottle of White Horse, as sometimes it may, even in this fifth year of war.

You pour out a modest measure of this genial spirit into your glass. What is your immediate reaction? First you recognise the delicate and distinctive aroma of the White Horse you have known in times of peace. Then, you raise the glass to your lips and at once your palate confirms your first impressions — that White Horse Whisky was never better than it is today.

This is quite true, and here is the reason. The White Horse Whisky in your glass is a whisky of the past and was growing old when this war was young. Stocks laid down long ago, matured and maturing, provide the White Horse supplies for tomorrow as well as today. Whisky as great as the White Horse you knew in time of peace, whisky which will always be 'fine as a fine liqueur.'

The present system of regulated supply is an essential provision to ensure for you the enjoyment of really good whisky both today, and in the years to come.

MAXIMUM PRICES: Bottles, 25/9d. Half-bottles 13/6d.  
as fixed by The Scotch Whisky Association.

# THE BUSINESS WORLD

## American Banks and War Finance

(From Our New York Correspondent)

SINCE October, 1942, the methods of war finance have been marked by an aggressive public sales campaign for Government obligations, just as American participation in the war itself has been said officially to have changed at that time from "defensive" to "aggressive deployment." The First War Loan drive got under way in November, 1942; the Fourth War Loan has just ended and plans for the Fifth, expected for early summer, are being made. Subscriptions to all four War Loans, shown below, exceeded the quotas established by the Treasury:

|                               | Commercial<br>Banks<br>(000,000) | Purchasers<br>other than<br>Commercial<br>Banks<br>(000,000) |
|-------------------------------|----------------------------------|--------------------------------------------------------------|
| First Drive—December, 1942... | 5,087                            | 7,860                                                        |
| Second Drive—April, 1943....  | 5,079                            | 13,476                                                       |
| Third Drive—Sept., 1943.....  | None                             | 18,943                                                       |
| Fourth Drive—Jan.-Feb., 1944  | *None                            | 16,730                                                       |
|                               | \$10,166                         | \$57,009                                                     |

\* Banks were permitted to buy small amounts in relation to savings deposits held; figure is not yet available and probably is not included in the drive total as announced.

During the period from October 31, 1942, to February 29, 1944, the public debt rose by about \$90 billion to reach a total of about \$186 billion. The total raised in the four drives, plus special issues sold to Government trust funds and agencies, the E, F and G issues sold outside the drives (in considerable part by pay-roll deduction) and the Treasury bills bought by the Federal Reserve Banks, make a total virtually equalling the increase in the public debt. Direct offerings to commercial banks for new money apart from the drives have been relatively small—except for Treasury bills, which have not usually remained in the banks' possession but have been promptly resold to the Federal Reserve. Hence the appearance has been created that, thanks to highly successful War Loan drives, the Treasury has had to rely relatively little on the commercial banks and that its policy has been markedly uninflationary.

The fact is, however, that commercial bank holdings of Federal Government securities rose by \$25,200 million between the end of October, 1942, and the end of December, 1943, and that the holdings of the weekly reporting member banks (the larger banks of the country) rose another \$2,646 million by February 23, 1944 (which suggests something like \$5,000 million for all banks). In addition, from the end of October, 1942, to late February, 1944, loans of the weekly reporting member banks for purchasing and carrying securities (presumably mostly federal issues) rose by about \$2,000 million. For the 16-month period, then, commercial bank financing of the federal deficit exceeded \$30 billion, or more than a third of the rise in the debt; something more than another \$10 billion was taken by federal agencies and trust funds and the Federal Reserve.

These facts—the appearance of relatively small participation by the banks and the actuality of large participation—explain the somewhat obscured process of war finance in the country. There is original sale or primary distribution of the greater part of the debt to non-bank buyers; thereafter a considerable part of the debt proceeds in one way and another to more "secure" lodgement in the banks—or, what is the equivalent, issues sold to non-bank holders before the present period are sold to the banks and replaced by issues purchased in the drives.

This "leakage," or secondary distribution to the banks, plus the smaller direct sales to them by the Treasury, has dominated the activities of the banks during this period. The process of acquisition of public debt by the banks has, of course, increased the amount of cash in the hands of those other than commercial banks; indeed, the sale of securities to the banks in such large amounts can be inter-

preted as a demand for cash by those other than commercial banks. Partly they have wanted this cash in the form of bank deposits and partly they have wanted currency: roughly they have taken \$6½ billion in currency and \$27 billion in deposits. The total of currency outside of banks is now nearly \$20 billion, and total deposits, excluding inter-bank and US Government deposits, are nearly \$110 billion.

This task of taking a substantial part of the debt and providing the general public with these large increases in cash has put a great strain upon the banks' reserves. Ordinarily, when a deposit is created by purchase of a Government security the banks' required reserve is increased by the required fraction—averaging in the neighbourhood of 16 per cent. When the deposit is taken in currency, the banks' reserve declines dollar for dollar.

At the end of October, 1942, the member banks of the Federal Reserve System had total reserves of \$12,735 million, of which only \$2,644 million were in excess of requirements. This excess, however, was quite inadequate.

The banks were assisted in two ways. The Federal Reserve Banks expanded the cash basis of the banking system; they increased their credit outstanding by \$7,281 million, almost entirely by the purchase of Treasury bills, which were sold by the Treasury to the banks and then resold by the banks to the Federal Reserve. Secondly, in the spring of 1943 the banking statute was amended so that the banks no longer needed to carry reserves against US Government War Loan deposits: this freed about \$1,000 million of reserves at that time, and the amount of relief obviously varies with the total of War Loan deposits. With this aid the banks were able to meet the demands upon them (which also included a decline in the monetary gold stock of about \$1,000 million and some shifting of Treasury and other funds into the Federal Reserve Banks) and to come out, toward the end of the Fourth War Loan drive, with \$13,200 million of reserves, of which \$2,100 million were in excess of requirements. As the large War Loan deposits in banks at the end of the Fourth War Loan are spent by the Treasury and become private deposits requiring reserves, a decline in these excess reserves will occur unless offset by some other development.

The ultimate and major burden of war finance clearly fell upon the Federal Reserve Banks, which had to provide the greater part of the funds needed by the commercial banks. Preponderantly they did it by purchasing Treasury bills; in addition, they bought certificates of indebtedness.

But in thus relieving the member bank reserve position the Reserve Banks obviously greatly extended their own position. At the end of October, 1942, the reserve ratio of the Reserve Banks was 81.5 per cent., i.e., they had reserves—almost wholly gold certificates from the Treasury—equal to 81.5 per cent. of their combined deposit and note liabilities. By the end of February, 1944, the ratio had fallen to close to 60 per cent. The statute provides that they must keep a reserve of 40 per cent against note liabilities and 35 per cent against deposit liabilities.

The entire war finance operation, with its great magnitude and tremendous impact upon the banking and Federal Reserve System, has been carried out smoothly thus far. Interest rates have remained low and stable, and the Treasury has received its new money for less than 2 per cent. The authorities have used relatively little of their monetary armoury: reduction of member bank reserve requirements; greater monetisation of silver; conversion of the Stabilisation Fund; and other measures.

It may be, of course, that this smoothness and apparent ease of operation are being attained at the cost of future difficulties. The size of the deficit, the enormous rise in the money supply, the ever more towering size of the public debt, the large proportion of the debt which is redeemable on demand or will shortly mature—all these cast a shadow on the future which only the unperceptive fail to see.



## Business Notes

### The Motor Industry's Chance

The British motor industry will have the opportunity after the war of becoming one of the world's great suppliers of private cars, of enjoying a period of expansion and prosperity such as it has never enjoyed before. The opportunity will arise from the heavy replacement demand, from the prospective growth in the number of potential car owners throughout the world, and from the fact that the United States and Canada are the only two major countries, besides Great Britain, that are likely to resume production fairly quickly and on a large scale. The size of the replacement demand alone will be enormous. In Great Britain, the greater part of the pre-war stock of cars, numbering some two million, is likely to be worn out; only a small proportion of the eight million cars in use before the war outside North America and Great Britain will still be serviceable; North America, whose stock of cars was nearly thirty million in 1941, will also be faced with a heavy replacement demand. Even the United States, with its capacity for organising large-scale production—in 1941 it produced 3½ million cars—would require several years to meet its own and the rest of the world's replacement demand, let alone the demand arising from the growth in the number of potential car owners. The British motor industry will therefore enjoy not merely a large home market, but it will also have the opportunity of participating in the world market to an extent never achieved before, and of developing an export trade substantially bigger than in 1938, when the total value of private cars and chassis shipped abroad was only £7½ million. But unless the industry takes swift advantage of the opportunity it will pass; and it may never recur.

### Conditions of Success

The conditions of success are not merely the quick resumption of production as soon as possible after the end of the war in Europe, but—and this is even more important—the ability of the industry to design the cars people want, and to produce them at competitive prices. As a preliminary measure, a revision of the present system of taxation is vital. Irrespective of the justification or otherwise of the pre-war ratio between the cost of the roads and the receipts from taxation on road vehicles, the present horse-power tax—next to the tax on petrol, the chief source of revenue—has two serious defects. First, the horse-power tax, which is based on the diameter of the bore of the engine, has driven manufacturers into building freak engines of small bore and long stroke, which are more costly and less efficient than engines of the same cubic capacity but with a wide bore and a short stroke. By basing taxation on the cubic capacity of the cylinder instead of on the diameter of its bore, this particular defect of the horse-power tax could be removed. This, incidentally, is the reform advocated in recent statements by Sir Miles Thomas, vice-chairman of the Nuffield organisation, and chairman of the public relations committee of the Society of Motor Manufacturers and Traders. But any horse-power tax has a second defect in that it concentrates demand on the small car—nearly two-thirds of the new cars registered in this country before the war were cars of ten horse-power or less—and weighs more lightly on the expensive car than on the cheap car. Concentration of demand on the small car, together with the tariff, has rendered the home market virtually immune from American competition; but it has also denied British exporters the opportunity of selling large numbers of cars in foreign markets. It may be, of course, that the industry sees its future in the specialised market for small cars and for *de luxe* cars, a view that could only be based on the assumption that it would never be able to compete with the American-type car. But such a view, if it were held, could only be born

of timidity and pessimism. If the industry is to seize its opportunity after the war, such a self-imposed limitation of scope is hardly the most suitable method of approach.

A really bold solution would be to abolish the horse-power tax. But a heavy petrol tax would not be a good substitute; it also penalises the big cheap car—that is, the easily exportable car. The most radical solution, therefore, would be to abolish both the horse-power tax and part of the petrol duty, and to substitute for them a licence duty based on the original cost of the car, designed, if necessary, to yield the same revenue. Such a tax would not merely enable manufacturers to produce big cheap cars, and therefore to compete in foreign markets, but it would also remove the anomaly whereby the British owner of a cheap car has to pay a proportionately much higher tax than that on an expensive car of equal horse-power. Moreover, such a redistribution of taxation, while reducing the cost of motoring to people of limited means, need not seriously affect the demand for *de-luxe* cars. It would be necessary to draw up a schedule specifying the rate of tax for every type of chassis, past and present (the tax might decline with age), but that would not be a very formidable proposition. A revision of the present system of taxation is urgent in order to enable manufacturers to lay their plans for the future, and the forthcoming Budget might provide an occasion for an announcement of the Government's policy. It would free the industry from the obstacles in the way of its large-scale participation in the fulfilment of export demands. But it would merely be a preliminary to a concerted drive to produce cars of competitive design and price. This is the task of the motor industry.

### Dual Control Abandoned

At Thursday's annual meeting of the proprietors of the Stock Exchange, London, it was announced that a scheme had been evolved for putting into effect a form of unified control. Since the institution of the present company, the Stock Exchange has been controlled by the Trustees and Managers, in the interests of the proprietors, and by the Committee for General Purposes in the interests of the members. Proprietors and members are the same people, but the holder of a considerable number of shares may be little interested in trading and *vice versa*. The system of dual control, which has been the subject of discussion, both inside the Exchange and elsewhere for many years, has had many disadvantages. There has been no officer common to the two controlling bodies, and co-ordination has been extremely difficult. The Managers wished, by and large, to maximise dividends, or at least distributable profit. The Committee wanted to provide additional services for the members and thus for the public. There was literally no means of joint discussion to settle such questions on their merits. This system is now to be ended. After discussions lasting more than two years, a Consultative Committee of the Trustees and Managers and of the Committee for General Purposes has agreed on a scheme, whose details are not yet available, which will transfer control to a single body which will administer the Stock Exchange in the joint interest of members and proprietors, while preserving the financial powers and rights of the latter. Thus, what has for many years been felt to be a cumbersome, if not a crippling, piece of rather antiquated machinery is to be revised, and there is little doubt that the reason for hastening the change is that post-war problems are likely to raise many questions with which the old organisation could not have dealt with sufficient rapidity. It is felt in some market quarters that the change will open the way for reforms of the first importance which have long been advocated, but have so far made little progress.

### ICI Results

The net profit figure for 1943 of Imperial Chemical Industries, arrived at after deducting taxation, and after repeating the allocation of £2,500,000 for depreciation, is

£6,685,345, or some £185,000 higher than last year. Almost the whole of this increase is taken up by a rise of £174,000 in the appropriation considered necessary for war contingency reserve, which receives £774,210, against £601,595. The remaining profit is distributed in the same manner as last year. The ordinary dividend is maintained at 8 per cent, and after repeating the allocation of £100,000 to war personnel reserve, carry forward is again strengthened by approximately £100,000. On the evidence of these preliminary figures, at least, it is hard to judge whether or not any improvement has taken place in the company's fortunes. If the allocation for war contingencies is considered a reserve, "earned for ordinary" works out appreciably higher at 11.9, against 11.2 per cent; on the other hand, if this item is knocked off first, "earned for ordinary" comes to 8.8 per cent for both years. It is arguable that provision for some war risks is as much a current charge on earnings as is depreciation. The difficulty is to know whether or not ICI has over-provided under this head—a question which can hardly be answered until after the war. Previous appropriations out of current income for war contingencies have amounted to £1,000,000 in 1939, £339,000 odd in 1940, and £300,000 odd in 1941. Out of the 1942 provision of £601,595, some £350,000 was required for current premiums paid by ICI and its full subsidiaries under the War Damage Act. The war contingencies reserve was very considerably strengthened in 1940 by the transference of £1,500,000 profits on the realisation of investments and by transfers from the free reserves of subsidiaries, and at the end of 1942 it stood at £2,750,000. The maintenance of the dividend at 8 per cent was expected in the market, and the £1 shares, now standing at 38s. 3d. ex dividend, offer a yield of £2 4s. 3d. per cent free of tax.

### The Banks' Investments

The clearing bank statements for March have contradicted every expectation by showing a decline in investments. The total of this item has fallen by £4,781,000 over the month, whereas it was expected to reveal part of the

banks' considerable aggregate contribution to the large amount subscribed to Government securities during London's Salute the Soldier week. It should, however, be noted that four of the eleven clearing banks made up their March returns before the week in question opened, and that most of the others did so very early in that week. It may be assumed that the large clearing banks' direct contributions to the £166,629,273 raised during the Salute the Soldier week came from strategic reserves brought up towards the end of the week, and it is only in the April statements that the full impact of these subscriptions will be seen. The same holds true of the heavy pre-encashments of Treasury Deposit Receipts which took place in connection with these subscriptions towards the end of March. They hardly affect the March returns, which show TDR's £67 million higher than in February. One of the most interesting movements in the March returns is the increase of £19,506,000 in loans and advances. An increase in this item normally occurs in the last month of the financial year, and indicates the extent to which temporary bank finance is used to meet tax payments. Last month's movement is rather larger than usual, but it may be assumed that tax loans still account for a considerable part of it, since there are now special incentives for financing tax payments—even anticipating them—by raising bank loans.

### Still More Treasury Bills

Last week's rise in the weekly issue of Treasury bills by tender from £90 million to £100 million was only one step in the expansion of this part of the floating debt. This week the amount on offer has been further raised to £110 million. This is also in the nature of a permanent as opposed to a seasonal increase. It does not necessarily mean that £110 million is the new norm at which the weekly tender for Treasury bills will settle down, but if this is so, it is because the expansion is not yet at an end. The need for some increase in the bill tender is again emphasised by the March clearing bank returns, which show bills discounted at the exceptionally low figure of £113,144,000, a reduction of over

## UNION CORPORATION, LIMITED

(Incorporated in the Union of South Africa.)

### ABRIDGED REPORT OF THE DIRECTORS FOR 1943.

The Accounts are drawn up in Union of South Africa currency, United Kingdom currency being taken at par. The profit is £710,299 0s. 0d. plus £121,663 13s. 3d. brought forward, making a total of £831,962 13s. 3d. The Directors placed £100,000 0s. 0d. to the credit of Exploration Reserve Account. A final dividend of 5s. 6d. U.K. currency per share was declared absorbing at par £423,500 0s. 0d., making, with the interim dividend of 2s. 6d. per share, a total distribution of 8s. 0d., or £616,000 0s. 0d. for the year, and leaving £115,962 13s. 3d. to be carried forward. Holdings of Shares, Debentures and other securities have been taken into the Accounts at cost or under, but in no case above the market price of December 31st last, or, where no market price exists, above the Directors' valuation. At present market prices, these holdings show a very substantial surplus over the amount at which they stand in the Balance Sheet. The Directors, as on other occasions, have thought it expedient to provide for contingencies by reducing the book cost of certain holdings both below cost and below market price.

### GOLD INTERESTS.

A summary of the operating results for the past year of the five gold mining companies operating in the Witwatersrand in which the Corporation is largely concerned is given below and is based on the market price for gold at 168s. per oz. fine:—

| Year ended December 31st, 1943      | East Geduld Mines | Geduld Proprietary Mines | The Grootvlei Proprietary Mines | Marievale Consolidated Mines | Van Dyk Consolidated Mines |
|-------------------------------------|-------------------|--------------------------|---------------------------------|------------------------------|----------------------------|
| Tons milled .....                   | 1,872,000         | 1,323,000                | 1,900,000                       | 582,000                      | 1,177,000                  |
| Yield per ton .....                 | 49s. 6d.          | 39s. 10d.                | 43s. 0d.                        | 45s. 0d.                     | 39s. 0d.                   |
| Working costs per ton .....         | 15s. 5d.          | 19s. 7d.                 | 18s. 3d.                        | 28s. 5d.                     | 26s. 9d.                   |
| Working Profit per ton .....        | 34s. 1d.          | 20s. 3d.                 | 24s. 9d.                        | 16s. 7d.                     | 12s. 3d.                   |
| Total Working Profit .....          | £3,190,000        | £1,337,000               | £2,353,000                      | £483,000                     | £720,000                   |
| Dividends (totals and per share)... | £999,000 (11/0)   | £876,514 (12/0)          | £822,165 (5/9)                  | £225,000 (1/0)               | £378,125 (1/4)             |

The Working Profit figures include the amounts due to the Union Government for taxation and under Government lease agreements, but exclude revenue from sources other than gold mining operations. Thus, East Geduld Mines 1943 dividend income on its shareholding in The Grootvlei Proprietary Mines was £38,600, and Geduld Proprietary Mines 1943 dividend income on its shareholdings in East Geduld Mines and The Grootvlei Proprietary Mines amounted to £389,700.

ORANGE FREE STATE.—Three farms north of Sand River, totalling 2,326 morgen, have been purchased jointly with Selection Trust Limited.

WESTERN HOLDINGS.—Owing to war conditions no further developments have taken place on this Company's areas in Orange Free State. WITBOK.—The joint borehole reached a depth of 5,588 feet at the end of the year.

### OTHER INTERESTS.

BAY HALL TRUST.—The dividend for 1943 was 7 per cent., against 6½ per cent. BRITISH ENKA.—Further progress was made and profits were well maintained. CONSOLIDATED AFRICAN SELECTION TRUST.—This Company paid 1s. per Ordinary Stock unit, against 7½d. free of tax in each case, under its contracts up to May 31st, 1943, and in consequence it was decided to stop mining operations. RHODESIA.—Mafudira and Roan Antelope earned satisfactory surpluses, but in view of the need to conserve liquid resources, neither company paid a dividend and for the like reason Rhodesian Selection Trust passed its dividend. SAN FRANCISCO MINES OF MEXICO.—The net profit for the year to September 30th, 1943, after charging taxation, amounted to £236,561, against £139,630. A dividend of 3s. per share was paid, against 2s. 6d. SELECTION TRUST.—For the year ended March 31st, 1943, this Company paid a dividend of 10½d. per Ordinary Stock unit, against 9d. SOUTH AFRICAN PULP AND PAPER INDUSTRIES.—In 1943 the Company earned a net profit of £193,061, against £86,532. A dividend of 9d. per share has been declared, against 6d. ULTRAMAR COMPANY.—In order to provide funds for the Venezuelan operating companies, 300,554 shares were subscribed by shareholders at 42s. 6d. per share in May last. Field operations in Venezuela resulted in further satisfactory oil strikes and the determination of promising oil structures. COPIES OF THE FULL REPORT AND ACCOUNTS CAN BE OBTAINED ON APPLICATION AT THE LONDON OFFICE, PRINCES HOUSE, 95, GRESHAM STREET, E.C.2.

ESTABLISHED 1824  
**SCOTTISH UNION AND NATIONAL**  
**INSURANCE COMPANY**  
 ASSETS EXCEED £18,500,000  
 FIRE LIFE ACCIDENT MARINE  
 Edinburgh: 35, St. Andrew Square.  
 London: Northgate House, 29/30, Moorgate, E.C.2  
 and 45, Pall Mall, S.W.1.

£10 million from the already low figure for February, and except for a single month, namely, February, 1942, the lowest total in the history of the clearing bank statements. The March figure shows discounts to represent only 2.66 per cent of the total assets, a figure which is a low record. It would be desirable for the banks to have that figure raised to about 5 per cent. Since the outside, and especially the sterling area, demand for Treasury bills continues to expand, the only way in which the banks' requirements can be satisfied is by increasing the amount of bills on offer. The discount market syndicate's aggregate applications for Treasury bills are already adjusted to the increases in the amount on offer. Though the additional bills to be made available to the banks will reach them through the discount market, the increase in the turnover will not bring much grist to Lombard Street's mill. At the current price of application for Treasury bills the profit on reselling £1 million of bills to the banks is about £44. Even if the market obtained half the additional £20 million of bills put up for tender each week, the resultant increase in its gross revenue would be diminutive.

### South African Gold Contract

Mr Hofmeyr, the South African Minister of Finance, has this week effectively answered all the queries which have recently been raised in South Africa about the open market price for its gold and the policy which the Union should follow in the sale of its gold output. Mr Hofmeyr asserted that it was to the interest of South Africa to have a fixed price for gold and not to follow the dangerous will of the wisp of a fluctuating free market price. Answering the demands that South Africa be allowed to sell its gold in India, he asked who would provide the shipping, who would insure the shipments, what would South Africa do with its rupees, what would happen to the rupee exchange and to the rupee price of gold if the Union's output were put on the Indian market. These questions were sufficient to demolish the opposition case. Mr Hofmeyr then gave official explanations of the gold contract between the South African Government and the British authorities. The South African Reserve Bank takes such gold as the Union requires for its own needs and the Bank of England is given the option to purchase the balance at the official price of 168s. per fine ounce. This gold is paid for delivered at Cape Town or Durban and the British Treasury, for whom the Bank of England acts, bears the expense of shipping the gold to London or New York or, more latterly, Bombay. If South Africa had had to ship and insure the gold to the United States it would have received a net price below the figure of 168s. per fine ounce. The gold realisation charge of 3s. 2d. per ounce debited to the mines has, during the war, been placed to a special fund, for no realisation expenses had been incurred by the South African Government since the contract with the British Treasury came into operation. This fund has grown to more than £10 million and provides a useful reserve from which the gold industry can be assisted in offsetting the cost of the higher wages recently granted to native workers.

A few months ago, added Mr Hofmeyr, the British Government had advised the Union of its intention to sell gold in India. Mr Hofmeyr pointed out that the Government in India was maintaining the rupee rate despite inflation, that the British Government, therefore, had to pay much more for its requirements in India and that, by selling gold at the open market price, it could, to some extent, offset the effect of these inflated commodity prices and at the same time combat inflation by offering Indians gold for hoarding. The Union had pointed out to the British Government that it had to pay rupee value for certain purchases in India and that, to that extent, the Union was importing Indian inflation. A case was, therefore, pleaded for allowing the Union some of the benefit of the higher gold price in India. An agreement has been reached whereby the British Government is giving the Union facilities for sharing in the sales of gold on the Indian market to the extent justified by the Union's imports from India.

### The Montreal Scheme

What looks like the last chapter in the story of the Montreal default, negotiations and final settlement has just opened with the circulation of the full terms to stock-

holders. The offer carries the recommendation of the London Committee and appears to be in every way a reasonable one. While full particulars have not even yet been circulated, it appears that the total debt of the City of Montreal was approximately Can\$206 million, excluding certain items which were not involved in the scheme. Of these the only one which concerns British holders is £1,406,000 of 3 per cent perpetual stock. Excluding these items, some 28 per cent of the total debt was held in this country, but whereas maturities of all sorts extended from 1940 to 1971, sterling maturities were grouped between 1948 and 1954 with two exceptions. These were the small 3½ per cent Montreal issue which fell due in 1942 and an issue of £2,149,000 4½ per cent stock maturing in 1969. Of these the former is to be repaid at par plus full accrued interest in June next. After a visit of Montreal officials to London, a very substantial measure of agreement was reached on most points, but the whole scheme threatened to come to grief because of the suggested treatment of this loan. A turning point was reached with the suggestion for new finance to cover all matured loans, short-term liabilities and, it seems, some Can\$15 million of Treasury bills. A total of just under Can\$56 million is to be raised to cover these replacements and maturities up to the turn of the current year. This is designed to be repaid in yearly instalments over the period 1944-53. Debt maturing after June next will have its maturity deferred for periods which, in the case of most sterling issues, are from 12 to 16 years. But the new maturities are arranged so that the amount rises steadily from Can\$5,573,000 in 1954, the first full year, to Can\$9,951,000 in 1974 with a final, slightly smaller, payment in the following year. Owing to the rise in annual payments the later maturities are extended for short periods only and the sterling 4½ per cent stock, mentioned above, will be repaid in 1973-74. (This has the additional distinction of being the only large issue to carry the option of payment in Canadian dollars, although the two small series of St. Louis 4½ per cent bonds, extended to 1961, carry options for both Canadian and US currency.) As previously stated, the rate of interest on all stocks after present contractual maturity dates is, for sterling loans, 3½ per cent, but on earlier maturities the extension of date is less and on these and the new short-term borrowing the rates vary, according to length, from 2½ per cent to 3½ per cent. According to the statement of the London Committee, there are a number of provisions designed to ensure sound finance, including an independent audit, to be published annually, while all future loans will require the sanction of the Quebec Municipal Commission.

### Control of Industrial Location

The need for a measure of control over the location of new factories after the war is now widely accepted. But less thought has hitherto been given to the detailed application of a policy of controlled location, that is to the actual technique of control. By way of an example of the kind of technique that might be adopted, Professor P. Sargent Florence, in a Paper read before the Royal Statistical Society on April 18th, has attempted to sort out the various considerations that might guide the selection of industries suitable for dispersion into rural areas. He listed three principles of selection. The first is that in selecting industries for agricultural areas, account should be taken of the facts that agriculture usually employs a disproportionate number of men and of older workers, offers less employment in winter than during the rest of the year, and, if pre-war trends continue, may require progressively fewer workers. The second principle is that the movement of industries to rural areas should assist in the solution of unemployment, urban congestion, and other social problems. Although agricultural areas are not likely to be faced with acute problems of unemployment after the war, they should, in the view of Professor Sargent Florence, bear their share in the dispersion of industry from congested areas if the recommendations of the Barlow Commission are to be implemented. But factories which are to be dispersed should not be so large as to involve too much new house-building, or too long a journey to and from work for scattered workers. The third principle of selection is one of "practical feasibility not of social desirability"—that the industries to be diverted to rural areas should not operate at costs that are high compared with those of their competitors, or compared with the demand prices of their customers. Next,

guided by these principles, Professor Sargent Florence elaborated a statistical technique of selection, by measuring, on the basis of the data available, the relative advantages and disadvantages of moving factories in individual industries into rural areas. His attempt revealed the paucity of information at present available to translate the principles of selection into practice. And, as he fully recognises, his statistical measurements suffer from the defect of being based on the past. It would be necessary to supplement them with expert knowledge of technical developments which are likely to influence the prospective size, technique and organisation of particular industries. If Professor Sargent Florence's Paper has demonstrated one thing, it is the practical difficulties in the way of controlled location and the need for further investigation into its implications.

### Electric Power in Scotland

Judging by the statement of the chairman, Mr William Shearer, the Scottish Power Company feels aggrieved, to some extent justifiably, that the development of water power in the Highlands should now be treated as a public boon, to be backed with public money, whereas previously its own efforts at expansion were thwarted and criticised as the exploitation of a depressed area by outside interests. To date, the generation of almost all hydro-electricity in the Highlands has been done by the Grampian Company, a subsidiary of Scottish Power. For the future, however, all development has been entrusted to the new North of Scotland Hydro-Electric Board, under whose direction the Grampian's generating stations will be administered as selected stations. This arrangement does no more than bring the North of Scotland into line with the arrangements for generation already prevailing in the rest of Great Britain. The Grampian Company will continue to supply its existing area, covering as much as 13,000 square miles, and arrangements have been made for it to obtain bulk supplies from the Board with which to satisfy additional demands. There has been criticism in the past of the policy of turning the Highlands into the "power-house of

the South." But, in point of fact, the more electricity that can be exported southwards to the grid at a competitive rate, the cheaper can be the rates and the wider the area served in the Highlands. The Grampian Company is under contract to supply to the Central Electricity Board, for consumption in the industrial middle of Scotland, an annual total of 106 million units, which compares with a distribution in 1940 of 63 million units to its Highland customers. The policy of the Hydro-Electric Board, in this respect, is likely to follow that of the Grampian. The only condition of such a policy must be that local needs are given full priority, as is guaranteed by the Board and as has been done by the Grampian. There can be little doubt about the value of hydro-electric development to the depopulated Highlands; and if it is all to the good that this should now be undertaken by public enterprise, it is also true that the Scottish Power group did their best to finance this development, at what was considered by the Cooper Committee to be a very reasonable rate.

Turning to the general interests of the Scottish Power group, Mr Shearer claimed that a number of the recommendations of the McGowan Committee, directed to a greater integration of supply units and standardisation of charges, have now been implemented. He complains of a delay in ratifying the relinquishment that some local authorities have made of their distribution powers in favour of the group. Where, as in the case of the Grampian Company, the private company is very much larger and more experienced than the local authority, there is at least a *prima facie* case for supposing that such transferences of the authorities' optional powers are helping to accomplish the aims set by the McGowan Committee. Disillusioned perhaps by the lack of appreciation accorded to his group's efforts in the Highlands, Mr Shearer is strongly on the offensive to protect the activities of private enterprise. He calls upon his confrères in the electric supply industry to unite in a crusade against the "attempts insidiously being made and politically inspired" to force bureaucratic control upon the whole industry.

## BENEFACTORS OF MANKIND



JOHN HOPKINSON (1849-1898)

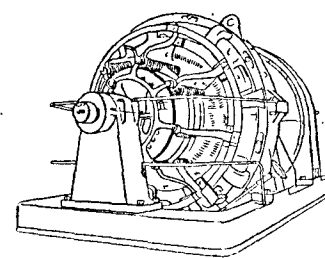
The practical mind is sometimes the most truly imaginative. It applies mathematics, most exact of all the sciences, to the most intangible in speculation. Thence spring the inventions which from time to time alter or modify the course of universal events.

# Practicality

A MAN of great mental power, bold experimenter and practical engineer, he did not neglect the commercial problems of the enterprises in which he engaged, and initiated a new system for charging cost of electricity supply. Electricity was his master passion, and his life was devoted to harnessing it to the service of man-

kind. Great were his achievements. He was a pioneer in the invention of the three-wire system of distribution, and the series paralleled method of working motors. He invented a system of flashing codes for lighthouses. He evolved the characteristic curve which laid the foundation of the accurate design of dynamos.

A secret of the success of BRUSH Electrical products is their practicality for use in all industries.



The  
**BRUSH**

ELECTRICAL ENGINEERING CO. LTD.  
LOUGHBOROUGH, ENGLAND.

TURBO-GENERATORS, TRANSFORMERS, ELECTRIC MOTORS, SWITCHGEAR, A.C. & D.C. COACH BODIES



## Uninformative Circulars

An instance of the paucity of information upon which shareholders are expected to act is the recent circular of Savory and Moore. The company guarantees £125,000 6½ per cent preference of Pharmaceutical Products and has outstanding some £262,000 of 5 per cent first mortgage debentures. After these rank two small issues of cumulative preference capital and then £160,000 of 6 per cent non-cumulative redeemable preference. It is proposed to replace, apparently in the immediate future, the guaranteed preference and debentures by 5½ per cent first redeemable preference capital and, at some later date not stated, to pay off the 6 per cent redeemable preference and issue in its place an equal amount of the new 5½ preference. This means increasing the amount placed in front of the old cumulative preference shares of the company for no apparent reason. Further, the maximum of the new preference is fixed very high, namely at £440,000. No explanation is given of how the change in capital is to be effected or to whom the new capital is to be offered. The explanatory circular states little more than the conviction of the board that the change will operate to the advantage of the old preference and ordinary capital of the company. It is sought to sustain this argument by the statement that the company will be relieved from the need to provide heavy sinking fund payments. This may be convenient, but it must not be forgotten that such items are capital payments which eventually improve the position of all classes of shareholder. The shareholders are given only ten days' notice of the meeting and that period includes two week-ends. The proxy form was not sent to the press, but it appears to have provided facilities only to support the board's scheme. The information provided is inadequate for a reasoned decision and the time allowed far too short to permit of any organised opposition. Information may be given at the meeting, but it is improbable that more than a fraction of the few shareholders who are able to attend will be able to digest the full implications of a somewhat complex scheme in the time available. The remainder are invited to buy a pig in a poke.

## Milk Distribution

Mr W. A. Nell, the chairman of the Express Dairy Company, in his speech to its annual general meeting on April 13th, raised the question whether there should be a return after the war to free competition in milk retailing. The pre-war position was that any number of milk roundsmen could serve the same street, which gave rise to criticisms of wastefulness and unnecessarily high costs of retail distribution. Justification for that method of distribution was claimed on grounds of the different services provided. During the war a policy of rationalisation has been adopted throughout the country, and apart from the Co-operative Society (which is not affected by rationalisation) it is now rare for two dairymen to deliver in the same district. On the whole, the consumer does not suffer in wartime from this quasi-monopoly of the dairymen. The quality of the milk scarcely differs from one to another retailer, and no one can provide a better service than another. In peacetime the housewife prefers to choose her own retailer, because freedom of choice gives her the service she prefers, but she may in future prefer cheaper milk to better service; these are the alternatives. There is no doubt that rationalisation has reduced the absolute cost of distribution. According to Mr Nell, the six-monthly investigations into distributors' costs, which are made by the Ministry of Food, show that the present costs per gallon are substantially the same as before the war, despite an increase in material and labour costs of almost one-third. Whatever plan is operated after the war, the consumer will be prepared to accept it provided milk is cheaper, and provided there are improvements on the wartime service. Considering the cost of delivering milk to the consumer's door, it should be possible to sell milk cheaper at the depot or dairy to consumers who would be prepared to collect it themselves. If this can best be achieved by the allocating of districts to each retailer, so much the better, if the danger that there will be no incentive to reduce costs can be avoided.

## A New Yield Index

Despite the dangers of the abuse of statistics, the need for suitable measuring rods for a vast variety of purposes is now widely recognised. The latest addition

to the equipment of the investor is a new index of equity yields compiled by *The Financial News*. This is based on the already well-known index of industrial equity prices which is a geometric mean of the middle closing prices of 30 market leaders. The new index cannot be more nearly accurate than the price index, but that has shown over any extended period a very close correspondence with the much more detailed figures of *The Actuaries' Investment Index*. This index produces an arithmetic mean for its yields based on a geometric mean of prices. *The Financial News* preserves the geometric method for its yields and that creates a new difficulty and a new source of possible error. With 30 stocks in question it is possible that one or more will be paying no dividend, and this has

FINANCIAL NEWS CORRECTED INDEX OF INDUSTRIAL YIELDS

|                | 1939 | 1940 | 1941 | 1942 | 1943 | 1944 |
|----------------|------|------|------|------|------|------|
| January.....   | 6.15 | 5.88 | 5.84 | 4.85 | 3.95 | 3.97 |
| February.....  | 5.44 | 5.44 | 6.00 | 4.95 | 4.19 | 4.02 |
| March.....     | 5.70 | 5.59 | 5.98 | 4.99 | 4.13 | 3.98 |
| April.....     | 5.80 | 5.87 | 6.09 | 4.84 | 4.10 | .... |
| May.....       | 5.33 | 7.04 | 5.79 | 4.72 | 4.08 | .... |
| June.....      | 5.87 | 8.28 | 5.63 | 4.84 | 4.14 | .... |
| July.....      | 5.62 | 7.41 | 5.75 | 4.69 | 3.91 | .... |
| August.....    | 5.86 | 6.91 | 5.19 | 4.58 | 3.93 | .... |
| September..... | 6.79 | 6.78 | 5.12 | 4.43 | 3.88 | .... |
| October.....   | 6.18 | 6.39 | 5.13 | 4.59 | 4.07 | .... |
| November.....  | 5.85 | 5.96 | 4.79 | 4.14 | 4.10 | .... |
| December.....  | 5.88 | 5.99 | 4.92 | 4.43 | 4.02 | .... |

happened in the 5½ years covered by the new index. Several approximate adjustments are possible. That chosen is to work out the geometric average of the yields on the shares carrying dividends and to correct this by the difference between the arithmetic average of these shares and the figure obtained by dividing the total dividends paid by the total of the 30 shares in the index. The new index is calculated daily and appears on page 551 with other stock market indices. Monthly average figures are given above for dates since January, 1939. The index is consistently lower than that of the Actuaries, mainly because a geometric average is always lower than an arithmetic one, but partly because market leaders tend to yield less than well-known securities.

(The Records and Statistics section this week includes details of the rise in raw cotton prices, page 551; of the facilities to be provided for ex-Service men formerly engaged in food retailing to re-enter the trade, page 551; and of the experience last year of the Co-operative Wholesale Society, page 552.)

## Company Result

## Cunard Steam Ship Company

|                                  | 1941        | 1942        | 1943        |
|----------------------------------|-------------|-------------|-------------|
| Total profits.....               | 1,022,287   | 1,064,196   | 1,027,924   |
| Administrative expenses.....     | 365,441†    | 61,880      | 53,805      |
| Income Tax.....                  | 145,000     | 397,605     | 412,967     |
| E.P.T. Reserve.....              | 20,787      | 100,000     | 100,000     |
| Depreciation.....                | 7,954       | 19,469      | 19,274      |
| Fees.....                        | 253,405     | 8,556       | 8,000       |
| Loan and Debenture interest..... | 75,000‡     | 132,953     | 121,150     |
| Preference dividends.....        | 162,200*    | 276,229*    | 344,628     |
| Ordinary stock :-                |             |             |             |
| Earned.....                      | 5.8*        | 9.9*        | 167,168     |
| Paid (net).....                  | ...         | ...         | 8           |
| Earned %.....                    | ...         | ...         | ...         |
| Paid %.....                      | ...         | ...         | ...         |
| Reserves.....                    | 578,340     | 220,813     | 198,335     |
| Carry forward.....               | 467,784     | 467,526     | 448,352     |
| Net fixed assets.....            | 10,727,802  | 10,398,683  | 10,365,531  |
| Net inter-company items.....     | Dr. 250,203 | Dr. 288,185 | Dr. 210,771 |
| Net liquid assets.....           | 544,845     | 380,053     | 571,783     |
| Gross liquid assets.....         | 500,000     | 500,000     | 600,000     |

\* On assumption only 1 year's preference dividends had to be paid.  
† For 1941, Income tax is included with administrative expenses.  
‡ In 1941, 2 years' arrears of dividend on the 5% Preference stock was met, but none on the 6%. In 1942, payments on both issues of Preference stock were brought up to date, requiring 9½ years' payment on the 5% and 11½ years on the 6%.  
§ Including shares in subsidiary companies at cost, less reserve, valued at £13,925,226. The Cunard Steam Ship is, of course, primarily a holding company.

The ordinary stock units of £1, quoted at 218. 9d. ex dividend, yield £5 10s. 4d. per cent.

## HOW TO MAKE IMMEDIATE SAVINGS in the use of Gas and Electricity in Industry

Economy in the use of fuel in all factories is now a matter of first consideration. Managements are seeking every opportunity to reduce fuel consumption. The following suggestions will be helpful.

## FACTORY GAS

Any of the following will show an immediate saving of Gas:

- Plan the work so that furnaces and such-like are run only when fully loaded; avoid lighting them for odd jobs; don't put more into use than are absolutely essential;
- Insist that every single burner must be turned off when not actually needed for work;
- Furnace doors should not be left open a moment too long — be adamant on this point;
- Moving parts which work freely stand a better chance of being handled properly; see that all controls can be adjusted easily;
- Mark the air shutters on natural draught furnaces and the control valves on furnaces using high pressure air so that the plant can be worked at the most economical settings;
- Insist that lids of liquor tanks and salt baths are kept on as much as possible.

## FACTORY ELECTRICITY

Any of the following will show an immediate saving of Electricity:

- Be ruthless in cutting out idle running;
- Plan the work so that plant operated is fully loaded;
- Check the lagging of ovens, tanks and other plant; repair at once broken or faulty lagging;
- Make a spot check for electric furnace doors left open; give strict instructions that they are not to be open a second longer than is necessary;
- If you have bigish transformers, see that they are never left on to supply negligible load;
- See that every electric appliance is switched off when not actually in use (read the riot act to all offenders).

Factory managements will find many more practical suggestions for quick savings in their Fuel Efficiency Bulletins. Look them up straight away. You need Bulletins Nos. 5 and 14 for gas savings, and No. 13 for electricity savings.

**MOST IMPORTANT**—make every effort to strengthen your Fuel Watching System. Keyed up it will make possible astonishing savings of gas and electricity. Study afresh your Fuel Efficiency Bulletin No. 7.



ISSUED BY THE MINISTRY OF FUEL AND POWER

## AND WHEN THE WAR IS WON?



Non Co-operation, or . . .



'Combined Operations'?

We have discovered beyond all doubt that economic interdependence between nations—the spirit of sharing—is as vital a factor in winning the war as combined operations in the Field. It will be no less vital when the war is won. And why? Because a lasting peace depends not only on justice and good will but upon world-wide prosperity . . . and prosperity can only be secured by sustained industrial co-operation between all the nations of the world.

It is the responsibility of the United Nations to maintain the vital machinery of industrial co-operation which they have already set in motion. It is the responsibility of every citizen to insist upon really practical plans for the use of this machinery . . . plans which will permit of unhampered progress towards the prosperity not merely of the individual but of the entire world.

★ ★ ★

This Statement is issued in support of the principle of continued industrial collaboration between the United Nations after the war. Announcements by the International Nickel Company of Canada, having the same purpose, have appeared in Canada and the U.S.A.

Published by

THE MOND NICKEL COMPANY LTD  
Grosvenor House Park Lane London W1

## COMPANY MEETINGS

## THE STANDARD LIFE ASSURANCE COMPANY

## BONUS DECLARATION

## LARGE SUPPORT FOR GOVERNMENT LOANS

## MR. JAMES C. CAMPBELL'S ADDRESS

The one hundred and eighteenth annual general meeting of the Standard Life Assurance Company was held, on the 18th instant, in Edinburgh. Mr J. C. Campbell was in the chair.

The manager and actuary having read the auditor's report, the chairman said:—

Before dealing with the accounts and with the results of the quinquennial valuation, I must refer to the loss which the company has sustained as a result of the sudden death of Mr E. M. Beilby. Mr Beilby became a director in 1917, and filled with distinction the offices of chairman of the board from 1929 to 1932 and of vice-chairman from 1924 to 1929 and again from 1939 until the date of his death. Mr Beilby's presence is greatly missed by those of us who served with him and who were accustomed to the benefit of his wise and far-seeing judgment.

After referring to the directors and staff, the chairman continued:—

I wish now to refer briefly to the report and accounts for the year; I am sure you will feel satisfied with the results which they show. Once again, and that with practically no outdoor staff in this country and a greatly depleted staff overseas, the new business for the year shows an increase. The total of new life assurances at £3,542,239, after deducting sums reassured and including group life assurances, shows an increase on the previous year of £541,207. As in recent years, we have written a substantial amount of deferred annuity and pension scheme business and we received £319,574 for the purchase of annuities. I attribute the continued good flow of business to the work of our agents, who, although deprived of the assistance of our pre-war outdoor staff, are still sending business regularly to the company; I can assure them that their co-operation and loyalty are highly appreciated.

## FAVOURABLE INTEREST RATE—REDUCED EXPENSE RATIO

From the revenue account of the life assurance and annuity fund you will notice a reduction in the amount of claims paid—both under claims by death and by maturity—and a satisfactory reduction in the sums paid out in respect of policies surrendered. These, combined with an increase in our premium income, which now stands at nearly £2,800,000, have contributed to increase the fund during the year by over £2,000,000. It is satisfactory to be able to record that our expense ratio has now been reduced to 9.8 per cent.—evidence of economical management under war conditions. Our net rate of interest of £4 os. 11d. per cent. shows a reduction of 1s. per cent. as compared with last year, and you may feel that this net rate makes an extremely good showing in the present circumstances.

## WAR LOAN INVESTMENTS

In the balance-sheet our assets now total £39,197,000; the fact that our holding of British Government securities, which at November 15th last stood at £13,817,000, increased during the year by £2,194,000 shows that, as requested by the Government, we are energetically continuing our policy of subscribing to new War Loans, although, of course, the low rates of interest obtainable thereon cannot but adversely affect the rate of interest earned on our funds. We follow this policy cheerfully, however, fully aware that it is in the best interests of the country as a whole

that the Government makes its request, and it will no doubt be of interest to members to know that since the commencement of the war our holding in British Government securities has increased by £9,938,000, and of this total £8,949,000 has been subscribed to new War Loans. In addition, our Canadian branch has invested substantially in the new War Loans issued by the Canadian Government.

## QUINQUENNIAL INVESTIGATION

Five years have now elapsed since we published the results of an actuarial investigation into the affairs of the company,—five years filled with trouble and danger. As required by statute, we have accordingly completed a full and thorough investigation into the affairs of the company, both as regards the assets and the prospective liabilities. The results indicate that the company has emerged from this trying period much larger as regards its undertakings and with undiminished strength; our liabilities have grown in amount, but so have our resources, and I believe we may face the future—uncertain and difficult as it will be—knowing that we have made every reasonable provision and taken every precaution which the present circumstances suggest to us as being in the interests of our members.

The directors have made a detailed scrutiny of the assets of the company, and you will see from the certificate attached to the balance-sheet that they are of opinion that the actual value is in excess of the published figure. Last year I was able to state that there was a substantial margin in value over the published total of assets, and on this occasion I shall content myself with stating that this margin has increased.

## STRONG ACTUARIAL RESERVES

As regards the prospective liabilities, a complete actuarial investigation has been carried out by the manager and actuary on a basis similar to that employed on the last occasion. The rate of interest assumed both for assurances and annuities is 2½ per cent., and the latest tables of mortality available have been employed. This has in the past been acknowledged to be a basis of great strength, but in these days of low-interest rates and high taxation it will be a satisfaction to you to know that certain additional actuarial reserves have been set aside which would be sufficient—and more than sufficient—to enable the actuary at the present time to reduce his valuation rate of interest as regards assurances to 2 per cent., whilst taking credit in his calculations for the 2½ per cent. select net premiums only—a position greatly stronger than an ordinary 2 per cent. net premium valuation would provide. The directors do not feel that the present is an opportune time to change the basis of the actuarial valuation; it is sufficient to be aware that, without in any sense encroaching upon the margin of assets to which I have referred, the basis could now be altered to one of even greater stringency and to await the appropriate time when more settled conditions will enable us to be more precise in our estimates of the future.

## DECLARATION OF BONUS

You will be aware from the report that we have declared a reversionary bonus at the rate of 30s. per cent. per annum—that

is, £7 10s. per cent. for a policy entitled to participate during the whole of a quinquennium, calculated upon the sum assured and bonuses attaching at November 15, 1943, and applicable to all policies in full force on that date in the reversionary bonus class, with corresponding bonuses in other classes. Also and in notice of alteration, intermediate bonus have been declared at the same rates in respect of premiums due and paid since November 15, 1943, under policies becoming claims by death or maturity. We do not propose to issue individual bonus notices on this occasion. Our members will realise that this is due to shortage of staff and a desire to economise in the use of paper.

## BOARD'S SOUND BONUS POLICY

In 1939, the directors abandoned temporarily, I hope—as a measure of prudence, the declaration of an annual compound bonus, and as a consequence the bonuses now declared are compounded on a quinquennial, not upon an annual basis. When more normal times return and after a sufficient period has passed to give us experience of the new conditions—for no doubt in many important respects they will be new—the question of a return to annual declarations and annual compounding will receive the consideration of the board.

The members will not conclude from the fact of this declaration of bonus that the directors have made the mistake of taking an over-optimistic view of the future; we have received too many warnings from those in high places to fall into this particular error. Our attitude is that taking a sober view of what lies ahead and considering the financial resources at our disposal, a failure to make a distribution of surplus to existing members on this occasion could not be justified. We have not forgotten that great trials lie ahead of the nation, and that these may well affect life assurance and other financial institutions adversely; but we have made such provision for the event as to the best of our judgment, the declaration of an annual bonus is just and safe.

## COMPANY'S LONG RECORD OF SERVICE

For a long time now—over 118 years—the Standard has served its members in good times and bad; we can look back upon the past with satisfaction and some pride, for the enterprise of the founders of the company and their early successors introduced the benefits of life assurance in many parts of the world, and the Standard's name is known in many countries as a synonym of sound life assurance practice. Our activity in recent years in the comparatively new direction of life assurance and pension schemes for industrial workers may, I hope, be taken as indicating that we have not forsaken the pioneering tradition of our predecessors.

## CONFIDENCE IN THE FUTURE

I have confidence in the future of our company and in its capacity to render valuable service under changing conditions. I believe that there is, and will continue to be, a necessity for the beneficent enterprise of institutions such as ours; that under post-war conditions there will be a wide field open for our activities and ample opportunities to encourage the virtues of thrift and prudence, as it is our business to do. The demands of the war have restricted our activities, but we are doing what we can now to be ready when the war is over to renew that full service which it was previously our pleasure to give. It will be our aim to provide in the most convenient and economical forms the means to exercise the sense of individual responsibility and the desire to protect dependants which are, and will, I trust, remain characteristics of the communities which we serve.

I now move the formal adoption of the report, revenue accounts and balance-sheet submitted.

Mr A. Ballantyne seconded this motion and the report was unanimously adopted.

## NATIONAL BANK OF EGYPT

## EGYPT'S IMPROVED FINANCES

## ALY SHAMSY PASHA'S REVIEW

The forty-fourth ordinary general meeting of the shareholders of the National Bank of Egypt was held at the head office of the bank in Cairo on the 29th ultimo.

Aly Shamsy Pasha (president), was in the chair.

## BALANCE-SHEET, DECEMBER 31ST, 1943

| LIABILITIES                                                                   | L.E.        | MM. |
|-------------------------------------------------------------------------------|-------------|-----|
| Share Capital:                                                                |             |     |
| 300,000 fully paid Shares of £10 each                                         | 2,925,000   | 000 |
| Statutory Reserve Fund                                                        | 1,462,500   | 000 |
| Special Reserve                                                               | 1,462,500   | 000 |
| Current, Deposit and other Accounts                                           | 58,141,359  | 608 |
| Egyptian Government                                                           | 64,038,113  | 911 |
| Public Debt Special Account                                                   | 900,420     | 787 |
| Bankers' Accounts                                                             | 2,547,636   | 574 |
| Cheques and Bills payable                                                     | 18,582,598  | 721 |
| Dividends Unclaimed                                                           | 323,238     | 381 |
| Acceptances, &c.                                                              | 486,592     | 136 |
| Provision for payment of final dividend at the rate of 11 per cent. per annum | 2,130,198   | 888 |
| Profit and Loss Account Balance                                               | 321,750     | 000 |
|                                                                               | 263,789     | 385 |
|                                                                               | 153,585,698 | 391 |

| ASSETS                                                                     | L.E.                | MM. |
|----------------------------------------------------------------------------|---------------------|-----|
| Government Securities and Securities guaranteed by the Egyptian Government | 113,589,479         | 404 |
| Sundry Securities                                                          | 666,856             | 272 |
| Advances on Merchandise                                                    | 2,901,841           | 210 |
| Advances on Securities                                                     | 476,874             | 177 |
| Sundry other Advances                                                      | 1,499,278           | 968 |
| Bills discounted                                                           | 80,246              | 179 |
| Buildings                                                                  | 150,000             | 000 |
| Money at Call and at Short Notice                                          | 14,635,725          | 000 |
| Bankers' Accounts                                                          | 11,435,914          | 298 |
| Clients' Liability for Acceptances, &c., as per contra                     | 2,130,198           | 888 |
| Cash:                                                                      |                     |     |
| N.B.E. Notes                                                               | L.E. 5,796,776; 750 |     |
| Other Notes & Coin                                                         | L.E. 252,507; 245   |     |
|                                                                            | 6,049,283           | 995 |
|                                                                            | 153,585,698         | 391 |

R. S. ROLO } Directors.  
S. WAHBA }

C. N. NIXON,  
Governor.

## ISSUE DEPARTMENT

| LIABILITIES                                                   | L.E.        | MM. |
|---------------------------------------------------------------|-------------|-----|
| Notes Issued                                                  | 101,400,000 | 000 |
|                                                               | 101,400,000 | 000 |
| ASSETS                                                        | L.E.        | MM. |
| Gold                                                          | 6,240,583   | 308 |
| Egyptian and British Government Treasury Bills and Securities | 95,159,416  | 692 |
|                                                               | 101,400,000 | 000 |

## PRESIDENT'S ADDRESS

The President, in the course of his speech, said:—

As a result of Allied successes in the Mediterranean area, hopes were entertained that our imports would increase, but the paramount difficulty of shipping and the shortage of consumer goods in overseas manufacturing countries made their realisation impossible. The value of imports during the year was lower than in 1942, mainly due to decreased arrivals of textiles, coal and tea. On the other hand, the reopening of the short sea route through the Mediterranean led to an increase in the export trade, the bulk consisting of raw cotton. Egypt's visible adverse balance of trade has thus been notably diminished, although the general balance of payments continues overwhelmingly in her favour, due to the unceasing flow of funds disbursed locally by the Allied Forces.

## THE COTTON CROP

The 1942-43 cotton crop, amounting to some 4½ million cantars, or just over half the previous crop, reached record levels in quality and yield. Only 6 per cent. was tendered to the Government Buying Commission as market quotations steadfastly maintained an upward trend, and later in increase of 20 per cent. in the official purchasing price for the 1943-44 crop was announced. The latter, which on account

of poorer yields is expected to fall short of the 1942-43 crop in size is, however, composed predominantly of the finer varieties.

Stock Exchange quotations rose steadily during the first four months of the year, and, with the exception of another period of uncertainty at the time of the Italian surrender, closed the year at a record level.

Further signs of the times are provided by the returns of the Cairo and Alexandria clearing houses, which show that 756,000 cheques totalling £2.66 million were cleared in 1943, against 690,000 cheques amounting to £1.19 million in 1939. The bank note issue rose from £7.79.2 million at the end of 1942 to £10.1.4 million on December 31st last. Our statistics show that the proportion of the higher denomination notes in the total issue has, since 1938, more than doubled. This may be attributed in some measure to the convenience of large notes for the purposes of hoarding as well as of illicit trading.

## TRANSFORMATION OF STERLING DEPT.

I mentioned in my address to you last year, as evidence of the prevailing superfluity of funds, that the Treasury had, in 1942, been able to borrow, through its fortnightly tender of three-months bills, at an average rate of 1.12 per cent.; that rate fell during 1943 to around 0.64 per cent., and what had meanwhile become the weekly tender for £500,000 Treasury bills was being consistently oversubscribed. At the same time the prices of Egypt's internationally quoted Preference and Unified bonds were rising steadily.

In circumstances such as these the Government judged it opportune, at the end of September, to effect the transformation of Egypt's sterling debt into an internal obligation, subject to various periods of redemption. Public response to the conversion offer fully justified expectations, and applications amounted to £42 million in Egypt, £4½ million in London, and half a million in other foreign centres, notably Geneva. Of the unconverted portion of the debt, amounting to some £39 million, £21½ million has already been repaid, while reimbursement of most of the remainder must perforce be deferred until conditions in Europe so permit.

## INCREASED BALANCE-SHEET FIGURES

The balance-sheet which we present to you today reflects the easy monetary conditions which have prevailed throughout the year. The figures have reached a new high level and bear striking testimony to the important rôle which the bank plays in the financial life of the country. Current, deposit and other accounts also show a very marked increase, while bankers' balances are again considerably higher. I should like to take this opportunity of thanking our banker friends for their valued co-operation during the past year.

The profit and loss account for the year shows that earnings have improved by £113,718 to £1,222,267, while expenses are higher by £115,839. The latter increase is due to heavier taxation payments, both in this country and in London, on our increased revenue and also to the grant of additional allowances to the staff to meet the rise in the cost of living. We therefore propose to maintain the distribution to shareholders at the same rate as last year and to add to the carry-forward the sum of £1,117,773.

In conclusion, I can but express our appreciation of the way in which the staff have responded to the many new calls made upon them.

## BIRMINGHAM SMALL ARMS COMPANY, LIMITED

## VALUE OF PRIV ENTERPRISE

The adjourned ordinary general meeting of this Company was held, on the 18th instant, in Birmingham.

Sir Bernard D. F. Docker, K.B.E., the chairman, said that the profit on trading and income from investments was £744,219, compared with £719,758 in the previous year. It was proposed to pay a dividend of 7½ per cent. on the ordinary stock. It was still impossible to comment to any great extent on the group's varied activities, but on the cycle and motor-cycle side they had been able to maintain contact with the majority of overseas agents. The Daimler armoured car and scout-car had enhanced the reputation of the Daimler Company. The tool group of companies continued to play a conspicuous part. Output of all types of special steels, tungsten carbide, forges, crankshafts, castings, magnets, files and certain special tools had reached a new high level.

The keynote for the present and the future was the importance of technical control and the continuity of active research, and throughout the whole of their organisation he regarded research as of paramount importance. In spite of great accomplishments by men whose energy and initiative and under whose guidance great enterprises had been built up, there was being fostered in some quarters an agitation against free enterprise whether individual or collective. However well intentioned proposals for bureaucratic control might be, they had considerable elements of danger for all classes of persons. Efforts had been made to confuse the minds of the public with statements and innuendos that private enterprise was nothing more than what was commonly referred to as big interests, whereas in fact they were often economical combinations of small interests.

The report was adopted.

## MITCHELL COTTS AND COMPANY, LIMITED

## DIVIDEND AGAIN 15 PER CENT

The ordinary general meeting of Mitchell Cotts and Company, Limited, was held, on the 14th instant, in London, Mr Alexander Hamilton, the chairman, presiding.

The following is an extract from the chairman's statement circulated with the report and accounts: The trading profit for the year is higher at £182,475, compared with £180,053. The net profit also shows an increase, being £101,225, compared with £98,803. The total ordinary dividend for the year is 15 per cent., less tax, the same as previously. The directors have transferred £40,000 to general reserve and £5,000 to staff provident fund, after which the amount carried forward to next year will show an increase of £7,624 over the amount brought forward from the previous year and will amount to £59,979.

The parent company and its numerous subsidiaries have made such provisions for their various taxation liabilities, both in this country and overseas, as, according to the best information and advice available, should be sufficient to meet the sums due in the accounts under review. It has been found possible to issue a consolidated balance-sheet which sets out the financial position of the group. The margin between the net assets of our subsidiary companies and the cost of their shares to the parent company is satisfactory, the capital and surpluses of the group now totalling £1,278,240. Of the total assets of over £3,000,000 shown by the consolidated balance-sheet about 70 per cent. are in Africa.

With regard to the current year, existing conditions make any forecast difficult, but results achieved so far encourage me to believe that the net profits for the year to June 30, 1944, should be much the same as those now before you.

The report was adopted.



## E.N.V. ENGINEERING COMPANY, LIMITED

### LARGE VOLUME OF WORK

#### MR C. G. TWALLIN AND POST-WAR PROBLEMS

The annual general meeting of E.N.V. Engineering Company, Limited, was held, on the 14th instant, at Winchester House, Old Broad Street, London, E.C.

Mr C. G. Twallin (chairman of the company), who presided, said: The figures we are now considering represent a large volume of work. We are pleased to be able to make our contribution towards the national effort. While the individual items in the accounts vary considerably, the result in net profit is slightly less at £81,469, against £85,661 in the previous year. Our cash balance is up, also our investment figure, which latter includes tax reserve certificates. Stock and work in progress at £155,429 is up by £9,022.

Machinery and plant, etc. Expenditure by way of additions has been small during the year under review. The plant has, of course, been well maintained in our customary manner, and adequate depreciation has been provided. Land and buildings. Here, again, the expenditure on additions has not been large, ample provision being made for depreciation. On the liabilities side, creditors are down, reserve account standing at £175,000.

#### ALLOCATION OF PROFITS

We therefore submit for your approval the following allocation: Balance brought forward from the 1942 year £33,070, add profit for 1943 as shown on accompanying profit and loss account £81,469, a total of £114,539, less redeemable preference share dividend from January 1st to September 30, 1943, and interim dividend of 7½ per cent. on the ordinary shares for 1943 £93,914, which the directors recommend to be allocated as follows: Proportion of dividend at the rate of 5 per cent. per annum on the redeemable preference shares for the period from October 1st to December 31, 1943. The redeemable preference share dividend for six months was paid on April 1, 1944; in payment of a final dividend of 10 per cent. on the ordinary shares for the year ended December 31, 1943, and a bonus of 8½ per cent. on the ordinary shares; in transferring to reserve account £10,000, leaving a balance to be carried forward to the next year's accounts of £36,414.

#### PROBLEMS OF PEACE

The last time I had the privilege of addressing you I pointed out that, while our main energies were devoted to the war effort, we constantly had in front of us the resumption of peacetime industry.

Without a doubt the war has brought its problems, but we must not lose sight of the fact that the problems of the peace will be as great, if not greater. The important part the Allied Nations will have to play in the reconstruction of the world is one in which this country will have to take a leading part. We are fully conscious of our responsibility as directors of devising means whereby we shall be able to absorb into industry the men who are fighting, and find employment for those who have kept the home fires burning; in fact, the Ministry of Reconstruction has issued a general request that industrial concerns shall give this matter serious consideration. While it is dangerous to prophesy, we do feel the two fields of industry in which we are mainly interested, namely, automobiles and aircraft, have great possibilities. We are of opinion our conservative policy on the question of finance will stand us in good stead. Our liquid resources are such that we feel we can face periods of development which will of necessity occur.

#### PLEA FOR RELAXATION OF CONTROL

We appreciate the efforts the authorities are making in endeavouring to bridge the gap which will arise as between war- and

peacetime production; to ensure success this must be co-operative. We are fighting a war for freedom, and while recognising the necessity of bureaucratic control in wartime, some relaxation of control will be essential at the conclusion of hostilities. Our experience in this connection has been such as to confirm the idea that nationalisation of industry is a retrograde step.

In the strenuous times through which we have been passing, where long hours have been worked with only short periods for rest, our thanks are specially due to my co-directors, staff, foremen, charge hands and employees, all of whom have helped in achieving the results we now place before you.

The report and accounts were adopted.

## THE MIDLAND EMPLOYERS' MUTUAL ASSURANCE, LIMITED

### CHAIRMAN'S REVIEW

#### REMARKABLE FIGURES

#### STILL LOWER RATIO FOR MANAGEMENT EXPENSES

Lieut.-Colonel J. Beaumont Neilson, C.M.G., D.S.O., C.A., the chairman, presiding at the forty-fifth annual general meeting at the head offices in Birmingham on the 18th instant, stated as follows when commenting on the results for the year 1943:—

#### RECORD PREMIUM INCOME

You will see from the revenue account that the premium income, less reinsurance, for the year 1943 amounted to £3,306,715, an increase of £642,442. This is yet another record in the company's history, and is due to increased employment, higher wages and a further increase in the number of policyholders. It is interesting to note that, notwithstanding the fact we can no longer employ members of the staff on the procurement of new business, I am able to report this increase in the number of assured, the majority of whom have been recommended to place their business in the hands of the "Midland Employers" by old policyholders who appreciate the specialist service rendered to them.

#### ONLY 6.9 PER CENT EXPENSES RATIO

The expenses of management at £228,692 show the very low ratio of 6.9 per cent. Although the company continues to make allowances to members of the staff on active service, and has found it necessary to employ a large number over military age to enable a large and complex business to be conducted in the same efficient manner as in the past, the expense ratio is 6.9 per cent. below that for the previous year. Commission at £160,849, i.e., 4.9 per cent., is substantially the same as the previous year.

#### INSURANCE FUND INCREASED BY OVER £1,000,000

Cash expenditure in connection with claims amounted to £1,671,483. The insurance fund at the end of the year amounted to £4,645,701, which compares with £3,414,595 a year ago. Of this amount, £1,488,022 is reserved in respect of unexpired risks, as against £1,198,923 in the previous account, while you will see that the claims reserve at £3,157,679 is £942,000 in excess of the figure for 1942.

During the year under review the number of accidents reported was substantially the same as in 1942, the large number being due no doubt to the direction into industry of those previously engaged in sedentary or household duties. Further, the strain and fatigue of four years of war is reflected in the figures.

#### ASSETS ADVANCED BY NEARLY £11 MILLIONS

The assets of the company as at December, 1943, show that investments have increased by £729,924, cash by £222,184 and debtors £269,333. The assets now total £5,302,062, as compared with £4,080,621 a year ago.

The war savings scheme, referred to in my previous reviews, continues to run satisfactorily, and during the year the com-

pany supported the "Wings for Victory" weeks throughout the country.

Since I last addressed you the Workmen's Compensation Act, 1943, and the Workmen's Compensation (Temporary Increases) Act, 1943, have become law. The former statute extended Section 47 of the 1925 Act to any form of pneumoconiosis, and also affected the compensation payable in cases of partial disablement. The Temporary Increases Act provided for the payment of substantially higher rates of compensation not only in respect of accidents occurring on and after November 29, 1943, but also to all employees injured since January 1, 1924, and who were in receipt of compensation or may become entitled to compensation when the Act came into operation. It is estimated as the result of legislation passed since the outbreak of war the cost of workmen's compensation will be increased by no less than 75 per cent. We have extended our policies to cover the provisions of the new Acts in respect of claims arising thereunder from accidents occurring during the currency of such policies, but it has been necessary to make additional reserves to meet the increased liabilities imposed on employers, and assumed by us on their behalf.

Workmen's compensation is to be the subject of a White Paper shortly to be issued by the Government revealing their proposals. Whatever amendments or alterations are proposed, your company will be in a position to deal with them.

#### ACCIDENT PREVENTION SERVICE WELCOMED

In an effort to reduce the number of industrial accidents, with the consequent loss of man-power established during the year, department was Y's department are available to all policyholders free of charge. The results so far achieved by this department are encouraging.

As I have mentioned in previous occasions, the company has set staff to the call-up of members of the male Forces. Nearly 75 per cent. of our staff is now engaged in addition to branches of the Services, in the female staff has been released for service in auxiliary units and for other national service.

During the past year the staff has been called upon to deal not only with increased premium income and a number of accidents, but also with legislation affecting our business. Nevertheless, they have responded magnificently thereby enabling us to maintain a high standard of service to our employees alike.

I am sure you would like to see the general manager and to the appreciation of the very excellent work he and they have done on behalf of the company.

The accounts and balance-sheet have been adopted unanimously, a vote of thanks to the chairman brought to a close.

## CUNARD STEAM SHIP COMPANY, LIMITED

### SIR PERCY BATES' STATEMENT

The sixty-seventh annual meeting of stockholders of the Cunard Steam Ship Company, Limited, is to be held at Liverpool on the 26th instant.

Along with the report and accounts Sir Percy E. Bates, Bart., G.B.E., the chairman, has issued the following statement:—

In writing a statement on the year's accounts, I am subject to the same paper restriction as in previous years. I am also precluded by war conditions from making any alterations in the accounting system of the group, but I have tried, on the face of the figures themselves, to set out the fact that we are practically a holding company and to make the figures self-explanatory so far as war circumstances permit. The holding company (Cunard Steam Ship Company, Limited) only employs a very small fraction of the staff of the group, and it would perhaps be more appropriate for the operating companies, who do the bulk of the work and bear the greater proportion of the risks, to refer to their services: but I would like the Cunard stockholders to understand that the directors have the highest admiration for the loyalty, courage and steadfastness with which all, afloat and ashore, have served.

The stockholders will see in the report that the alteration in the company's memorandum of association, to cover air services, has now been made and approved by Court Order. The whole of the group now is equipped with a background of legality to move in the lighter element, should it so decide.

#### PROFIT AND LOSS ACCOUNT

In the profit and loss account for the first time we have shown as a separate item income tax, to indicate to stockholders how much of their income is returned to the National Exchequer. The item, a balance figure, is slightly higher than in 1942 because that year included the tax deducted from the final instalment of interest paid on the 5 per cent. mortgage debenture stock redeemed in February, 1942. Debenture stock trustees' fees are lower, owing to the reduction offered by Martins Bank consequent on the repayment of the bulk of the 5 per cent. mortgage debenture stock. Depreciation of ships, etc., has followed its normal course. Interest on loans from subsidiary companies is slightly higher, not because we have borrowed more money from them, but through the comparison of a full year with a partial year.

I would like to be able to say now that we shall not need the £100,000 provided in the profit and loss account for E.P.T., but the situation only enables me to say that I believe we have not under-provided. The bog over the tax situation which exercises such a paralytic effect on all forecasts is still thick: visibility is at a minimum. On the credit side of the account there has been a re-adjustment of dividends, resulting in a small decrease in the balance of profit for the year—£312,127 6s. 8d., compared with £343,723 for the year before. In the balance-sheet on the credit side, changes in subsidiary companies, £13,925,000, is unchanged. In my opinion it is a perfectly safe figure. Ships, cost, less depreciation, show the effect of latter. Shares in other companies, at £114,000, are also unchanged and return 4.66 per cent. on our investment. The remaining two figures require no explanation. On the debit side there now remains only £3,250 of the old 5 per cent. mortgage debenture stock; the Government venture of £1,000,000 and the mortgage of the Cunard building are unchanged.

The deposit by the superannuation fund has again been reduced by £50,000. We could quite easily accelerate what has been a policy of the board for many years, to pay off this item entirely and

have the monies of the pension fund all invested outside the company. To do so would accelerate also the impact of modern interest rates on the fortunes of the fund. The company pays 5 per cent. on this deposit, a correct rate when the plan first began, but now including an element of support in the face of the steady reduction in the rate of interest obtainable on Government securities which has been such a successful accompaniment of the country's war finance. This very success will create problems for every pension fund in the United Kingdom, and my colleagues have agreed with me in the policy of providing a cushion for its effects pending some Governmental recognition of the remoter effects and obligations of their financial economies.

Creditors and open voyage accounts, etc., show a small increase and include £100,000 provided for E.P.T. in the profit and loss account. The small balance due to subsidiary companies is a temporary affair of current business. Loans due to subsidiary companies remain unchanged. To make provision for contingencies, we have decided to transfer £100,000 to reserves, bringing that item up to £660,000 and leaving a balance on profit and loss account of £295,812 4s. 11d.

#### DIVIDEND

We are proposing a final dividend for the year 1943 at the rate of 3½ per cent., absorbing nett £97,479 11s. 5d. If this is approved by the general meeting the carry-forward to 1944 will be £198,332 13s. 6d. It will be seen that there are three transactions of approximately £100,000. From the profit and loss account of 1943 we will be providing one sum of £100,000 in case of E.P.T.; a second £100,000 to add to our reserves; and something just short of £100,000 (£97,479 11s. 5d.) in the final dividend. This distribution I think gives the stockholders a correct picture of the situation of our group.

It is most important that you should understand that our "subsidiary" companies, to use a legal phrase, are termed domestically "associates." We have, if we choose to exert it, absolute control of all of them, but we do not want the dead response of one cog wheel driven round by another. We want life, and life means volition, thought, enterprise, all on the scale and on the level of the "subsidiary" company. As we want life we must also expect variations from any set model, the continuing influence of "subsidiary" views, desires, ambitions, in fact all the attributes of local life impinging on any theoretical outlook of the "parent." Our plan has this great advantage, we do not have to inspire our "subsidiaries"; they have their own sources of inspiration and resources; rather do we work to harmonise their aspirations and try to see that they lie within rather than without the ability of the parent company, the Cunard, to provide any ultimate financial backing which might be needed.

Since the outbreak of war, Cunard White Star has not been able to build either a passenger ship or a cargo liner which would be of any post-war use in their lines of trade, either west or east.

#### NEED FOR SPECIALISED SHIPS

Whatever the course of the war, at the end of it there is bound to be a surplus of the ordinary type of cargo ships and a very considerable shortage of specialised ships such as our cargo liners, refrigerated liners and passenger liners. I think the time has arrived when the building yards should be opened to specialised ships, capable of serving their owners' needs when the guns stop shooting. These remarks apply to the whole of our group. We shall need specialised ships in all our trades, and to-day we cannot build any of them even for delivery in 1946.

## THE CLERICAL, MEDICAL AND GENERAL LIFE ASSURANCE SOCIETY

### SUCCESSFUL RESULTS OF THE YEAR

#### SIR FRANCIS E. J. SMITH'S STATEMENT

At the annual meeting of the Clerical, Medical and General Life Assurance Society, held at Hamilton House, Victoria Embankment, London, E.C., on April 19th, the following address was submitted by the chairman, Sir Francis E. J. Smith:—

A year ago I described the results of 1942 as satisfactory, judged by war-time standards, and as showing indications of improving tendencies, in harmony with the general trend of our national fortunes. To-day, I am glad to be able to record that, during 1943, this upward trend has been continued. Our accounts show increases in new business, interest yields and funds, with decreases in death claims, surrenders and expenses.

#### NEW BUSINESS AND CLAIMS BY DEATHS

The net new life assurances of the year, at £1,320,794, represented an increase of £210,230 and a war-time record.

The total sum paid by the Society, during 1943, in respect of surrendered life policies was less than £25,000, the lowest figure, relatively to the total assurances in force, experienced within living memory.

The claims paid, during 1943, although lighter in total than in the previous year, involved the Society in a slight mortality loss, after allowing for the inclusion of war deaths.

#### INVESTMENT CHANGES

During 1943 our holdings of British Government and Government-guaranteed securities have risen by £500,000 to nearly £3,500,000, and now represent 50 per cent. of our Stock Exchange investments and 21 per cent. of the total funds.

Our average earned rate of gross interest has shown a rise of 1s. 4d. to £4 6s. 7d. per cent., and our net rate has risen by 5d. to £3 3s. 11d. per cent.

A valuation of the Stock Exchange securities at the end of the year disclosed a satisfactory appreciation in capital values, for which no credit has been taken in our accounts. This further improvement has increased the substantial margin by which market prices exceed book values.

#### INTERMEDIATE BONUSES

It will be recalled that, as at the end of 1940, the Society declared a bonus in respect of the three years 1936-38, but postponed any distribution in respect of the two years 1939 and 1940. It was then hoped that events might permit a further bonus distribution to be made, under peacetime conditions, at the end of 1943, in respect of the profit-sharing rights accruing during the five-year period 1939-1943 inclusive. Unfortunately, this hope has not been realised and, in view of present events and conditions, no general distribution of profits is now contemplated until the end of 1945, our normal quinquennial valuation date.

Since January 1, 1941, the outset of the current valuation period, intermediate bonuses have been paid upon participating policies which have terminated by death, maturity or surrender, in respect of each annual premium due and paid on or after January 1, 1939, and the directors are pleased to announce that the present rate of surplus earnings justifies the continuance of intermediate bonuses upon the scales allotted during the past three years. These scales are necessarily subject to revision at any time.

The report and accounts were unanimously adopted.

## THE SCOTTISH WIDOWS' FUND AND LIFE ASSURANCE SOCIETY

### INTAKE OF NEW BUSINESS MAINTAINED

#### MR CARLYLE GIFFORD'S SPEECH

The 130th stated annual meeting of the Scottish Widows' Fund and Life Assurance Society was held on the 18th instant in the society's head office, Edinburgh, Mr T. J. Carlyle Gifford, W.S. (chairman of the ordinary court of directors), presiding.

In moving the adoption of the report and accounts the chairman said:

I shall say no more about the society's experience in 1943 than that mortality continued to be favourable despite the war, and that our intake of new business accomplished with but a skeleton outside staff was maintained at over £2,000,000.

#### WAR FACTORS DURING QUINQUENNIAL

I turn now to the quinquennium which ended on December 31, 1943. Apart from the first eight months of 1939, that was a period of war. It is a natural assumption that war must be gravely injurious to the interests of a life assurance society. Casualties in battle and in modern times among the civilian population will be expected considerably to increase the mortality. Direct taxation will eat up a larger slice of the annual income, and a decline in the value of the investments would be anticipated. Actual experience up to the end of 1943 has been somewhat different. Casualties in battle on Western fronts have mercifully been on a smaller scale than in 1914-18. Notwithstanding war deaths, the total claims for the past five years have been only 90 per cent. of the amount expected by the table of mortality used for the society's valuation. That is about the percentage in peace time so that the mortality experience has been light, but the proportion of deaths at young ages has naturally been much higher. Excluding deaths arising directly from war operations, the claims were only 82 per cent. of those expected.

Direct taxation has risen for insurance societies by 2s. in the £, and thus has reduced the margin of income out of which surplus for bonuses is built up. The fear of a fall in investment values has not been realised. By 1939 the Treasury had come to realise that with a strict control over transfers of money abroad, it had the power as the only substantial borrower to fix the rate of interest on new loans, not with a view to attracting subscriptions—which were bound to come—but solely to hold the balance equitably between those who saved and lent and the general taxpayer now and in time to come. The result was twofold—adverse to this society in its earning capacity but beneficial in maintaining and even improving the value of its assets, and the favourable margin between their market and their book value, which is to-day very large.

These are war factors which have operated during the quinquennium. Their effect has been far from disastrous, but they inevitably made the results less favourable to policyholders than in the pre-war quinquennium.

#### LOWER RATE OF INTEREST

In estimating our liabilities on this occasion we have reduced the net rate of interest assumed to be earned from 2½ to 2½ per cent. per annum. I do not wish to lay too much stress upon that. Five years ago, though we used the rate of 2½ per cent., the chairman pointed out that special additions had been made to reserves which made them as substantial as they would have been had a net 2½ per cent. rate been assumed. Nevertheless, the use of the lower rate on this occasion with certain adjustments results in an estimation of our liabilities at a figure £300,000 greater than would have been the case had we pro-

ceeded on the same footing as at December 31, 1938. The position of the society is correspondingly strengthened and members of the society can be assured that the estimate of liabilities has never been arrived at on a more stringent basis.

Our figures show an available surplus for the quinquennium, leaving out the sum brought forward from 1938, sufficient to have paid a compound reversionary bonus on all policies of about 32s. per cent. per annum. But the war is not finished, and we have thought it prudent to restrict the bonus to 30s. That figure, in our judgment, holds the balance fairly between participation by policyholders in profits actually earned and provision for the maintenance in the future with all its uncertainties, of the accustomed strength of the society.

#### SUBSTANTIAL RESERVES

We have made a substantial provision

## THE NATIONAL BANK OF INDIA, LIMITED

### RECORD BALANCE-SHEET TOTAL

### LIQUID POSITION MAINTAINED

#### MR R. LANGFORD JAMES'S STATEMENT

The ordinary general meeting of the shareholders of the National Bank of India, Limited, will be held, on the 2nd proximo, at 24 Bishopsgate, London, E.C.

The following is the statement of the chairman (Mr R. Langford James) circulated with the report and accounts:—

Since we met last the directors extended to Sir Robert Reid an invitation to join the board. Sir Robert has recently retired from the Indian Civil Service after a distinguished career—latterly as Governor of Assam—and our satisfaction in receiving his acceptance was enhanced by the fact that his father, Mr David Reid, was a valued director of the bank from 1878 to 1909.

#### EFFECTS OF WAR EXPENDITURE

The total of the balance-sheet constitutes a record for the bank at £61,867,357. This is an increase of £7,500,000 over the figure for the previous year, and is accounted for by a similar increase under the heading of current and fixed deposit accounts, which continue to reflect the large volume of war expenditure in the areas in which the bank operates.

Cash on hand and with our bankers and money at call show an increase of nearly £4,000,000. The ratio of this item to the amount of our liabilities to the public is greater than is normally considered necessary, but under present conditions it is desirable to maintain a very liquid position. Indian and Ceylon Government securities are higher by £2,413,000, while our holding of British Government securities has increased by £1,140,000. Discounts and loans receivable are £490,000 higher.

We are now in the fifth year of the war, and the way in which banks and business concerns in general, both in this country and in the Dominions, have adapted themselves to wartime conditions is alike remarkable and laudable. Problems of one description or another present themselves almost daily, of course, but they always seem to find a solution. Later a material contraction in the time taken in transit by the overseas mails has facilitated working.

#### CONTRASTS IN INDIA

For India 1943 was a year of conflicting experiences: practically universal financial prosperity on the one hand and a distressing shortage of foodstuffs in certain parts of the country on the other. This shortage made itself felt in particular in Bengal and in the Southern Indian States of Travancore and Cochin. In Bengal actual famine

against these uncertainties by carrying forward into the current quinquennium £420,000, against £167,000 brought in. We have also left our reserve fund of £500,000 undisturbed, so that the new quinquennium starts with substantial reserves against untoward events in addition to the very large margin between the market values and book values of our securities.

We have fixed the rate of intermediate bonus with which to start the new quinquennium at 28s. compound and reversionary—a modest reduction on the bonus declared for the past five years. Naturally, however, we shall review that rate from time to time and shall deal with it as emerging circumstances may demand.

In conclusion, the account of which I have given you cannot fail to be encouraging to those who contemplate taking out a with-profits policy with this society. The past record speaks eloquently and the basis on which the future is founded is one of very great strength.

conditions prevailed, resulting in a lamentable loss of life, not only from starvation, but from the effects of disease on debilitated people. Fortunately, Nature vouchsafed to Bengal a bountiful rice crop last winter, and this should at least make the food position of that great province reasonably safe for the time being.

In my address to the shareholders six years ago I drew attention to a statement made at that time by the late Sir James Taylor, then Governor of the Reserve Bank, to the shareholders of that institution. Sir James pointed out that the area under cultivation in India was not keeping pace with the growth of population: as he put it, "the pressure of population on cultivated land" was a matter for concern. How correct he was in his views last year's famine conditions appear to indicate. I have seen it stated recently in a responsible publication that, against an increase of 27 per cent. in population in the last 20 years the area under food crops had increased by only 1 per cent. Whether or not the latter figure is correct I do not know, but its meticulous accuracy is not a matter of great moment. What, however, does emerge as a question of the first importance to India is the urgency of growing sufficient food for the adequate nourishment of a population increasing at a phenomenal rate.

#### A 15 YEAR PLAN

The recent publication by a group of eminent business men in India of a fifteen-year plan for the economic development of that country after the war has attracted considerable attention. The industrial pendulum started to swing in India some years ago. Under normal conditions its rate was appreciable, and this has been accelerated greatly by the war. Whether it will be desirable to force the pace further by elaborate planning is perhaps a matter open to difference of opinion, but I presume there will at least be agreement on the desirability of agricultural development until the food requirements of the country are placed on a permanently safe basis. The institution of new industries and the erection of costly factories—however desirable in themselves—would not be of much avail without a healthy and well-nourished supply of labour to work them.

Of the other centres in which our interests lie—Ceylon, East Africa and elsewhere—there is nothing of special interest to report. To them also the war has brought prosperity.

#### MR NORMAN'S RETIREMENT

An event of much interest to the banking world is the impending change in the governorship of the Bank of England. Mr Norman's unrivalled experience, his wise counsel and kindly help were always available to us, and in acknowledging—as we do with gratitude—our indebtedness to him we wish him many peaceful years in which to enjoy a rest from his strenuous labours. His successor, Lord Catto—himself a director for some years of the Mercantile Bank of India—has an intimate knowledge of Indian affairs through his connection with the firm of Andrew Yule and Company, Calcutta. It is a matter of much satisfaction to us to know that, in losing officially one good friend, we have in his successor one well qualified to appreciate the problems which may confront Indian banking in the future.

#### TRIBUTE TO STAFF

Last year I mentioned that the increase of ill-health among members of the overseas staff was a cause for anxiety, and naturally a further year of wartime working has not improved matters in that respect. There are, however, indications that short periods of furlough may be possible before long, which must be welcome news to many, though, for the time being, an extra strain will be thrown on those of our depleted staff remaining in the East to carry on. In extending to the staff, both overseas and at head office, our warm thanks for their work on behalf of the bank, I assure them again that the directors realise a full measure of the difficult working conditions of these present times.

## TELEGRAPH CONSTRUCTION AND MAINTENANCE COMPANY, LIMITED

### IMPROVED RESULTS

The annual general meeting of this company was held, on the 18th instant, in London, Mr Colin F. Campbell (chairman of the company) presiding.

The following is an extract from the statement by the chairman, which had been circulated with the report and accounts, and was taken as read: The balance of the trading account shows an amount of £375,114, which compares with £320,709 last year. This increase in these days means, of course, further taxation, and to meet this liability a sum of £323,642 has been put aside, leaving a balance of £51,488 on profit and loss account. From this balance the directors have decided to transfer a sum of £30,000 to reserve for contingencies, which leaves a balance of £21,488 8s. 2d., to which must be added the sum of £43,540 12s. 1d. carried forward from the previous year's account. An interim dividend of 5 per cent. was paid in July last, and the board now recommend a final dividend of 5 per cent., making a total of 10 per cent. for the year, the same as for 1942.

The works have again been occupied during the year well beyond their normal capacity, and the output is steadily increasing, which throws an ever greater strain on personnel and plant. In consequence, the maintenance of plant requires constant and close attention, and engineers have been allotted for this purpose.

Shareholders will see that a new associated company, Transformer Steels, Limited, is shown for the first time in the balance-sheet, and the board consider that it should have an important future after the cessation of hostilities.

The report and accounts were adopted.

## HALL TELEPHONE ACCESSORIES (1928), LIMITED

The sixteenth ordinary general meeting of this company was held, on the 20th instant, in London. Major the Hon. Oscar M. Guest, M.P. (chairman and managing director) presided.

The following is an extract from the chairman's statement published with the report: Once again a greater turnover than ever before has been attained; and it is noteworthy that an increase of about £256,000 in gross trading profit has been achieved, with a rise of only £8,000 in operating expenses.

The company's factories are fully engaged on essential work, and at present I have no reason to anticipate that this will change in the near future.

This year provision has been made for war contingencies by segregating the sum of £20,000 for that purpose. £20,000 has also been placed to general reserve, but, as a similar sum has been applied from reserve in reduction of the item patent rights and goodwill, the total of the general reserve remains at £130,000.

The report was adopted.

## RECORDS and STATISTICS

### INVESTMENT

#### Stock Exchanges: London

##### "FINANCIAL NEWS" INDICES

| 1944        | Total Bargains in S.E. List | Corres. Day 1943 | Security Indices |                | Yields      |             |
|-------------|-----------------------------|------------------|------------------|----------------|-------------|-------------|
|             |                             |                  | 30 Ord. shares*  | 20 Fixed Int.† | Old Consols | Ord. Shares |
| April 13... | 4,823                       | 5,682            | 104.9            | 134.4          | ...         | ...         |
| " 14...     | 4,848                       | 5,834            | 105.1            | 134.4          | ...         | ...         |
| " 17...     | 6,188                       | 7,050            | 105.1            | 134.4          | 3.16        | 3.98        |
| " 18...     | 4,838                       | 5,719            | 105.2            | 134.4          | 3.16        | 3.97        |
| " 19...     | 5,175                       | 5,318            | 105.3            | 134.4          | 3.16        | 3.97        |

\* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1944: highest, 105.3 (April 19); lowest, 103.0 (Feb. 28). 20 Fixed Int., 1944: highest, 135.4 (Feb. 23); lowest, 134.0 (Jan. 3).

#### New York

##### (WEEKLY AVERAGES) (1935-36=100)

|                   | 1944        |              | Mar. 29, 1944 | April 5, 1944 | April 12, 1944 |
|-------------------|-------------|--------------|---------------|---------------|----------------|
|                   | Low Mar. 15 | High Mar. 15 |               |               |                |
| Industrials ..... | 95.1 (a)    | 99.7         | 97.2          | 97.6          | 97.5           |
| Rails .....       | 88.9 (a)    | 101.2 (c)    | 97.9          | 98.5          | 99.5           |
| Utilities .....   | 85.0        | 88.9 (d)     | 87.6          | 87.6          | 87.8           |
| 9 Stocks .....    | 93.6 (a)    | 97.9         | 95.7          | 96.1          | 96.1           |
| 7. yield % .....  | 4.83 (e)    | 4.60         | 4.73          | 4.72          | 4.72           |

Common Stocks: (a) Feb. 9. (b) Jan. 5. (c) Mar. 22. (d) Mar. 8. (e) Feb. 23.

#### STANDARD STATISTICS INDICES

##### DAILY AVERAGE OF 50 COMMON STOCKS

| 1944  | Average (a) | Transactions (a) | 1944        | Average | Transactions |
|-------|-------------|------------------|-------------|---------|--------------|
|       |             |                  |             |         |              |
| 7...  | 118.6       | 365,000*         | April 11... | 118.7   | 732,000      |
| 8...  | 118.6       | 566,000          | " 12...     | 118.5   | 718,000      |
| 10... | 118.9       |                  | " 13...     | 117.8   | 660,000      |

\* High, 121.2 (Mar. 18). Low, 113.8 (Feb. 8). \* Two-hour session. † Good Friday.

#### Capital Issues

| Week ending              | Nominal Capital | Conversions | New Money |
|--------------------------|-----------------|-------------|-----------|
| April 22, 1944           | £43,259         | £...        | £475,484  |
| Permission to Deal ..... |                 |             |           |

Particulars of Government issues appear on page 563.

| Year†      | Including Conversions | Excluding Conversions |
|------------|-----------------------|-----------------------|
| 1944 ..... | 428,719,372           | 418,027,216           |
| 1943 ..... | 553,709,973           | 543,212,717           |

#### Destination\* Nature of Borrowing\*

| Year†      | U.K.        | Brit. Emp. ex. U.K. | Foreign Countries | Deb.        | Pref.     | Ord.      |
|------------|-------------|---------------------|-------------------|-------------|-----------|-----------|
| 1944 ..... | 417,696,495 | 330,721             | Nil               | 414,423,772 | 2,015,289 | 1,588,155 |
| 1943 ..... | 542,425,117 | 787,600             | Nil               | 538,399,975 | 809,337   | 4,302,906 |

\* Conversions Excluded. † Includes Government issues to April 11, 1944, only. Above figures include all new capital in which permission to deal has been granted.

## INDUSTRY AND TRADE

**Raw Cotton Prices Raised.**—The Ministry of Supply raised Cotton Control selling prices of raw cotton by 4½d. per lb., from April 17th. The price of American middling is now 12.75d. per lb. In April, 1941, the purchase and sale of raw cotton were taken over by the Ministry of Supply. Selling prices were fixed on the basis of the closing prices on the Liverpool market at the end of March, but subsequently the selling prices to spinners were reduced by 1½d. per lb. In view of the increases in the general purchase cost of cotton it has become necessary to raise the Control's selling prices. The selling prices of utility cotton cloths will, however, be maintained unchanged by means of a system of rebates to merchant converters on their utility cloths. The increase in cotton selling prices necessitates certain changes in the regulations controlling prices of cotton yarn and grey cloth. The price of controlled American-type yarn has since April 17th been arrived at by adding the prescribed margins to 12.75d. per lb. instead of 7.80d. per lb. as before. The increase of 4.95d. covers the increase in the selling prices of raw cotton plus allowance for additional waste loss. For controlled Egyptian-type yarn, provision is made for adjusting the prices of cotton purchased before April 17, 1944. Two new Orders made by the Minister of Supply came into force on April 17th. One changes the method of allowing for profit by combining the allowance for profit with the allowance for weaving expenses; the former provisions for a separate allowance have accordingly been revoked. At the same time adjustments were made in the allowances for profit in the light of recent investigations into the trading outcome. The other Order adjusts the table of profit allowances for sheetings so that the increases in costs which arise from the new raw cotton prices will not entail increases in profit. Contracts made before April 17, 1944, are not affected by the changes made under the new Direction and Orders. The effect of the increase in the prices of raw cotton is to bring them closer to United States prices.

**Ex-Service Men and Food Shops.**—The Minister of Food announced on April 18th the arrangements, which are already



in force, whereby ex-service men can return to their occupations as food traders. The condition that a food trader must be needed in the district before a licence can be granted is waived in the case of ex-service men provided they had a business of a similar kind to the one they propose to set up in the same area. This special facility will not be granted where an ex-service man sold his business. The rule that traders must have at least 25 registrations will not apply for the first three months an ex-service worker is in business, and for the first four weeks consumers will be permitted to transfer their registrations to such a trader without question. An initial credit of 3,000 food points will be made. These provisions apply to shops selling food by retail, and catering establishments, including hotels. They do not apply to milk distributors.

**Wholesale Co-operation.**—For the year ended January 8th the turnover of the Co-operative Wholesale Society reached a record of £166,834,649, being an increase of £9,439,311, or 5½ per cent. This included supplies from the federation's own productive works, totalling £49,968,923, an increase of £2,562,666, or 5½ per cent above 1942. The directors pay tribute to the improvement in Government control of supplies for consumers, but they are not satisfied with the working of the points rationing scheme for foodstuffs, and would prefer that "points" goods should be linked with rationed commodities so that consumers should be able to satisfy their needs at one shop. They are considering the problems of post-war development and will shortly convene conferences of retail societies to outline proposals for the future expansion of productive works and fuller recognition of the international position. The year 1943 marked a relative stability of trading conditions in the food departments. The sales of grocery and provisions for 1943 were £125,881,619, an increase of 7½ per cent; the agricultural department was responsible for an increase of 10½ per cent, rising to £3,255,358. But there were decreases in the coal, drapery, men's wear, boots and shoes, and furnishing sections ranging from 1 to 20 per cent. Sales to the Ministry of Food were more than double those of 1942, rising to £5,525,332; but the turnover of the exports and contracts department receded 10 per cent to £3,960,031. The CWS now owns and farms 19,032 acres, from which it made £160,902 profit. The largest productive output was from the flour mills, with a total of £10,778,927, followed by the creameries, £8,024,457; preserve works, £4,889,986; tobacco, £3,459,226; soap, £2,240,472; margarine, £1,703,368; cabinet and bedding, £1,532,637; men's clothing, £1,416,818, and boots and shoes £1,367,481. In the banking department the deposits and withdrawals were £1,075,236,123, an increase of £71,915,018. There are now 857 co-operative societies and 1,062 trade unions banking with the CWS. After meeting all expenses, depreciation, interest on capital and provision for taxation, the society made a profit of £4,845,869, and is giving its society members a dividend on purchases of 5d. in the £, plus a special bonus of 2½d. in the £. Some £243,848 is to be added to the reserve fund, which stood at £4,611,615 on January 8, 1944. The CWS Health Insurance Section has raised its membership to 671,024, and the fifth valuation of its funds reveals a surplus of £467,000. The sales of the seven distributive societies absorbed by the CWS Retail Co-operative Society for 1943 were £1,147,457 and the membership rose from 15,152 to 38,207. Ten other societies in Wales and the West of England linked with this society towards the end of the year, so that there are now 17 branches in trading operations.

## RETAIL FOOD PRICES

|                                                | Average price per lb. at |              |              | Per Cent. Increase since Sept. 1, 1939 |
|------------------------------------------------|--------------------------|--------------|--------------|----------------------------------------|
|                                                | Sept. 1, 1939            | Feb. 1, 1944 | Mar. 1, 1944 |                                        |
| Beef, British—                                 | s. d.                    | s. d.        | s. d.        |                                        |
| Ribs.....                                      | 0 2½                     | 1 3½         | 1 3½         | 11                                     |
| Thin Flank.....                                | 0 7½                     | 0 9½         | 0 9½         | 27                                     |
| Beef, chilled or frozen—                       |                          |              |              |                                        |
| Ribs.....                                      | 0 9½                     | 1 1          | 1 1          | 35                                     |
| Thin Flank.....                                | 0 4½                     | 0 6          | 0 6          | 23                                     |
| Mutton, British—                               |                          |              |              |                                        |
| Legs.....                                      | 1 3½                     | 1 5½         | 1 5½         | 13                                     |
| Breast.....                                    | 0 7½                     | 0 8          | 0 8          | 8                                      |
| Mutton, frozen—                                |                          |              |              |                                        |
| Legs.....                                      | 0 10½                    | 1 0          | 1 0          | 16                                     |
| Breast.....                                    | 0 4                      | 0 4          | 0 4          | —                                      |
| Bacon.....                                     | 1 3                      | 1 10½        | 1 10½        | 50                                     |
| Fish.....                                      | 0 11½                    | 1 2½         | 1 2½         | 29                                     |
| Flour (per 7 lb.).....                         | 0 8½                     | 0 9          | 0 9          | 9                                      |
| Bread (per 4 lb.).....                         | 2 4                      | 2 10         | 2 10         | 31                                     |
| Sugar (gran.).....                             | 0 3                      | 0 4          | 0 4          | 32                                     |
| Milk (per qt.).....                            | 0 6½                     | 0 9          | 0 9          | 32                                     |
| Butter.....                                    | 1 3½                     | 1 8          | 1 8          | 21                                     |
| Butter (salt).....                             | 1 4½                     | 1 1          | 1 1          | 31                                     |
| Cheese.....                                    | 0 10                     | 0 9          | 0 9          | 30                                     |
| Margarine, special.....                        | 0 6½                     | 0 5          | 0 5          | 12                                     |
| standard.....                                  | 0 12                     | 0 1½         | 0 1½         | —                                      |
| Eggs, fresh (each).....                        | 0 2                      | 0 2          | 0 2          | 1                                      |
| Potatoes (per 7 lb.).....                      | 0 6½                     | 0 7          | 0 7          | 6                                      |
| Index all foods weighted (July, 1914=100)..... | 138                      | 188          | 188          | 22                                     |

Source: Ministry of Labour Gazette.

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

|                     | April 13, 1944 | April 14, 1944 | April 17, 1944 | April 18, 1944 | April 19, 1944 |
|---------------------|----------------|----------------|----------------|----------------|----------------|
| Crops.....          | 123.2          | 122.9          | 135.6          | 135.6          | 135.6          |
| Raw materials.....  | 185.5          | 185.5          | 185.5          | 185.5          | 185.5          |
| Complete Index..... | 151.2          | 151.1          | 158.8          | 158.8          | 158.8          |
|                     | Mar. 31, 1937* | Aug. 31, 1939  | April 19, 1943 | Mar. 20, 1944  | April 12, 1944 |
| Crops.....          | 147.9          | 92.2           | 117.3          | 123.2          | 123.2          |
| Raw materials.....  | 207.3          | 122.9          | 182.3          | 185.5          | 185.5          |
| Complete Index..... | 175.1          | 108.4          | 148.2          | 151.2          | 151.2          |

\* Highest level reached during 1932-37 recovery.

## FINANCE AND BANKING

**THE MONEY MARKET.**—Rather mixed conditions have been experienced in the money market this week. Credit began in abundant supply on Monday, the position being helped by the mid-April dividend disbursements. By Tuesday the effect of heavy calling by one bank, which was making up on that day, was sufficient to call for special assistance through official purchases of bills. By Wednesday the position had been completely reversed and redundant credit was actually being mopped up by small official sales of bills. The turnover of money has been considerable, being helped by heavy floating debt borrowing. Not only did the market have to take up £10,000,000 more Treasury bills than were maturing (next week's excess will be £20,000,000) but the T.D.R. call of £100,000,000 was about £45,000,000 in excess of the effective maturities. The Bank return reflects the easier credit conditions experienced in the latter part of the week by an expansion of £9,198,000 in bankers' deposits. The main counterpart to this movement is a rise of £8,180,000 in other securities. A fall of £2,180,000 in Government securities is approximately offset by a contraction of £2,792,000 in the note circulation—a very modest movement after the considerable expansion of the preceding four weeks.

**MONEY RATES, LONDON.**—The following rates remained unchanged between April 14th and April 20th:—

Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days, 1½%; 3 months, 1½%; 4 months, 1½%; 6 months, 1½%. Treasury Bills: 2 months, 1½%; 3 months, 1½%. Day-to-day money, 1½%. Short Loans, 1½%. Bank deposit rates, 1%. Discount deposit at call, 1%; at notice, 1%.

**Exchange Rates.**—The following rates fixed by the Bank of England remained unchanged between April 14th and April 20th. (Figures in brackets are par of exchange.)

United States. \$ (4-86) 4-02½-03½; mail transfers 4-02½-03½. Canada. \$ (4-86) 4-43-47; mail transfers 4-43-47. Switzerland. Francs (25-28) 17-30-40. French Empire. Francs 197½-200½. Syria. p. 8-81-85. Sweden. Krona (18-169) T.T. 16-85-95. Dutch West Indies. Florin (12-11) 7-58-62. Portugal. Escudos (110) 99-80-100-20; mail transfers 99-80-100-30. Panama. P. 83-56-64; mail transfers 4-02-04. Brazil. 83-64½ cr. (buying); mail transfers 83-56-64. Uruguay. 7-6597 p. (buying).

**Fixed Rates for Payment at Bank of England for Clearing Offices.** Spain. Pesetas 44-00. Turkey. Plasteres 520. Italy. 71-25 lire.

**Market Rates.**—The following rates remained unchanged between April 14th and April 20th.

Egypt. Plasteres (97½) 97½-1. India. Rupee (184. per rupee) 17½-18½. C. de la India. Francs 176½-1. China. National \$ 3-3½. Iran. R. 128-130.

**Special Accounts** are in force for Chile, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London. Rate for payment into Argentine special account: 16-12 pesos.

**Forward Rates.**—Forward rates for one month have remained unchanged as follows: United States. 1 cent pm-par. Canada. 1 cent pm-par. Switzerland 3 cents pm-par. Sweden 3 ore pm-par.

## NEW YORK EXCHANGE RATES

|                     | New York on | April 12 | April 13 | April 14 | April 15 | April 17 | April 18 | April 19 |
|---------------------|-------------|----------|----------|----------|----------|----------|----------|----------|
| Cables—             |             |          |          |          |          |          |          |          |
| London.....         | 402½        | 402½     | 402½     | 402½     | 402½     | 402½     | 402½     | 402½     |
| Montreal.....       | 89-375      | 90-250   | 90-250   | 90-250   | 90-250   | 90-310   | 90-310   | 90-250   |
| Zurich.....         | 27-00       | 27-00    | 27-00    | 27-00    | 27-00    | 27-00    | 27-00    | 27-00    |
| Buenos Aires.....   | 24-88*      | 24-88*   | 24-88*   | 24-88*   | 24-88*   | 24-88*   | 24-88*   | 24-88*   |
| Rio de Janeiro..... | 5-16        | 5-16     | 5-16     | 5-16     | 5-16     | 5-16     | 5-16     | 5-16     |
| Lisbon.....         | 4-10        | 4-10     | 4-10     | 4-10     | 4-10     | 4-10     | 4-10     | 4-10     |
| Barcelona.....      | 9-20        | 9-20     | 9-20     | 9-20     | 9-20     | 9-20     | 9-20     | 9-20     |
| Stockholm.....      | 23-86       | 23-86    | 23-86    | 23-86    | 23-86    | 23-86    | 23-86    | 23-86    |

\* Official Buying Rate 29-78. † Free Rate. § Bid.

CLEARING BANK COMPARATIVE FIGURES  
(£ million)

|                                              | Mar. 1943 | Nov. 1943 | Dec. 1943 | Jan. 1944 | Feb. 1944 | Mar. 1944 |
|----------------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Capital and reserves.....                    | 140.9     | 140.9     | 142.5     | 142.4     | 142.5     | 142.5     |
| Acceptances, etc.....                        | 92.0      | 102.4     | 100.6     | 100.8     | 99.4      | 97.8      |
| Notes in circulation.....                    | 1.6       | 1.6       | 1.5       | 1.5       | 1.5       | 1.4       |
| Current, deposit and other accounts.....     | 3,541.9   | 3,864.5   | 4,031.7   | 3,962.2   | 3,896.8   | 3,988.2   |
| Total liabilities.....                       | 3,776.4   | 4,109.4   | 4,276.3   | 4,206.9   | 4,140.2   | 4,229.9   |
| Cash.....                                    | 376.5     | 402.9     | 422.2     | 415.8     | 414.2     | 423.4     |
| Cheques, balances, and items in transit..... | 137.2     | 122.2     | 200.6     | 133.7     | 130.0     | 135.6     |
| Money at call.....                           | 139.3     | 154.6     | 151.0     | 157.4     | 149.6     | 154.8     |
| Discounts.....                               | 172.5     | 183.9     | 132.6     | 138.1     | 123.5     | 113.1     |
| Treasury deposit receipts.....               | 883.5     | 1,186.5   | 1,307.0   | 1,305.0   | 1,264.0   | 1,331.0   |
| Investments.....                             | 1,132.4   | 1,166.9   | 1,153.6   | 1,148.6   | 1,141.0   | 1,136.2   |
| Loans and Advances.....                      | 776.6     | 724.0     | 743.0     | 741.8     | 752.7     | 772.2     |
| Investments in affiliated banks.....         | 23.9      | 23.9      | 24.1      | 24.1      | 24.1      | 24.1      |
| Cover for acceptances, premises, etc.....    | 134.5     | 144.6     | 142.2     | 142.4     | 141.1     | 139.5     |
| Total assets.....                            | 3,776.4   | 4,109.4   | 4,276.3   | 4,206.9   | 4,140.2   | 4,229.9   |

## GOVERNMENT RETURNS

For the week ended April 15, 1944, total ordinary revenue was £35,750,000, against ordinary expenditure of £110,171,000, and issues to sinking funds of £30,000. Thus, including sinking fund allocations £102,965, the deficit accrued since April 1st is £135,117,000 against £202,584,000 for the corresponding period a year ago.

## ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

| Revenue                         | Receipts into the Exchequer (£ thousands) |                           |                           |                           |
|---------------------------------|-------------------------------------------|---------------------------|---------------------------|---------------------------|
|                                 | April 1 to April 17, 1943                 | April 1 to April 15, 1944 | Week ended April 17, 1943 | Week ended April 15, 1944 |
| ORDINARY REVENUE                |                                           |                           |                           |                           |
| Income Tax.....                 | 44,696                                    | 34,419                    | 14,979                    | 14,938                    |
| Sur-tax.....                    | 3,002                                     | 2,350                     | 902                       | 900                       |
| Estate, etc.....                | 5,103                                     | 5,375                     | 2,290                     | 2,420                     |
| Duties.....                     | 30                                        | 150                       | 30                        | —                         |
| Stamps.....                     | 1,208                                     | 862                       | 550                       | 392                       |
| N.D.C.....                      | 18,436                                    | 16,164                    | 6,880                     | 4,966                     |
| E.P.T.....                      | 20                                        | —                         | 10                        | —                         |
| Other Inland Rev.....           | —                                         | —                         | —                         | —                         |
| Total Inland Rev.....           | 72,495                                    | 59,320                    | 25,641                    | 23,616                    |
| Customs.....                    | 22,013                                    | 18,748                    | 7,398                     | 8,064                     |
| Excise.....                     | 9,400                                     | 6,500                     | 4,900                     | 2,400                     |
| Total Customs & Excise.....     | 31,413                                    | 25,248                    | 12,298                    | 10,464                    |
| Motor Duties.....               | 881                                       | 884                       | 249                       | 443                       |
| Post Office (Net Receipts)..... | Dr 400                                    | —                         | 200                       | —                         |
| Wireless Licences.....          | —                                         | —                         | —                         | —                         |
| Crown Lands.....                | —                                         | —                         | —                         | —                         |
| Receipts from Sundry Loans..... | 216                                       | 61                        | —                         | 61                        |
| Miscell. Receipts.....          | 2,646                                     | 1,745                     | 1,675                     | 1,166                     |
| Total Ord. Rev.....             | 107,251                                   | 87,258                    | 40,063                    | 35,750                    |
| SELF-BALANCING "O. & Brdcastg." | 4,400                                     | 3,400                     | 1,400                     | 1,700                     |
| total.....                      | 111,651                                   | 90,658                    | 41,463                    | 37,450                    |

Issues out of the Exchequer to meet payments (£ thousands)

| Expenditure                     | April 1 to April 17, 1943 | April 1 to April 15, 1944 | Week ended April 17, 1943 | Week ended April 15, 1944 |
|---------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| ORDINARY EXPENDITURE            |                           |                           |                           |                           |
| £ & Man. of Nat. Debt.....      | 33,649                    | 35,539                    | 13,222                    | 14,971                    |
| Payments to N. Ireland.....     | —                         | —                         | —                         | —                         |
| Her Cons. Fund Services.....    | 33                        | 33                        | —                         | —                         |
| total.....                      | 33,682                    | 35,572                    | 13,222                    | 14,971                    |
| Ply Services.....               | 275,800                   | 186,700                   | 108,800                   | 95,200                    |
| total Ord. Exp.....             | 309,482                   | 222,272                   | 122,022                   | 110,171                   |
| Sinking Funds.....              | 553                       | 103                       | 140                       | 50                        |
| total.....                      | 309,835                   | 222,375                   | 122,162                   | 110,201                   |
| SELF-BALANCING "O. & Brdcastg." | 4,400                     | 3,400                     | 1,400                     | 1,700                     |
| total.....                      | 314,235                   | 225,775                   | 123,562                   | 111,901                   |

A change has been made in the method of showing excess of Post Office Expenditure over Post Office revenue. Such excess is now included as ordinary expenditure (under "Total Supply Services") instead of as shown, as up to July 24 inclusive, as a deduction in ordinary revenue.

After decreasing Exchequer balances by £5,381 to £2,752,451, the other operations of the week (no longer shown separately) set the gross National Debt by £1,041,079 to £19,727 million after owing for £15 million for sinking funds 1943-44.

NET ISSUES (£ thousands)

and Telegraph..... 150  
Treas. Trade Guarantees..... 57  
total..... 207

NET RECEIPTS (£ thousands)

Settlement Acts..... 12

## FLOATING DEBT

| Date          | Treasury Bills |         | Ways and Means Advances |                 | Treasury Deposits by Banks | Total Floating Debt |
|---------------|----------------|---------|-------------------------|-----------------|----------------------------|---------------------|
|               | Tender         | Tap     | Public Depts.           | Bank of England |                            |                     |
| 1943          |                |         |                         |                 |                            |                     |
| April 17 1944 | 980.0          | —       | —                       | —               | —                          | —                   |
| Jan. 15 1944  | 1200.0         | —       | —                       | —               | —                          | —                   |
| " 22 1944     | 1190.0         | —       | —                       | —               | —                          | —                   |
| " 29 1944     | 1180.0         | 1936.2  | 290.6                   | 1390.0          | 4796.8                     | —                   |
| Feb. 5 1944   | 1170.0         | —       | —                       | —               | —                          | —                   |
| " 12 1944     | 1170.0         | —       | —                       | —               | —                          | —                   |
| " 19 1944     | 1170.0         | —       | —                       | —               | —                          | —                   |
| " 26 1944     | 1170.0         | 1946.9  | 340.3                   | 1376.0          | 4865.5                     | —                   |
| Mar. 4 1944   | 1170.0         | —       | —                       | —               | —                          | —                   |
| " 11 1944     | 1170.0         | —       | —                       | —               | —                          | —                   |
| " 18 1944     | 1170.0         | —       | —                       | —               | —                          | —                   |
| " 25 1944     | 1170.0         | —       | —                       | —               | —                          | —                   |
| " 31 1944     | 1170.0         | 3,149.1 | 394.5                   | 1389.5          | 4933.1                     | —                   |
| April 6 1944  | 1170.0         | —       | —                       | —               | —                          | —                   |
| " 14 1944     | 1170.0         | —       | —                       | —               | —                          | —                   |

## TREASURY BILLS

| Date of Tender | Amount  |             | Average Rate of Allotment | Per Cent. Allotted at Min. Rate |
|----------------|---------|-------------|---------------------------|---------------------------------|
|                | Offered | Applied for |                           |                                 |
| 1943           |         |             |                           |                                 |
| April 16 1944  | 85.0    | 159.2       | 85.0                      | 20 2-77                         |
| Jan. 14 1944   | 90.0    | 202.5       | 90.0                      | 20 2-50                         |
| " 21 1944      | 90.0    | 202.0       | 90.0                      | 20 2-54                         |
| " 28 1944      | 90.0    | 193.2       | 90.0                      | 20 1-48                         |
| Feb. 4 1944    | 90.0    | 203.3       | 90.0                      | 20 0-88                         |
| " 11 1944      | 90.0    | 206.5       | 90.0                      | 20 0-88                         |
| " 18 1944      | 90.0    | 199.4       | 90.0                      | 20 1-82                         |
| " 25 1944      | 90.0    | 191.0       | 90.0                      | 20 1-28                         |
| Mar. 3 1944    | 90.0    | 201.7       | 90.0                      | 19 11-86                        |
| " 10 1944      | 90.0    | 190.1       | 90.0                      | 20 0-34                         |
| " 17 1944      | 90.0    | 177.2       | 90.0                      | 19 11-84                        |
| " 24 1944      | 90.0    | 176.9       | 90.0                      | 20 0-36                         |
| " 31 1944      | 90.0    | 190.5       | 90.0                      | 20 2-20                         |
| April 6 1944   | 90.0    | 211.8       | 90.0                      | 20 2-74                         |
| " 14 1944      | 100.0   | 209.1       | 100.0                     | 20 2-58                         |

On April 14th applications at £99 14s. 11d. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday, Friday and Saturday of following week were accepted as to about 30 per cent. of the amount applied

## OVERSEAS BANK RETURNS

U.S. FEDERAL RESERVE  
Million \$'s

|                                             | April 15, 1943 | Mar. 30, 1944 | April 6, 1944 | April 13, 1944 |
|---------------------------------------------|----------------|---------------|---------------|----------------|
| 12 U.S.F.R. BANKS                           |                |               |               |                |
| Resources                                   |                |               |               |                |
| Gold certifi. on hand and due from Treasury | 20,294         | 19,134        | 19,084        | 19,012         |
| Total reserves                              | 20,696         | 19,743        | 19,658        | 19,588         |
| Total cash reserves                         | 359            | 318           | 295           | 287            |
| Total U.S. Govt. sec.                       | 6,705          | 12,297        | 12,332        | 12,648         |
| Total loans and sec.                        | 6,730          | 12,390        | 12,388        | 12,716         |
| Total resources                             | 29,497         | 34,093        | 33,853        | 34,296         |
| LIABILITIES                                 |                |               |               |                |
| F.R. notes in circ.                         | 12,905         | 17,499        | 17,636        | 17,707         |
| Excess m. bank res.                         | 2,160          | 600           | 900           | 1,000          |
| M. bank res. dep.                           | 13,144         | 12,053        | 12,277        | 12,604         |
| Govt. deposits                              | 128            | 753           | 426           | 274            |
| Total deposits                              | 14,648         | 14,724        | 14,504        | 14,701         |
| Total liabilities                           | 29,497         | 34,093        | 33,853        | 34,296         |
| Reserve ratio                               | 75.1%          | 61.3%         | 61.2%         | 60.4%          |
| BANK AND TREASURY RESOURCES                 |                |               |               |                |
| Monetary gold stock                         | 22,501         | 21,600        | 21,540        | 21,479         |
| Treasury & bank currency                    | 4,002          | 4,092         | 4,093         | 4,093          |
| LIABILITIES                                 |                |               |               |                |
| Money in circulation                        | 16,424         | 21,037        | 21,191        | 21,295         |
| Treasury cash and dep.                      | 2,363          | 3,082         | 2,773         | 2,601          |

## AUSTRALIAN COMMONWEALTH BANK—Million £A's

|                           | Feb. 15, 1943 | Jan. 31, 1944 | Feb. 7, 1944 | Feb. 14, 1944 |
|---------------------------|---------------|---------------|--------------|---------------|
| ASSETS                    |               |               |              |               |
| Gold and English ster.    | 32.64         | 41.79         | 43.04        | 43.04         |
| Other coin, bullion, etc. | 8.88          | 10.46         | 11.37        | 11.36         |
| Call money, London        | 44.14         | 54.31         | 63.02        | 64.48         |
| Secr. and Treas. bills    | 184.74        | 248.82        | 244.70       | 243.94        |
| Discounts and advances    | 24.94         | 25.64         | 26.34        | 26.81         |
| LIABILITIES               |               |               |              |               |
| Notes issued              | 126.11        | 163.26        | 166.01       | 166.26        |
| Deposits, etc.            | 168.37        | 181.54        | 185.90       | 181.81        |

RESERVE BANK OF INDIA  
Million rupees

|                      | April 1943 | Mar. 1944 | Mar. 1944 | Mar. 1944 |
|----------------------|------------|-----------|-----------|-----------|
| ASSETS               |            |           |           |           |
| Gold coin & bullion  | 444        | 444       | 444       | 444       |
| Rupee coin           | 142        | 118       | 118       | 126       |
| Balances abroad      | 842        | 1,501     | 1,543     | 1,662     |
| Sterling securities  | 4,477      | 7,768     | 7,798     | 7,798     |
| Ind. Govt. rup. sec. | 1,545      | 583       | 583       | 583       |
| Investments          | 56         | 86        | 86        | 87        |
| LIABILITIES          |            |           |           |           |
| Notes in circ. India | 6,514      | 8,834     | 8,854     | 8,825     |
| Burma                | 361        | 827       | 885       | 853       |
| Deposits: Govt.      | 411        | 552       | 554       | 635       |
| Banks                | 411        | 552       | 554       | 635       |
| Reserve ratio        | 74.5%      | 92.2%     | 92.2%     | 92.1%     |

BANK OF CANADA  
Million Can. \$'s

|                      | Mar. 17, 1943 | Mar. 1, 1944 | Mar. 8, 1944 | Mar. 15, 1944 |
|----------------------|---------------|--------------|--------------|---------------|
| ASSETS               |               |              |              |               |
| Reserve: Gold        | 0.3           | 0.19         | 0.19         | 0.06          |
| Other                | 998.0         | 1300.97      | 1321.93      | 1331.13       |
| LIABILITIES          |               |              |              |               |
| Note circulation     | 707.9         | 876.04       | 881.57       | 884.78        |
| Deposits: Dom. Govt. | 17.2          | 40.97        | 70.13        | 49.98         |
| Chartered banks      | 247.1         | 354.36       | 353.18       | 364.72        |

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

SOUTH AFRICAN RESERVE BANK  
Million £'s

|                          | Feb. 12, 1943 | Jan. 28, 1944 | Feb. 4, 1944 | Feb. 11, 1944 |
|--------------------------|---------------|---------------|--------------|---------------|
| ASSETS                   |               |               |              |               |
| Gold coin and bullion    | 66.28         | 86.91         | 87.73        | 88.07         |
| Bills discounted         | 26.22         | 14.25         | 14.22        | 14.72         |
| Invest. and other assets | 66.36         | 94.21         | 92.89        | 93.79         |
| LIABILITIES              |               |               |              |               |
| Notes in circulation     | 37.25         | 49.01         | 49.21        | 47.80         |
| Deposits: Government     | 5.84          | 11.78         | 9.86         | 11.65         |
| Bankers'                 | 107.77        | 126.63        | 126.97       | 130.21        |
| Others                   | 3.79          | 4.47          | 4.39         | 3.64          |
| Reserve ratio            | 43.3%         | 45.9%         | 45.9%        | 45.7%         |

## MONTHLY STATEMENT OF BALANCES OF LONDON CLEARING BANKS

000's omitted

| MARCH, 1944                                                                                   | Barclays Bank Ltd. | Coutts & Co. | District Bank Ltd. | Glyn, Mills & Co. | Lloyds Bank Ltd. | Martins Bank Ltd. | Midland Bank Ltd. | National Bank Ltd. | National Provincial Bank Ltd. | Westminster Bank Ltd. | Williams & Deacons Bank Ltd. | Aggregate |
|-----------------------------------------------------------------------------------------------|--------------------|--------------|--------------------|-------------------|------------------|-------------------|-------------------|--------------------|-------------------------------|-----------------------|------------------------------|-----------|
| Date                                                                                          | 28th               | 27th         | 29th               | 21st              | 21st             | 29th              | 29th              | 28th               | 29th                          | 23rd                  | 20th                         |           |
| ASSETS                                                                                        |                    |              |                    |                   |                  |                   |                   |                    |                               |                       |                              |           |
| Coin, Bank Notes and Balances with the Bank of England                                        | 86,863             | 8,933        | 15,782             | 6,078             | 78,561           | 18,797            | 90,212            | 5,392              | 54,393                        | 55,654                | 7,768                        | 423,433   |
| Balances with and Cheques in course of collection on other Banks in Great Britain and Ireland | 24,676             | 2,956        | 4,341              | 2,029             | 20,506           | 6,655             | 27,002            | 214                | 18,175                        | 18,235                | 3,674                        | 126,463   |
| Items in Transit                                                                              | 17,302             | 5,238        | 5,613              | 6,982             | 26,930           | 6,015             | 36,123            | 7,523              | 16,070                        | 21,374                | 5,776                        | 154,813   |
| Bills Discounted                                                                              | 20,164             | 5,615        | 6,982              | 6,982             | 26,930           | 4,087             | 34,338            | 844                | 15,344                        | 12,847                | 587                          | 113,144   |
| Treasury Deposit Receipts                                                                     | 300,000            | 4,515        | 45,000             | 8,000             | 24,000           | 54,000            | 233,000           | 1,000              | 171,000                       | 183,500               | 20,000                       | 1,331,000 |
| Investments                                                                                   | 212,543            | 15,245       | 57,078             | 20,199            | 209,124          | 59,464            | 233,413           | 24,418             | 126,712                       | 152,920               | 25,055                       | 1,136,205 |
| Advances to Customers and other A/c's                                                         | 162,804            | 8,511        | 21,391             | 10,135            | 128,240          | 31,525            | 164,281           | 14,286             | 121,346                       | 97,804                | 11,922                       | 772,245   |
| Liabilities to Customers for Acceptances, Endorsements, etc.                                  | 15,610             | 1,267        | 3,027              | 5,625             | 21,181           | 9,047             | 13,760            | 367                | 11,026                        | 14,569                | 2,347                        | 97,826    |
| Bank Premises Account                                                                         | 7,905              | 405          | 1,363              | 695               | 6,682            | 2,877             | 8,591             | 488                | 6,855                         | 4,902                 | 878                          | 41,641    |
| Investments in Affiliated Banks and Subsidiary Companies                                      | 6,222              | ...          | ...                | ...               | 3,776            | ...               | 8,557             | ...                | 2,514                         | 2,992                 | ...                          | 24,061    |
|                                                                                               | 854,089            | 41,442       | 159,210            | 60,960            | 765,687          | 192,467           | 915,337           | 54,532             | 543,435                       | 564,797               | 77,977                       | 4,229,933 |
| Ratio of Cash to Current, Deposit and other Accounts                                          | 10.71              | 10.30        | 10.51              | 11.38             | 10.93            | 10.71             | 10.33             | 10.77              | 10.59                         | 10.47                 | 10.68                        | 10.6      |
| LIABILITIES                                                                                   |                    |              |                    |                   |                  |                   |                   |                    |                               |                       |                              |           |
| Capital Paid up                                                                               | 15,858             | 1,000        | 2,976              | 1,060             | 15,810           | 4,160             | 15,159            | 1,500              | 9,479                         | 9,320                 | 1,875                        | 78,115    |
| Reserve Fund                                                                                  | 11,250             | 1,000        | 2,976              | 850               | 10,000           | 3,800             | 13,410            | 1,190              | 9,479                         | 9,320                 | 1,000                        | 64,232    |
| Current, Deposit and other Accounts                                                           | 811,371            | 38,175       | 150,231            | 53,425            | 718,683          | 175,440           | 873,008           | 50,061             | 513,451                       | 531,572               | 72,755                       | 3,988,117 |
| Acceptances, Endorsements, etc.                                                               | 15,610             | 1,267        | 3,027              | 5,625             | 21,181           | 9,047             | 13,760            | 367                | 11,026                        | 14,569                | 2,347                        | 97,826    |
| Notes in Circulation                                                                          | ...                | ...          | ...                | ...               | 13               | 20                | ...               | 1,414              | ...                           | 16                    | ...                          | 1.4       |
|                                                                                               | 854,089            | 41,442       | 159,210            | 60,960            | 765,687          | 192,467           | 915,337           | 54,532             | 543,435                       | 564,797               | 77,977                       | 4,229,933 |

## UNITED STATES: MONTHLY STATISTICS

|                                                                                   | Unit of Measurement | Monthly Average |       |        |        |        |        | 1943   |        |        |        |        |        | 1944   |        |        |       |
|-----------------------------------------------------------------------------------|---------------------|-----------------|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|
|                                                                                   |                     | 1929            | 1932  | 1939   | 1940   | 1941   | 1942   | 1943   | Jan.   | Feb.   | Mar.   | Oct.   | Nov.   | Dec.   | Jan.   | Feb.   | Mar.  |
| Population June, 1940: 131,954,000; Area: 3,026,789 sq. miles; 7,839,432 sq. kms. |                     |                 |       |        |        |        |        |        |        |        |        |        |        |        |        |        |       |
| 1. Industrial production, adj. F.R.B.                                             | 1935-39=100         | 110             | 58    | 108    | 122    | 155    | ...    | 227    | 232    | 235    | 247    | 247    | 245    | 242    | 243    | ...    |       |
| 2. " unadj. F.R.B.                                                                |                     | 110             | 58    | 109    | 125    | 162    | 199    | 239    | 223    | 229    | 232    | 249    | 247    | 243    | 238    | 240    | ...   |
| 3. Manufactures, dur. adj. F.R.B.                                                 |                     | 132             | 41    | 109    | 139    | 201    | 279    | 361    | 336    | 344    | 351    | 375    | 377    | 374    | 366    | 368    | ...   |
| 4. " non-dur., adj. F.R.B.                                                        |                     | 93              | 70    | 109    | 115    | 142    | 158    | 176    | 171    | 174    | 174    | 179    | 179    | 175    | 174    | 175    | ...   |
| 5. Minerals, adj. F.R.B.                                                          |                     | 107             | 67    | 106    | 117    | 125    | 129    | 132    | 125    | 131    | 133    | 136    | 133    | 139    | 139    | 142    | ...   |
| Building contracts awarded:—                                                      |                     |                 |       |        |        |        |        |        |        |        |        |        |        |        |        |        |       |
| 6. Total, adj. F.R.B.                                                             | 1923-25=100         | 117             | 28    | 72     | 81     | 122    | 166    | 68     | 145    | 102    | 85     | 49     | 60     | 62     | 56     | 43     | ...   |
| 7. Residential, adj. F.R.B.                                                       |                     | 87              | 13    | 60     | 72     | 89     | 81     | 40     | 79     | 56     | 42     | 34     | 37     | 36     | 30     | 19     | ...   |
| 8. Other, adj. F.R.B.                                                             |                     | 142             | 40    | 81     | 89     | 149    | 236    | 92     | 138    | 140    | 119    | 61     | 78     | 84     | 77     | 63     | ...   |
| 9. Freight-car loadings, adj. F.R.B.                                              | 1935-39=100         | 152             | 78    | 101    | 109    | 130    | 138    | 137    | 135    | 139    | 138    | 137    | 139    | 144    | 145    | 148    | ...   |
| 10. Dept. store sales, adj. F.R.B.                                                | 1923-25=100         | 111             | 69    | 90     | 94     | 110    | 124    | 138    | 143    | 168    | 136    | 140    | 158    | 150    | 151    | 151    | ...   |
| Employment:—                                                                      |                     |                 |       |        |        |        |        |        |        |        |        |        |        |        |        |        |       |
| 11. Non-agricultural, adj. F.R.B.                                                 | '000                | ...             | ...   | 29,757 | 30,992 | 34,409 | 36,985 | ...    | 38,791 | 38,821 | 38,656 | 37,942 | 38,166 | 37,987 | 37,829 | 37,657 | ...   |
| 12. " unadj. B.L.S.                                                               |                     | ...             | ...   | ...    | ...    | ...    | 36,976 | ...    | 37,862 | 37,958 | 38,115 | 38,273 | 38,292 | 38,335 | 37,229 | 37,047 | ...   |
| 13. " adj. F.R.B.                                                                 | 1939=100            | 106.0           | 77.6  | 100.0  | 104.2  | 115.6  | 124.2  | 128.5  | 130.4  | 130.5  | 129.9  | 127.5  | 128.3  | 127.7  | 127.1  | 126.5  | ...   |
| 14. Factory, adj. F.R.B.                                                          |                     | ...             | ...   | ...    | ...    | ...    | ...    | ...    | 165.8  | 167.4  | 168.1  | 170.1  | 170.7  | 169.4  | 166.6  | ...    | ...   |
| 15. " unadj. F.R.B.                                                               |                     | 106.1           | 66.4  | 100.0  | 107.5  | 132.1  | 152.3  | 168.7  | 164.8  | 166.4  | 167.6  | 170.5  | 170.7  | 169.7  | 165.7  | ...    | ...   |
| 16. " payrolls, unadj. F.R.B.                                                     |                     | 119.8           | 50.7  | 100.0  | 114.5  | 167.5  | 242.3  | ...    | 290.9  | 297.5  | 304.5  | 332.7  | 336.2  | 328.5  | 327.2  | ...    | ...   |
| 17. Average hourly earnings, B.L.S.                                               | Number              | ...             | ...   | ...    | ...    | ...    | ...    | ...    | 44.2   | 44.5   | 44.8   | 45.4   | 45.5   | 44.9   | 45.1   | ...    | ...   |
| 18. " hourly earnings, B.L.S.                                                     | Cents               | ...             | 45.8  | 64.4   | 67.0   | 73.6   | ...    | ...    | 91.9   | 92.4   | 93.4   | 98.9   | 99.5   | 100.1  | ...    | ...    | ...   |
| 19. Cost of living, F.R.B.                                                        | 1945-39=100         | 122.5           | 97.6  | 99.4   | 100.2  | 105.2  | 116.5  | 123.6  | 120.7  | 121.0  | 122.8  | 124.4  | 124.2  | 124.4  | 124.1  | 123.7  | ...   |
| Wholesale prices:—                                                                |                     |                 |       |        |        |        |        |        |        |        |        |        |        |        |        |        |       |
| 20. Farm products, B.L.S.                                                         | 1926=100            | 104.9           | 48.2  | 65.3   | 67.7   | 82.4   | 105.9  | ...    | 117.0  | 119.0  | 122.8  | 122.2  | 121.4  | 121.8  | 121.8  | 122.5  | ...   |
| 21. Foods, B.L.S.                                                                 |                     | 99.9            | 60.1  | 70.4   | 71.3   | 82.7   | 99.6   | ...    | 105.2  | 105.8  | 107.4  | 105.1  | 105.8  | 105.6  | 104.9  | 104.5  | ...   |
| 22. Other commodities, B.L.S.                                                     |                     | 91.6            | 70.2  | 81.3   | 83.0   | 89.0   | 95.8   | ...    | 96.0   | 96.2   | 96.5   | 97.3   | 97.4   | 97.6   | 97.8   | 98.0   | ...   |
| 23. Wholesale com./dity prices, unadj., F.R.B.                                    |                     | 96.3            | 64.8  | 77.1   | 78.6   | 87.3   | 98.8   | 103.1  | 101.9  | 102.5  | 103.4  | 103.0  | 102.9  | 103.2  | 103.3  | 103.6  | 103   |
| Bank Debts:—                                                                      |                     |                 |       |        |        |        |        |        |        |        |        |        |        |        |        |        |       |
| 24. Total, all reporting centres                                                  | Million \$          | 81,878          | ...   | 35,328 | 37,185 | 44,783 | 53,481 | 66,078 | 57,972 | 54,872 | 65,782 | 66,266 | 65,025 | 76,499 | ...    | ...    | ...   |
| 25. New York City                                                                 |                     | 50,257          | ...   | 14,265 | 14,299 | 14,810 | 18,905 | 24,697 | 21,437 | 21,112 | 24,062 | 23,990 | 23,327 | 28,936 | ...    | ...    | ...   |
| 26. Gold stock                                                                    |                     | 3,996           | 3,952 | 17,644 | 21,995 | 22,737 | 22,726 | 21,938 | 22,683 | 22,644 | 22,576 | 22,116 | 22,065 | ...    | 21,938 | ...    | ...   |
| 27. Money in circulation                                                          |                     | 4,476           | 5,328 | 7,171  | 7,901  | 9,816  | ...    | ...    | 15,590 | 16,088 | 16,250 | 19,250 | 19,318 | 20,449 | ...    | ...    | ...   |
| 28. Member Bank Res. Balances                                                     |                     | 2,358           | 2,114 | 10,466 | 13,331 | ...    | ...    | ...    | 13,630 | 13,067 | 12,759 | 12,086 | 12,401 | 12,886 | ...    | ...    | ...   |
| 29. Excess Reserves                                                               |                     | 43              | 256   | 4,469  | 6,376  | ...    | ...    | ...    | 2,387  | 1,925  | 1,518  | 1,102  | 985    | 1,236  | ...    | ...    | ...   |
| 30. Capital issues, C.F. Chronicle                                                |                     | 595             | 99    | 186    | 163    | 238    | 89     | 51     | 7      | 58     | 90     | 57     | 165    | 33     | ...    | ...    | ...   |
| 31. 364 Issues, securities, Stand. Statistics                                     | 1939=100            | ...             | ...   | ...    | ...    | ...    | ...    | ...    | 89     | 95     | 98     | 105    | 101    | 101    | ...    | ...    | ...   |
| 32. Yield on Govt. bonds                                                          | %                   | ...             | 3.66  | 2.36   | 2.21   | 1.95   | 2.02   | 1.91   | 2.06   | 2.06   | 2.08   | 1.81   | 1.85   | 1.86   | ...    | ...    | ...   |
| 33. Income payments, adj.                                                         | 1935-39=100         | 122.9           | 70.6  | 105.6  | 113.8  | 137.3  | 171.9  | ...    | 196.5  | 200.6  | 204.8  | 218.9  | 221.4  | 224    | 225.5  | ...    | ...   |
| 34. Treasury receipts                                                             | Million \$          | 4,032           | 7,075 | 5,595  | 7,606  | 8,269  | 13,668 | 23,385 | 824    | 1,190  | 5,207  | 2,069  | 2,370  | 3,737  | 2,779  | 2,754  | ...   |
| 35. " expend., national defence                                                   |                     | ...             | ...   | ...    | ...    | 6,301  | 26,011 | 12,109 | 5,947  | 5,770  | 6,744  | 6,989  | 7,541  | 6,718  | 7,138  | 7,512  | ...   |
| 36. " " total                                                                     |                     | ...             | 3,852 | 4,320  | 9,528  | 12,774 | 12,711 | 32,397 | 78,179 | 6,372  | 6,119  | 7,354  | 7,456  | 7,439  | 7,468  | 7,570  | 7,868 |



## THE CHARTERED BANK OF INDIA AUSTRALIA AND CHINA

(Incorporated by Royal Charter 1853)  
CAPITAL (PAID UP) - £3,000,000  
RESERVE FUND - £3,000,000

Branches and Agencies throughout INDIA and the EAST  
AFFILIATED BANK IN INDIA

THE ALLAHABAD BANK LTD., with 15 Branches & Sub-Agencies  
The Bank offers a complete Banking Service and provides  
exceptional facilities for financing every description of trade with  
the East.

Deposits for Fixed Periods or repayable at call or at short notice  
are received at rates which may be ascertained on application.  
The Bank also undertakes Trusteeships and Executorships.

Head Office: 38, BISHOPSGATE, LONDON, E.C.2

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

## NATIONAL BANK OF INDIA LIMITED

Bankers to the Government in Kenya Colony and Uganda.  
Head Office: 26 BISHOPSGATE, LONDON, E.C.2.

BRANCHES:  
Aden and Aden Point (S. India) Madras Mandalay Kismu Mombasa Kenya Colony  
Amritsar Colombo Nuwara Nairobi British  
Bombay Delhi Elyia Nakuru E.A.  
Calcutta Kandy Rangoon Entebbe  
Cawnpore Karachi Tuticorin Jinja Uganda  
Chittagong Lahore Zanzibar Kampala  
Dar-es-salaam Mwanza Tanga Tanganyika Territory

SUBSCRIBED CAPITAL ... £4,000,000  
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Note Issue Department ... 149,496,342  
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By Order of the Board,  
T. T. K. ALLAN, London Manager.  
26, Bishopsgate, London, E.C.2, 14th April, 1944.

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ESTABLISHED 1843

Vol. CXLVI No. 5253

REGISTERED AS  
A NEWSPAPER

APRIL 29, 1944

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

ONE  
SHILLING

|                         |     |                            |     |
|-------------------------|-----|----------------------------|-----|
| Warnings and Promises - | 557 | Plymouth and Planning -    | 562 |
| Many Mansions -         | 558 | The Budget Speech -        | 563 |
| Joint Currency Scheme - | 560 | Hungarian Transformation - | 572 |

|                     |     |                  |     |
|---------------------|-----|------------------|-----|
| NOTES OF THE WEEK - | 564 | BOOKS RECEIVED - | 573 |
|---------------------|-----|------------------|-----|

Imperial Preference; Service Pay and Allowances; Neutral Trade; Air News; Politicians and the Press; Censorship in India; Hope for Italy; Polish Courts Martial; The Mining Agreement; Strikers and the Law; Food Consumption Levels; The Finnish Disaster; Progress in the Far East; Divided Greece; Labour's Foreign Policy; Clothing the Naked; Middle East Inflation.

|                   |     |
|-------------------|-----|
| AMERICAN SURVEY - | 570 |
|-------------------|-----|

A Bridge to Congress; Too Little and Too Late; Great Expectations; Bricker Takes the Plunge; Service Integration; Shorter Notes.

|                      |     |
|----------------------|-----|
| THE WORLD OVERSEAS - | 572 |
|----------------------|-----|

Hungarian Transformation Scene; The Turkish Path.

|                    |     |
|--------------------|-----|
| THE BUSINESS WORLD |     |
| BUSINESS NOTES -   | 575 |

Budget Reactions; Taxation of Profits; Past Practice; The Chancellor's Proposals; Exchange Market and the Currency Plan; Shipbuilding Policy; The Replacement Problem; The Lampport Affair; Rhodesian Copper; Industrial Yields; Monopoly in Ironmongery?; The Price of Coal; Railway Wages; Engineers' Claims; South Durham Earnings; Brazil's Exchange Needs; Profit and Loss v. Balance Sheet; Retail Sales Index; Wings for Peace; Shorter Note; Company Result.

|                    |     |
|--------------------|-----|
| COMPANY MEETINGS - | 580 |
|--------------------|-----|

|                          |     |
|--------------------------|-----|
| RECORDS AND STATISTICS - | 584 |
|--------------------------|-----|

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## Warnings and Promises

SIR JOHN ANDERSON'S speech on Tuesday can be taken as the classical example of the new-style Budget. A few sentences at the beginning about the results of the past year and an even shorter passage at the end comparing the prospective revenue and expenditure of the coming year—the whole occupying less than three pages of Hansard—were all that were devoted to what used to be the substance of the whole Budget. This procedure nowadays seems natural, so complete has been the acceptance of the revolution in the nature of the Treasury's stewardship that Sir Kingsley Wood and his advisers accomplished in the past three years. Henceforward the Budget speech is not an occasion for forensic accountancy but, as Sir John Anderson said, "an occasion when the financial and economic health of the country as a whole can be reviewed."

It was to this wider review that the greater part of the Chancellor's speech was directed, and his remarks very largely consisted of two warnings and a set of promises. The first warning was of immediate application; it was that the policy of stabilising the cost of living by means of subsidies could not be continued indefinitely in the face of rising wage rates. The chief purpose of the stabilisation policy when it was started three years ago was to avoid the necessity for a general rise in labour costs. Some degree of inflation is inseparable from a war of these dimen-

sions, especially in a country that is as dependent on imports as Great Britain. But the greater danger is lest this unavoidable primary degree of inflation should be converted into a cumulative process of rising prices and costs. If the cost of living is pegged, wage rates can be pegged and costs of production can be held down. But if, in spite of the stabilisation of the prices of necessities, the level of wage rates is not kept down, the policy of subsidies becomes both more expensive and less effective. This is what has been happening. When the policy was started, the cost of living index stood at 28 per cent, and the index of wage rates was 21 to 22 per cent, above the pre-war level. To-day, the cost of living is still at 29 per cent, but wage rates stand at 40 per cent, above pre-war. The cost of subsidies has increased from £70 million in 1940 to £190 million in 1943 and to still more this year.

The Chancellor's proposal is far from extreme. He is not intending to abandon the policy, or even to reduce the expenditure on subsidies, but simply to raise the range of stabilisation from 25-30 per cent to 30-35 per cent above the pre-war level. This, as he said, will only offset one quarter of the increase in wage rates that has occurred since the policy was started. Moreover, no immediate increase towards the new upper limit is in prospect.

It is very difficult to quarrel with this decision. But unfortunately, in the present temper of the labour market,

it may merely stimulate demands for higher wages, and thus provide a very clear illustration of the very dangers of the vicious spiral against which the policy was intended to guard. True, there is very little justification for further increases in wage rates. Real wage rates—the purchasing power of the standard rate—are higher than they were before the war, and real earnings considerably higher. Since the consumable wealth available to the whole community is much smaller, this can only mean that one section has gained at the expense of the others. From figures given in the White Paper, it can be shown that while the real value of property income (rents, interest and profits) in 1943 was 8 per cent less than in 1938, and of salaries 12 per cent less, the real value of wages was 19 per cent higher—all these before allowance for taxation, which has naturally fallen more heavily on property and salaries than on wages, and, in spite of the large migration into the Forces. But economic justification is rarely the deciding issue in wage negotiations. The wage-earners ought to take Sir John Anderson's revision of the stabilisation policy as a warning of the dangers they will face by persisting in wage demands. Unfortunately, they are more likely to use it as an argument for increasing the pressure.

The Chancellor's second warning was directed to the international position of the country after the war. He had little to say that was new; but the sobering facts of Britain's new position can hardly be repeated too often or with too great authority. Britain after the war will hardly be a creditor on balance; there will be no contribution to the national income from overseas investments; and it will require skilful management to avoid "a drastic curtailment in our volume of imports, such as might threaten our standard of life and gravely prejudice our prospects of active employment." The Chancellor made it plain that "the Government cannot make an export policy" and that its contribution was limited to creating "conditions in which export trade can flourish" by commercial policy, by "an appropriate internal policy in managing and disposing of physical resources, material and labour" and by financial policy. This is disappointingly negative—it appears to imply the abandonment of the attempt to evolve an export policy as such. But it is certainly true that not even the most positive export policy could succeed without the enterprise and energy of industry and labour.

The Chancellor's promises related to the replacement of capital assets, the taxation of patents and provision for scientific research. All of them, that is to say, had a direct bearing on the productivity of British industry, which is a compound of equipment, methods and "that mysterious catalyst, the know-how." This preoccupation with pro-

### THE NATIONAL FINANCES

Next week's issue of *The Economist* will include a special section containing a statistical summary of the public finances of the United Kingdom, a complete reprint of the tables contained in the Budget White Paper, with a commentary on the figures. For this reason, the usual statistical summary of the Budget is omitted from the present issue. The salient points of the Budget speech are summarised in an article on page 563.

ductivity is a most welcome sign of the times and evidence of a shift in economic thinking which, it is to be hoped, will be very fruitful in the years to come. The Chancellor's proposed amendments of the law are detailed and complicated and a full judgment of their effect will have to await the event. But it is already clear that they go a long way and that they may largely meet the case that has been so frequently stated for a more liberal attitude of the taxing authorities towards the expenditure of industry on scientific research and on the prompt replacement of obsolescent plant. This is, unquestionably, the most urgent part of the case for a relaxation of the burden of taxation on industry. But it is not the whole of the case, and the Chancellor may well be pressed to go further.

He specifically rejected the proposal that "there should be a reduction of income tax in respect of any industrial profits that are not distributed but are placed to reserve for the future development and extension of the business" on the ground that this would be "giving relief for the act of saving." This is a point of considerable substance; but the Chancellor's alternative is only a partial remedy. There are many more ways of ploughing back funds in the development of business than the erection of buildings and the purchase of plant. To single out these for relief is a long step in the right direction, but it is another sign of the tendency of Government policy in recent years to favour manufacturing industry at the expense of all other forms of creating wealth. That the main argument for complete review of the burden of taxation on business activity still stands can be shown by asking two questions. Can British business permanently stand taxation on its undistributed profits at the rate of 10s., or even of 7s. 6d. in the £, without prejudice to its rapid development? And is it possible to believe that the standard rate of tax that is appropriate to personal incomes also happens, by coincidence, to be the appropriate rate for profits ploughed back into business? These are wider issues than those with which the Chancellor dealt this week; but they will have to be faced before long.

## Many Mansions

IN a world of nation states, it is very difficult to improve on the League of Nations as the international instrument of organised peace. The fact that it did not work last time is a poor reason for abandoning its principles. As the Prime Minister says, if the League had been properly backed, it would have succeeded, and it is encouraging to find that, although statesmen to-day do not all use the terminology of the old League, the international organisation they propose—with its general assembly of all peace-loving powers, its executive council, its international law court and its measures of collective security—differs only in name from the League of Nations. The important thing now is to ensure that the major failures of the old League are not repeated. In the main, these were defects not of structure but of policy. In the political sphere, the chief faults were the League's lack of universality and its inability to pin responsibility for executive action on the state members capable of exercising effective military and economic power. The second obviously followed from the first.

When one thinks of the power wielded by the United

States and Russia and of the part they have played in this war, it is almost incredible to remember that the old League started out on its career without either of them and that Russia became a member only later and then for only a very few years. It is true that the military and economic strength of both countries was less when the League was formed than it became in the course of the following twenty years. The abstention of both or either would have far more immediate and disastrous results now. Happily there can be good hopes that both will play their part in an international organisation. The Soviet Union's pre-war isolation condemned it to bear the brunt of Hitler's attack. The advantages of collective security have been forcibly underlined and both at Moscow and Teheran Marshal Stalin gave his support to a post-war attempt to organise the peace. The position in the United States is complicated by such factors as public opinion and party policy, but Mr Cordell Hull's decision to concert the conditions of peace with Congress is a happier augury than the entirely one-party delegation President Wilson brought to the last Peace Conference.

If universality can be secured, the problem of responsibility will be clearer. It has become a commonplace that under modern industrial conditions only the great industrial Powers can exercise effective force. They are bound, whatever the theoretical arguments for equality of states, to occupy a special position. An attempt to recognise this fact was made in the structure of the old League in which the Great Powers—Britain, France, Italy, Japan and later Germany and Russia—had permanent seats on the League Council. Yet the reason why they enjoyed a special position was never made clear. The addition to the Council of representatives of the smaller nations, though perfectly justified for the purpose of concerting policy, blurred the issue of responsibility when it came to taking action, once the policy had been agreed. The Great Powers, by virtue of their overwhelming strength, must enjoy a special position as the only possible wielders of force, if force should be needed in execution of policies decided on by the World Council or International Organisation or whatever the new League comes to be called. As Mr. Breckinridge Long put it in his recent speech on American foreign policy

Each of the major nations, and any other nations to be agreed upon, should accept responsibility for maintaining adequate forces, and for using such forces on the basis of arrangements made in connection with the international organisation to prevent or suppress all disturbances of the peace.

The League's two-layer structure of Council and Assembly may need developing into a three-layer structure. There should be an Assembly in which all states meet on equal terms and where the main principles of international action can be decided. There should be a Council, elected from the Assembly with a few permanent members, acting as the executive committee of the Assembly and handling all matters of policy unless and until they reach the point of requiring the use of force. But when they do reach that point (as only a tiny fraction of international transactions ever threaten to do) there is everything to be gained and nothing to be lost by making the responsibility plainly rest on those, and on those alone, who can carry it. If the decision to go to war is to be made, or is to appear to be made, by a Council on which the Great Powers are in a minority, then all the absurdities into which the doctrine of collective security was distorted will reappear and the peoples of the Great Powers will be able to delude themselves into the belief that collective security absolves them from effort or initiative. A structure which leaves the Great Powers in a special category as the wielders of force is not destructive of the League of Nations; it is the only means by which the League can be made to work.

The designation of the Great Powers as the executors of the League is not the international police of which the idealists dream nor the complete equality of status which Utopia demands. But it is better than anarchy and nowhere is the perfect so effective an enemy of the good

as in international relations. President Wilson's attempts were not defeated on a straight anti-League ticket. Liberals and Idealists reinforced the isolationists with the cry "Yes, we want a League—but not this League. We want international co-operation—but not on this model." There are already signs in the New World—in the United States and Canada—of a tendency to attack any modest achievement in international co-operation on the grounds that it is neither international nor co-operative enough. Here universalism and isolationism meet.

Some differentiation between great Powers and small Powers is inevitable. Should it be the only differentiation? For example, should all local or regional arrangements for security give way to the all-embracing system of world security? In the near future, the Prime Ministers of the Dominions are to meet in London to discuss a wide range of imperial problems. Mr. Curtin brings with him from Australia a proposal to tighten the machinery of imperial consultation and his Government has already concluded a regional agreement on Pacific security with New Zealand. In last week's debate, the House of Commons made it very clear that this country would welcome any form of closer association to which the Dominions might agree. Would such arrangements interfere with the organisation of world peace? When Lord Halifax made some very mild suggestions on this subject in Toronto last January he was subjected to an astonishing flood of criticism. He was accused of returning to balance of power politics, of advocating spheres of influence and generally of expounding a new and sinister version of British imperialism. Critics in the United States have followed the same line. General Smuts' rather naïve comparison of the strength of the three "colossi" is recalled and the British are accused of trying to refurbish the old imperial connexion to redress the balance of their new weakened world position. Now Mr. Malcolm MacDonald has joined the dispute with an attack on those who seek to

measure the respective strengths of Britain, America and Russia . . . and devise means of striking a balance between them so that peace would be maintained because no one of them will be strong enough to force its will upon another.

The strength of the Canadian reaction is due to the country's intimate connexion with the United States. If Canada's links with the other Dominions were drawn closer, many Canadians feel that its relations with the United States might be endangered. This fear is rationalised into support for a universal peace organisation and opposition to special Commonwealth arrangements. Criticism in the United States springs from the old deep-rooted distrust of the British Empire and the belief that "Commonwealth collaboration," imperialism and power politics are three terms for the same thing. Thus both in Canada and the United States an influential body of opinion is tending to proclaim, as a first principle of international action, the doctrine that any special or



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regional or local arrangements for peace are necessarily sabotage of the prospects of a universal world order.

Here again the best is helping to drive out the good. A universal system of equally co-operative and well-meaning nations might indeed be the ideal. In the mean time, does any North American critic suggest that the Monroe Doctrine has been a menace to world peace? Does any politician in the United States seriously question the desirability of Pan American solidarity or the value of a hemisphere defence policy? The United States and Canadian Defence Board, the United States bases in Newfoundland and the Caribbean and the special arrangements for bases in Brazil and Uruguay are generally felt to reinforce peace. Why? Because the aim of these special arrangements is in every case the preservation of world order and the method of making the arrangements is that of free agreement between sovereign states.

The record of the British Commonwealth is far more remarkable even than the achievements of Pan American solidarity. The aim of the British nations is peace, peace with each other and peace with the world. Their method of collaboration is equal sovereignty and complete freedom of choice. Burke's warning of 200 years ago—

deny them this participation of freedom and you break that sole bond which originally made and must still preserve the unity of the empire

has been heeded. The bond is, as Mr Churchill put it in last week's debate in the House of Commons, their "union in freedom." Without compulsion of any kind they have twice fought the battle of Europe, coming from the ends of the earth to do so. To suggest that any strengthening of this one supremely effective instrument of collective security would be a disservice to the cause of international order is not only bad internationalism; it is the plainest lunacy.

## The Joint Currency Scheme

IT is just a year since the experts of the American and British Treasuries published their proposals for post-war currency arrangements. The New White Paper issued at the week-end shows that the intervening time has been well employed. It has been possible to devise a jointly agreed "Statement of Principles for an International Monetary Fund." The Governments remain uncommitted until an international conference can be held, but the new scheme carries the agreement of experts from other United and Associated Nations as well as that of Lord Keynes and Mr Harry White. To have secured so wide a measure of agreement is a very considerable achievement.

The central framework of the joint scheme follows the original American proposals more closely than the British. The idea of an international institution "creating" international credit and lending it on overdraft to deficit countries proved to be too novel to win general acceptance. The alternative has been accepted of constituting a fund by initial subscription from the member countries, which would then be able to obtain from it supplies of such currencies as they needed. Since the Fund will operate entirely in terms of existing currencies, no new unit will be required; both "bancor" and "unitas" therefore disappear. The Fund is to amount to about \$8 billion for the United and Associated Nations and about \$10 billion for the whole world. The draft does not specify the method by which each member country's quota is to be determined; but it has been stated in Washington that the American quota would be about \$2½ to \$2¾ billion. The original subscriptions are to be paid in the member's own currency or in gold, the gold portion amounting to 25 per cent of the quota or 10 per cent of the country's holdings of gold or gold-convertible exchange, whichever is smaller.

Members will be entitled to buy from the Fund, in exchange for their own currency, any other currency that they need for settling current transactions, but a stop can be put on these transactions if the Fund's holdings of the

Not only should the Commonwealth method be preserved. It would be a gain, not a loss to the cause of freedom, if the area of its operation were extended. Australia, New Zealand, Canada are fully as sovereign as the Scandinavian States, or the democracies of Western Europe. They have not found it derogatory to their safety or sovereignty to join with the United Kingdom for certain common purposes, of which the most important is defence. None of the present proposals envisages any restriction of their freedom of action or of their sovereignty of decision, but simply an increase of the opportunities for common action. The states of Western Europe would find equally that the method of free association elaborated in the Commonwealth would give them greater security and undiminished independence. The far-reaching effects of such an association, not only along the Atlantic coast but in the colonial empires in Africa and the Far East, need not be underlined. The area of organised freedom would have increased a hundredfold. To suggest that this is a menace to world peace is to accuse Britain, the Dominions and any other states associated with them of aggressive intentions. To say that this is imperialism is to imply that Britain has used coercion to maintain the Commonwealth and is now preparing to coerce its European neighbours—whereas if one thing in this world is visible beyond all others it is the peacefulness of Britain's intentions and its total unwillingness to coerce any nation, even so weak and defenceless a nation as its Irish neighbour. As Mr Churchill put it

"In My Father's house there [Sic] are many mansions." So in this far greater world structure, which we shall surely raise out of the ruins of desolating war, there will be room for all generous, free associations of a special character, so long as they are not disloyal to the world cause nor seek to bar the forward march of mankind.

currency offered amount to 200 per cent of the quota, or if they have increased by more than 25 per cent in a year. In other words, if a country's quota were, say, \$1 billion, of which it had paid \$250 million in gold, it could get accommodation from the Fund to the amount of \$1,250 million in all, or of \$250 million in any one year. It is made clear that the Fund is not to be used to meet large or sustained outflows of capital.

But if the main structure of the American scheme has thus been adopted, it is clear that great care has been taken to meet the criticisms of that scheme that were made in this and other countries. For example, the original American scheme envisaged the possibility of a large fund operating in the exchanges on the initiative of its managers. In the new proposals it is made plain that the Fund is to take no action save that of meeting requests for accommodation from its members. Perhaps the deepest British suspicions attached to the prominent part played by gold in the original American scheme. This has been considerably diluted. No country is asked to subscribe in gold more than one-tenth of its gold holdings; the apparatus of fees and penalties payable in gold has disappeared completely. It is true that several clauses permit transactions in gold—for example, a country may, if it chooses, redeem for gold the Fund's holdings of its currency; but there is no compulsion to do so. It would be foolish to drive anti-gold fanaticism to the length of denying that there are any useful purposes to be served by an international precious substance, universally acceptable. But every care has been taken to protect the scheme from any suspicion, justified or fanciful, of domination by gold.

Another of the original criticisms that has been largely met is the charge that the American scheme was likely to be restrictionist in its effect. The greater part of a country's initial subscription is to be in its own currency, and since the Fund's holdings will presumably be returned to the member's central bank to lie on deposit, or else to be

used in the local money market, there need be no abstraction of funds. Both the original schemes contained provisions for enforcing conditions upon a country that was exceeding its borrowing limits, and these conditions could hardly have avoided being restrictionist in effect, the more so since the original schemes ruled out—the American completely and the British very largely—the one adjustment that may sometimes be expansionary in effect—namely, an adjustment of exchange rates. These corrective provisions have disappeared from the new scheme. If a country is reaching the limit, the Fund may make a report "setting forth its views," but there is no obligation on the country to accept these views, and it may withdraw from the Fund at any time, liquidating its obligations "within a reasonable time."

Indeed, by implication, the new proposals seem to suggest that changes of exchange rate, instead of being, as originally, the one prohibited method of adjustment, shall be the normal means. A member may change the value of its currency by 10 per cent on its own initiative and by a further 10 per cent with the permission of the Fund, which has to decide within two days. The Fund, moreover, is instructed to approve a requested change "if it is essential to correct a fundamental disequilibrium" and it may not reject a requested change necessary to restore equilibrium "because of domestic, social or political policies of the country applying for a change." In addition, it is to take into account the extreme uncertainties that will prevail when the post-war parities of exchange are first determined. It is not too much to say that these provisions, especially in the absence of any reference to other methods of adjustment, give the new scheme, in contrast to the original proposals, a definite bias in favour of moderate changes in exchange rates. This is a great improvement. Nobody, of course, likes exchange alterations, which are most inconvenient for the trader. But they are, on balance, much the least disturbing of all means of effecting a readjustment when a fundamental disequilibrium has arisen.

Another point on which opinion in Great Britain has been insistent is that the whole burden of correcting disequilibria should not fall on the deficit country. When the balances of payments of the nations get out of adjustment, the fault may lie with the country that is buying too little, and therefore running a surplus, rather than with the country that is buying too much and therefore running a deficit. Indeed, it can be argued that it is the deficit country that is better performing its duty to the comity of nations. Both the original schemes attempted to tackle this problem, but neither went beyond suggesting that a surplus country should be requested to mend its ways. The new proposals meet the issue very squarely. The relevant clauses are worth quoting in their entirety:—

### VI. Apportionment of Scarce Currencies.

1. When it becomes evident to the Fund that the demand for a member country's currency may soon exhaust the Fund's holdings of that currency, the Fund shall so inform member countries and propose an equitable method of apportioning the scarce currency. When a currency is thus declared scarce, the Fund shall issue a report embodying the causes of the scarcity and containing recommendations designed to bring it to an end.

2. A decision by the Fund to apportion a scarce currency shall operate as an authorisation to a member country, after consultation with the Fund, temporarily to restrict the freedom of exchange operations in the affected currency and, in determining the manner of restricting the demand and rationing the limited supply amongst its nationals, the member country shall have complete jurisdiction.

This is a most important set of provisions. For the sake of realism, "the scarce currency" should be interpreted as meaning "dollars," since there is no other currency in the world where the risk of scarcity is so great. No one in his senses would look forward with any pleasure to the necessity of rationing dollars, but it is most important to have it firmly established, firstly, that such rationing will not be an unfriendly act but a necessary measure, and secondly, that trade between other countries—for example between Great Britain and Brazil—need not be limited because difficulties have arisen in

making payments to the United States. This is a great victory for realism and common sense.

Finally, British opinion has been anxious to secure that international currency arrangements do not work prejudice to the efficient functioning of the sterling area, which seems, to British minds, no more incompatible with a good international system than the British Commonwealth of Nations is with an effective system of world order. On this point, the text of the new proposals is somewhat ambiguous, as countries are to undertake not "to engage in any discriminatory currency arrangements or multiple currency practices" without the approval of the Fund, and they are, during the transitional period, "to withdraw as soon as possible by progressive stages any restrictions which impede multilateral clearing on current account." Some of the words used in these phrases require definition, but the explanatory memorandum of the British experts says that

the drafting of this clause, as the experts on both (sic) sides understand it, allows, during the transition period [three years from the inception of the Fund], the maintenance and adaptation by the members of the sterling area of the arrangements now in force between them. Nor is the scheme intended, when the obligation of free convertibility has been accepted, to interfere with the traditional ties and other arrangements between the members of the sterling area and London.

All these modifications of the original schemes, taken together, constitute a very considerable improvement. The joint proposals are better, in several respects, than either the Keynes plan or the White plan. The passing of a comprehensive judgment upon them, however, depends upon the criteria by which they are to be tested. If these proposals, or any others that could be made in the currency sphere, are to be regarded as standing by themselves, then the judgment must be that they can only make a limited contribution to the restoration of a healthy international trade. The absence of satisfactory means of payment may impede the flow of trade; their presence does not ensure it. But if they are regarded as a technical matter, which it is of great advantage to get satisfactorily resolved as a preliminary to an advance upon the fundamental issue of restoring trade between nations, then it can be said that the task has been well and skilfully accomplished. As the proposals now stand, the only criticism of any significance to which they are subject is that the Fund is very small—\$8 billion is not a large sum in relation to world commerce, the more so when it is remembered that it is the Fund's holdings of the scarce currencies that will set the limits to its operations. But this defect can perhaps be corrected if it becomes necessary.

One of the disadvantages of the procedure followed a year ago in publishing two alternative schemes on the same day was to concentrate attention on the technical differences between them and to divert the public discussion from the much more fundamental question whether, and if so in what circumstances, any plan of the kind could be expected to work. The appearance of these joint proposals may, it is hoped, permit a return to this more important topic. Currency arrangements are a preliminary to trade policy, but no more than a preliminary. Now that the *hors d'œuvre* is arranged, the main course should be brought on.

Financial arrangements can have three kinds of effect on the underlying trade. They may operate to restrict the volume of trade; transactions that would otherwise be accomplished are prevented by the lack of means of payment. Alternatively, they may encourage trade; the offer of financial assistance may bring to birth transactions that were not otherwise likely to happen. Or thirdly, finance can be neutral, always standing ready to effectuate transactions that are otherwise arranged, but never taking the initiative. In relation to the trade of the world, the present proposals are neutral—so long as no currency is declared to be scarce. This is an advantage gained, since it lifts the threat of currency chaos, which would unquestionably be restrictive. But neutrality in itself is not enough, and the task now is to pass over to the search for positive means for increasing the volume of international trade.

## Plymouth and Planning

TOO often it is suggested that the demand for Government decisions on planning the use of land comes mainly from impractical theorists. In fact, it comes almost entirely from the people responsible for the rebuilding of bombed towns. The reconstruction Bill which Hull put before Parliament the other day was a case in point; and the handsome but sensible plan for Plymouth, prepared by the City Engineer, Mr J. Paton Watson, in consultation, almost inevitably, with Professor Patrick Abercrombie—whose wideflung work is rapidly making him the architect of a national plan—is another. Every plan for reconstructing the towns that have suffered badly from enemy raiding will prove that it is not possible to do the job properly unless local authorities are given the necessary powers and unless the Government itself possesses the necessary policy.

Local problems will of course differ from town to town. Each, by history, geography and livelihood, is a special case. Plymouth is a naval town, almost ringed round by water. As this report says "its highly emphatic and marked topography has imposed definite limits of growth," and "its prosperity is based on a few and readily classified occupations"; ship building and marine engineering, building and public works, and distribution, each engages about a fifth of its workers. Unlike many other bombed towns it was not depressed before the war; nor is it likely to be afterwards, when national defence will be more than ever a first concern. Yet Plymouth, too, with its Hoe, its Stuart Citadel and its Elizabethan town, its naval dockyard, its barracks, its world-famous Sound and its shopping centre, which serves a great stretch of agricultural and holiday-making countryside, was as clogged, congested, overcrowded and "blighted" before the war as most less fortunate cities. "With regard to over-crowding [records the report of its planners] Plymouth compares unfavourably with two other ports, Southampton and Liverpool, and with the East End of London." There are something like 150 acres of obvious slums to be cleared; and 200 acres of buildings have been destroyed or very seriously damaged.

Before the war, the City of Plymouth did not possess, in the Planning Acts, sufficient powers to put its houses in order. Like other local authorities, it could only proceed, ineffectively, plot by plot and street by street, courting claims for large compensation without the hope of collecting any appreciable betterment. Congestion of living, working and travelling piled up at the centre; even the Royal Naval dockyard became dangerously cramped; while on the fringes the city was sprawling outwards, undirected, over fruitful soil and beautiful scenery. So it is now that the experts say "it is most essential for the corporation to see clearly the most ex-

peditious and equitable way of getting its devastated centre rebuilt." So it is that they look beyond the City's own boundaries for ways of preventing the urban exodus from destroying rural richness. So it is that they contend, quite rightly, that these things cannot be done until the Government produces a planning policy.

Plymouth, the first municipal corporation to be created by Act of Parliament, five hundred years ago, is now three towns in one—Plymouth itself; seventeenth and eighteenth century Plymouth Yard and Dock, now Devonport; and Stonehouse, site of the century-old Victualling Yard and the Royal Marine Barracks. The triple city covers 10,000 acres, bounded by the Plym, the Sound and the Tamar, with a peacetime population of 220,000, cut down by bombing and war movements to 145,000. A postwar population of 180,000 is suggested in the plan. The density of population is just over 70 persons per residential acre, but in two wards the figure is over 200 and in many more it is between 100 and 200. The plan proposes three residential zones. In the first there will be a maximum of 100 persons per acre, half in houses, half in low flats, with sufficient open spaces and gardens. In the second the maximum will be 50 persons per acre, all in houses, and in the third 25 persons per acre in houses with large gardens. The plan for Plymouth, like the plan for London County, is in the Abercrombie mode. One "precinct" will reveal and protect Old Plymouth. Another will enclose the Civic and Shopping Centre rebuilt from bombed ruins. Open spaces and wedges of green will recreate old communities in the heart of the town and round off new ones in the suburbs. The term of the plan is twenty-five years, but the rebuilding is to be done in half that time. The vision is of "a series of smaller community units, built up into a single magistral city."

The large inner area of bombed and slum property has been marked out for special treatment as a "reconstruction area" under the Bill by which the Government has again promised to give larger powers of land purchase at pegged prices to local authorities. The way has been largely cleared by the bombs. To achieve the plan, if the pre-war population comes back, it will be necessary to rehouse 63,000 persons, of whom 23,000 will find room in the replanned city. Thus the problem resolves itself into the task of "decanting" 40,000 persons into decent living conditions outside, without spoiling the surrounding moors and sea coast, and without wasting good farm land. The local authorities, in the 135 square miles which make up "the immediate area of influence of the City of Plymouth"—Saltash, Torpoint, Plympton and Plymstock, Yelverton, Roborough, Millbrook, Kingsand-Cawsand and the rest—have neither the powers, the money nor the inclination to take charge of the spill-over from Plymouth and to protect the countryside, among the loveliest in England. Who is to determine policy, to take action and to foot the bill?

There is no question here of compulsory decentralisation. Given good communications and decent "neighbourhood groups" to live in, the "surplus" will willingly move. They need not go far—only over the water. They need have no long daily journeys. The size of Plymouth and its dependent environs is about right; this is no London in embryo. But the problem is nevertheless there. Who is to settle the emigrants, and how? How is compensation to be paid, and by whom? As the industries, warehouses and markets of Plymouth are sorted out, where are they to be put? If industrial trading estates are to be projected, as they are in the plan, shall they be within the city boundaries or in nearby satellites? The City of Plymouth has answers to these questions, as this plan and report show. So no doubt have all the other towns and cities who must build again perforce because of war damage and slumdom. But none of their wants and needs can be given effect until the Government speaks its mind on planning.

## The Budget Speech

APPROPRIATELY at this, the final stage of the war, the Chancellor of the Exchequer devoted much the greater part of his Budget Speech, on April 25th, to the financial aspect of economic reconstruction. He first of all painted the economic position of Britain at the end of the war as he sees it.

### The External Position

At the end of the war, he said, "we shall have ceased to be a large-scale creditor country."

To finance our purchases in the United States before Lend-Lease, and to meet these external costs (of military operations and supplies), we have already parted with overseas assets to the extent of £1,000 million, and we have incurred undischarged liabilities amounting to £2,000 million. We are not yet at the end of this tale. We have parted with all this, not to neutrals, but nearly all of it, some 90 per cent, to our Allies and Associates, most of whom will emerge from this war with their overseas financial position greatly strengthened as a result, just as ours is greatly weakened. . . . If we are to avoid a drastic curtailment in our volume of imports, such as might threaten our standard of life, and gravely prejudice our prospect of active employment, it will be indispensable for us to increase our exports. That will be a matter of life and death to us, for it is impossible for any country to live indefinitely beyond its international income.

But Sir John Anderson did not paint a gloomy picture of the future. There will be a price to pay. The burden will be large, but the productivity of Great Britain is also large. The burden can be carried "if we make an effort," though it will not be a light effort. It will be "a challenge to the vigour, the initiative and the adaptability of our industry." The Government cannot make an export trade; this is a matter for manufacturers, merchants and workers. But, he went on to say,

What the Government can do is to try and make conditions in which export trade can flourish, both by its foreign policy of co-operation in the international field, by an appropriate internal policy in managing and disposing of physical resources, material and labour, and by its financial policy. . . . We must prepare such measures as we can devise to give industrial enterprise a fair chance to meet the challenge which the future holds for all of us. Industry is entitled to know where it stands.

### Taxation on Industry

The Chancellor then went on to give a broad outline of the Government's post-war policy of industrial taxation, the "most important part" of what he had to say. Industry had advanced two main propositions. To the first, which would involve a reduction in income-tax on any profits put to reserve for the development and extension of the business, he could not accede; in his view relief for the act of saving is not the appropriate approach to the problem of assisting industry in keeping in step with the latest and most economical methods and processes of production. He saw the solution on the lines of the second proposition, namely, that taxable profits should be real profits in the sense that those profits should be struck "only after making all proper deductions and allowances such as might be made on a commercial basis for the amortisation of money expended on assets which are used up in the making of profits."

The following are, in brief, the proposals made by the Chancellor for translating this principle into practice.

First, the present system of wear and tear plus obsolescence allowances for plant and machinery (these were described in *The Economist* on January 2, 1943) is to be maintained. Broadly, by the present system industrialists are granted annual relief (wear and tear allowances) from income-tax, on an amount representing a percentage, not of the original cost of the plant and machinery, but of the amount to which it has been written down; when replacement takes place, they may claim exemption from income-tax (obsolescence allowances) in respect of the difference between the sum total of the depreciation allowances granted and the original cost of the machinery, provided an amount at least equal to this difference has in fact been spent on replacement. But in addition to these allowances, Sir John Anderson proposes a special initial tax-free allowance of 20 per cent of the cost of new equipment. Further, industrial buildings—hitherto these were not eligible for wear and tear allowances except under the special scheme relating to munition factories

built since 1937—are to be included in the scheme. He proposes that the cost of buildings should be written off on the basis of a life of 50 years by an annual depreciation allowance of 2 per cent of the cost, with an initial allowance of 10 per cent of actual expenditure. The new depreciation allowance, though not the initial allowance, will be applied to existing factories as well as new ones. This system—it is further discussed on page 575—should assist industrialists in accumulating the capital necessary for replacing plant and equipment, not merely when it is beyond repair, but where more economical tools have been invented. There are special provisions designed to assist agriculture and extractive industries.

Secondly, there is to be a change in the taxation levied on royalties derived from patents. Where a patent is acquired on the basis of the payment of a royalty, the royalty is income subject to deduction of tax, and the trader paying the royalty enjoys the full allowance in respect of the cost of the patent. But where the royalty is acquired by payment of a lump sum, the lump sum is not treated as the income of the recipient, nor is any allowance made under the existing law to the trader in respect of the lump sum, though that expenditure is used up in earning profits over the life of the patent. During past examinations of this problem, the two questions of charging the lump sum to income-tax in the recipient's hands, and writing off the expenditure in the buyers' accounts, have been linked together. This link is to be maintained by the proposed reform; it will provide for the writing off, during the life of the patent, of any lump sum paid by a trader in acquiring a patent, while making the sum payable for the patent rank as income in the hands of the seller; but there is to be suitable provision enabling the seller to spread that income over a number of years to avoid any hardship that might arise if it were taxed as the income of the year in which it is paid.

### Scientific Research

Thirdly, the partial relief given in respect of research expenditure is to be extended. Hitherto the Inland Revenue has allowed as a deduction from taxable income all annual payments made by a trading concern to a central research body approved by the Department of Scientific and Industrial Research, though this allowance did not extend to a particular payment earmarked for a specific research project. Insofar as a trader's own research is concerned, the practice has been to exempt from tax expenditure of a revenue character, but not capital expenditure. But the capital expenditure required in modern research is often substantial—in the construction of pilot plants, for example. Hence, the Chancellor proposed

that any research expenditure of a capital character, which means normally expenditure on laboratory buildings, plant and machinery, should be allowed over a period of five years, or over the life of the assets if shorter, as a deduction from profits for income-tax purposes. In addition, all current research expenditure, such as salaries, wages, cost of materials, repairs and so forth, will be allowed as and when incurred by the trader.

The Chancellor hoped that the Committee of Ways and Means would agree that

in this comprehensive attempt to relieve from taxation altogether funds devoted by industry to the support of fundamental research, to the translation of laboratory research to production, and to the full-scale development of the product, the Board of Inland Revenue have tackled the problem with a sense of realities born out of their close interest in the effects of taxation upon industrial recovery and the buoyancy of the revenue.

### Chemical and Motor Industry

The Chancellor expressed himself as anxious that Great Britain should play a large part in the development of the new chemical industry based on oil. It should be possible, in his view, without unduly sacrificing revenue, to make sure that the tariff offers no obstacle to the chemical industry in obtaining the necessary raw materials from oil. He was not able to make any specific proposals, but informed the Committee that an inquiry would be set on foot to provide the necessary data on the inter-relationship of raw materials derived from oil and coal, for example, on which such proposals can be based.

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About motor taxation the Chancellor has reached the conclusion that the balance of argument is against a redistribution of total taxation between the licence duty and fuel taxes. The question therefore arises whether there should be a change in the way in which the vehicle tax is levied. About the horse-power tax on private cars, he said that that tax may have helped to lead to the development of a rather special type of engine, but that, for this reason, it has also been a "valuable form of protection against imported cars." He did not say, however, that the horse-power tax, in its present form, has acted as an obstacle in the way of exports. He added that

if it is the considered view of the motor manufacturers that a change from the present horse-power tax to some other basis, yielding about the same revenue, is desirable, that a change would be an advantage—for instance, a change to cubic capacity, and possibly a change of taxation with a different graduation or wider steps than under the present system—I would be ready to listen sympathetically to representations.

#### Excess Profits Tax

In order to remove any doubts about the refund of one-fifth of the Excess Profits Tax, subject to income-tax, the Chancellor said

It is quite clear that all trading concerns that have to face post-war expenditure on rehabilitation and reconstruction or, indeed, that have to face capital expenditure of any kind whatever, can look forward with absolute certainty to having their post-war Excess Profits Tax credits available for the financing of such expenditure.

He pointed out, incidentally, that, allowing for income-tax, those post-war credits are accumulating at the rate of £40 million to £50 million a year. He drew attention to the value of this refund as a means of financing expenditure after

the war, but he did not refer to the unequal incidence of the refund due to the fact that by no means all firms have been able to exceed their pre-war profits, and that some have exceeded it more than others. As an immediate measure, the Chancellor proposed that all EPT standards, except profit standards, should be increased by £1,000 from April 1st. The cost of this concession, which will benefit 30,000 small businesses, is estimated at £12,500,000 in a full year.

#### Price Subsidies

Lastly, the Chancellor offered a stern warning against the tendency of wage rates and costs to run ahead of the official cost-of-living index. Since 1941, when the cost-of-living index was stabilised, wage rates have risen by about 15 per cent, quite apart from the growth of earnings due to overtime, the extension of piece-rates, and other special factors. Hence, the cost-of-living index could only be maintained on an even keel by a progressive increase in subsidies, from £70 million in 1940 to £190 million in 1943. Without these subsidies, the Chancellor said, the cost-of-living index, instead of being 28 per cent above the pre-war level, would probably have reached about 45 per cent above it in 1943, and might reach 50 per cent above it during this financial year. In the event, the Chancellor felt that the present ceiling of the cost-of-living index, at 25 to 30 per cent above the pre-war level, could no longer be regarded as sacrosanct, and that a ceiling of 30 to 35 per cent should be substituted for it. About the future he said:

It is the firm intention of the Government, as has been announced on other occasions, to maintain the policy (of stabilisation), so long as they have the vital co-operation of all sections of the people, and to continue it on the same conditions during the transitional period when we are turning back once more from war to peace.

## NOTES OF THE WEEK

#### Imperial Preference

The two-day debate on Commonwealth relations in the House of Commons last week elicited from the Prime Minister one of his most felicitous and statesmanlike speeches and from the House generally an impressive witness to the strength of the invisible bonds that knit the British nations together. The debate was opened by a speech by Mr Shinwell, which was perhaps less remarkable for its substance than for the fact that he delivered it—but was still remarkable enough in the fervour of its imperial attachment to stir some protest in his own party. There can be no doubt of the desire of the people of the United Kingdom, as voiced by their representatives, to lose no opportunity of increasing the cohesion of the Commonwealth—not as a policy directed against any other nation, or against any universal association of the nations, but as the one sure fundament in an unsure world. The imminence of the Premiers' Conference, and the divergent views that have been expressed by the Prime Ministers of Canada and Australia, prevented any very far-reaching discussion in the debate of the political side of Commonwealth relations. The effect was to give the subject of imperial preference an importance greater than it really deserves. The Prime Minister not only underlined the reservation he had inserted in the Atlantic Charter to protect the system of imperial preference, but also revealed that before accepting the Lend-Lease Agreement, with its famous Article Seven, he had secured from President Roosevelt a declaration that the United Kingdom was no more committed to its abolition than "the American Government was committed to the abolition of their high protective tariff." It was clear from the debate that the Parliamentary resistance to the one act of abolition would be fully as strong as the Congressional resistance to the other. This forthright statement has aroused some irritation in the United States. But it should also serve to clear the air. As a matter of fact, and not of desirability, there is no chance that the British Parliament would consent to the abolition of the system of imperial preference save possibly as part of a very large reconstruction of international trade involving concessions by other countries far larger than any that are yet in prospect. There is no reason to suppose that the feeling in the Dominions is any less strong. These are facts that cannot be ignored. But when it comes to the question whether they are welcome or unwelcome facts, it is per-

missible to regret that so much of the symbolism of something as desirable as Commonwealth unity has come to be concentrated in a system of preferential duties which is of questionable virtue in any form and of downright harm in its Ottawa manifestation.

#### Service Pay and Allowances

The improvements in Service allowances announced by the Government on Wednesday are in some respects more generous than had been expected. Though there will be criticisms on many points, and there are many anomalies in the White Paper, the general reception is likely to be favourable. The Government has refused any general increase in service pay. This was only to be expected, but it will create a good deal of resentment among single soldiers and the women's forces. Instead, the non-tradesman private will be able to earn more rapid increments up to the maximum pay of the rank, which will be 5s. a day for the specially proficient soldier. The White Paper (Cmd. 6521) admits that "a substantial improvement should be made in the position of those men with families in the lower range of pay, who find it most difficult to supplement the State contribution to the family upkeep." The new scale of dependants' allowances should go a long way to correct the shocking inadequacy of the present rates. A wife will now get 35s. a week instead of 25s., and there will be a flat rate for children of 12s. 6d. instead of the present descending scale from 9s. 6d. The introduction of a flat rate establishes an important principle from the point of view of operating a scheme of family allowances. But why should it be less expensive for the widow of a serving man than for his wife? War pensions are to be increased, but the widow will get 2s. 6d. a week less than the wife, and her children 1s. 6d. less than the wife's. The indication that war service grants are to be more strictly administered and the existing grants reviewed, in consequence of the general increase in allowances, is ominous. There is need for more and not less latitude in the provision of grants to meet exceptional hardship cases, medical expenses and the like. The new standard of maintenance, 22s. a week for an adult instead of the previous 18s., is an improvement, but is still too low, especially if the cost of living is being allowed to rise. The total cost of the increases will be about £50 million in the

first year, the largest items being the increase in wives' allowances (£20 million) and children's allowances (£18 million). Now that the Government has decided, under public pressure, to grant these improvements in servicemen's allowances, it is time that the scheme for the post-war social security of civilian families should become available.

#### Neutral Trade

Negotiations with the neutrals are making headway. True, Sweden has refused to alter its existing trade agreement with Germany and no concessions have yet been reported from Portugal; but an agreement with Spain over the export of wolfram is almost ready, and would have been concluded some time ago if the Spanish offer to reduce this year's exports to a third of their earlier exports had proved acceptable to both the British and American Governments. It is from Turkey that the greatest reaction has come. The Turkish Government has banned all exports of chrome to Germany. This is not only due to the Allies' stiffer attitude towards the neutrals. Ever since the military negotiations with Britain broke down in February, and the British Military Mission left Ankara, the Turks have been feeling uneasy. War supplies from the Allies ceased. Turkey lost caste as a friend of the United Nations. Public opinion was disturbed. Meanwhile, the German debacle in the Ukraine and the Russian advance to the Carpathians reduced the risk of German reprisals—a risk which had weighed heavily on the Turks during the Allies' disastrous withdrawal from the Aegean islands. Turkey's aim has, after all, not changed. It is to maintain its friendship with Britain and to see an Allied victory, and even to contribute to it, always provided that such a step would not involve Turkey in war. To ban all chrome exports to Germany demonstrates the country's somewhat damaged solidarity with the Allies. At the same time, given the present Allied pressure on Germany in South-East Europe, it involves no risk of war. This is also the reason why the Turks are ready to reopen military conversations with the British Mission which has returned to Ankara.

#### Air News

With the same regularity as Easter itself, but much more often, the approaching doom of the German air force is officially announced, either by the British or American bombing commands, fresh from some new and shattering triumph. Each time up to now, and with equal regularity, a postscript has later been added, suggesting that the annihilation of the German fighter force may not be so near as some may have been led to suppose. The effect on ordinary readers of these official statements, faithfully supported as they are in every chop and change by the semi-official articles of air correspondents, is more than a little bewildering. There has been nothing like it since England repeatedly changed its religious allegiance with every shift of dynastic politics in the reigns of Henry VIII, Edward VI, Mary and Elizabeth. The question is asked, not unnaturally, whether it is really necessary for Old Moore to put on Air Force uniform. The fact is that the whole problem of expounding and reporting the astonishing achievements of the Allied Air Forces has beaten both the official news services and the newspapers. The figures of aircraft used and bombs dropped have ceased, because of their repetition and immensity, to mean anything. The practice of recording them like motor racing records or batting averages has nothing like the appeal that it had when we were on the receiving end, four years ago, dependent for our salvation upon the bags of a few gallant hunters. Moreover, some people, bombarded with these four-figure totals, even refuse to forget that the target which is so well and truly hit contains human beings, often Allies, as well as military objectives. If the pundits are not capable of bringing to the discussion of air strategy and tactics the colder reason and expert knowledge that a few military commentators, trained in a long and scholarly tradition, do bring to the discussion of ground actions, probably the best solution would be to print the air communiqués with the minimum of comment. There is a dignity in these matters that has its worth.

Certainly dignity is not aided by the apparently perpetual changes of mind about the impact of this bombardment upon the enemy's air strength. In fact, of course,

Allied air policy is in no way so vacillating as the periodic prophecies and contradictions would seem to suggest. The programme goes on night and day, week in and week out, remorselessly wearing the enemy down. What emerges in the statements, official and inspired, is the internal party politics of the Allied Air Forces, divided as they are between the Bombers with a capital B and the Rest. One side gets its oar in by pointing out that, in spite of enormous damage, German fighter production is still buoyant. Then, feeling slighted, the others, British or American, take a hand, and tell the world that the Luftwaffe, whatever some air-men may say, is indeed on the way to destruction. The whole affair would be disquieting as well as unedifying were it not for the fact that the general public, stunned by figures, has long since ceased to read more than the headlines about this, the most damaging assault ever made by one belligerent upon another.

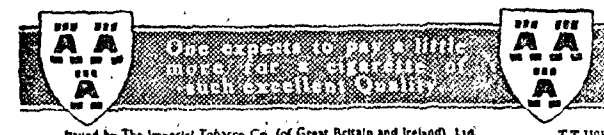
#### Politicians and the Press

It is unquestionable that the Australian Government has acted unwisely and undemocratically in allowing the wartime censorship to be applied to press criticisms of Ministerial policy and to frank comment on Ministerial failures in labour matters. On the other hand, it must be admitted that there is an explanation for this, if not an excuse. Press responsibility is in question as well as the responsibility of Ministers. The Labour Government of Australia, despite its large majority in the country, has been consistently subjected to the most virulent attack from newspapers which represent a small but powerful minority of opinion. Certain newspaper proprietors have tried to consolidate something like a monopoly over the dissemination of news. The story of their relations both to the Australian news agencies and to the national broadcasting system do not suggest, that this is a case where the "freedom of the press" can necessarily be regarded as being on the side of the angels. Indeed, it is doubtful whether, with the exception of a few newspapers of tradition, the term "free press" is really applicable in this case. It is rather the vehicle of the special views of a particular section of the community. In this, of course,

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Australia is in no sense remarkable—though, as so often in Australian politics, which always seem to be bare, sunlit, uncompromising and even primitive, the facts may be more starkly apparent. In any country, it is this kind of development that must cause any believer in the essential virtues of free discussion and criticism in a free press to ask where the mechanics and methods of modern newspaper publication may be taking us.

### Censorship in India

The Australian newspaper proprietor, Sir Keith Murdoch, who is on his way to London, has passed judgment on the Indian censorship. In his criticism he says, probably rightly, that the Indian Command's unfortunate suppression of cables about Allied difficulties on the Burmese front, which recently caused a number of well-known and reliable war correspondents to protest, was due to the established policy of keeping hard facts from the people of India. The cause is at least as much political as it is military. Perhaps something like a case could be made out by the authorities for walking warily in the spreading of news that might further shake the confidence of the Indian population—were it not for the fact that the rumours which run from bazaar to bazaar, as they do from club to club in other countries, invariably make bad news very much worse. And the distortion of facts has been much aided in this case by Japanese propaganda. The events of last year, when every effort was made for a considerable time to conceal the full truth about the Bengal famine from both Indian and British knowledge, should have shown what a boomerang secrecy can be; and in the matter of the Burma fighting, where the Allied position is not so unfavourable now as some distant observers have suggested, the chief effect of undue censorship has been to give fuel for political criticism in the United States and elsewhere.

### Hope for Italy

The new Italian Cabinet brings together representatives of all the political parties under the leadership of Marshal Badoglio, who is also Minister of Foreign Affairs. The "grand old men"—Cioce and Sforza—are Ministers without Portfolio. So, too, is the Communist leader, Togliatti. The Service Ministries are unchanged; Agriculture and Economic Affairs go to the Left Wing parties, Finance to a non-party banker, and the crucial Ministry of the Interior to a Christian Democrat. Provided the parties are serious in their intention to make the coalition effective, the portents are good for continuity and stability in the military field, reform and action in economics, experience in finance and tolerance in the internal administration. But the possibility that the Socialists and Communists are not wholeheartedly committed to the new Government is suggested by the liberal Action Party's accusation that the Left Wing parties have not nominated their best-known leaders, and are attempting, in the manner of pre-war France, to evade responsibility by evading office. The first aim of the new Government will be to increase Italy's contribution to the war effort, to counter the economic crisis, and to cleanse local administration which, in the interval between Amgot's relinquishing power to the Badoglio administration and the setting-up of the new Government, has relapsed dangerously into Fascism. The deepest issue facing the new Cabinet is not, however, the immediate steps to be taken to speed on the war. It is the question whether a Government so chosen and so organised can restore to Italy the long-lost habit of responsible and sober self-government. These men are now to put Italy's political maturity to the test. If they cannot work together, if they cannot inspire confidence in the electorate and prepare the people to pass over by pacific methods from war to peace, the only alternative is a return to government based on force. It has yet to be proved that the tremendous problems of social and economic reconstruction in Europe can be handled by democratic and constitutional means. The new Italian Government is the first test.

### Polish Courts Martial

Delegates from the Polish Underground have reached London and are discussing with the Polish Government the crucial question of co-operation with Russia. Contacts have been made in Poland, and there were some faint hopes of an understanding. Unhappily, the Polish army has again

showed itself the worst enemy of the Polish people. At this peculiarly delicate moment, two things are essential if any hopes of reconciliation are to be realised. The Russians must not be offered a new opportunity for violent recriminations against the Polish Government, and British public opinion must not be alienated from the cause of the Poles in exile. Yet this very week the Polish army has staged two sets of courts martial—one for Ukrainian deserters and one for Jewish deserters. The Ukrainian court martial has already made angry headlines in the Soviet press, and the Jewish case has caused a highly critical stir in Parliament and in the British press. The Jews deserted because they were the victims of violent anti-semitism at the hands of their fellow Poles. They believed that they would be allowed, as were a previous group of deserters, to join the British Army. The Polish military authorities are within their legal rights in punishing desertion, but in doing so they have brought down on the heads of the Polish Government all the criticism of fascism, anti-semitism and reaction, which are most damaging to its cause at this moment. They have convinced the British public that the autonomy which the British Government has granted to the Polish army is being abused to cover anti-semitism, hooliganism and brutality. No worse service could have been done to Poland.

### The Mining Agreement

It is probably quite true that the coal-owners signed the wage agreement last week with a bad grace; they have never disguised their objections to the stabilisation of wages for a period of four years; they know better than most people that the mining industry, as at present owned, financed, equipped and organised, will find it hard to pay its way in competitive conditions. But it hardly befits Mr Will Lawther to make this a *casus belli* with the Mining Association, when most of his own followers by their votes in the districts had at an earlier stage rejected the Government's proposals and the Miners' Executive had to seek an overriding national mandate to sign. Nor does the week-end's incident make a very propitious opening for the projected period of peace in the coal industry. The incident itself can be dismissed as a petty piece of face-saving on Mr Lawther's part. But if the miners are seriously pressing for nationalisation, they must surely find better arguments against the owners than that they will not be photographed by the side of the miners' leaders. Mr Lawther would have been wiser to have taken the chance of making history, instead of scandal, by being one of the first of the miners' leaders to speak frankly, and without any doctrinaire prepossessions, about the industry's overriding technical need to produce much more coal per man and per shift. But it is doubtful whether most miners' leaders have any great wish that the present private ownership should be made efficient. Mr Arthur Horner, South Wales leader, showed more realism in his Presidential speech on Wednesday. His condemnation of the strikers was not new, nor his criticism of the Government's blunders over the Porter award "anomalies"; but there was a welcome lack of recrimination and an emphasis on the need for the co-operation of miners, Government and public, both during and after the war, to rehabilitate the coal industry.

The wage agreement, as Major Lloyd George said in the House of Commons last week, is a landmark in the history of the mining industry, and the Minister of Fuel is to be congratulated on having achieved it. The proposals, which were described in detail in an article in *The Economist* of March 18th, have been accepted as they stand. The only addition is the last-minute concession to skilled workmen, not included in the Porter award or the original Government scheme. About 116,000 workers will benefit, and a global sum of £1½ million will be allocated in the different districts. The Government hopes that the cost of this concession will be met from increased output, and not entail any extra burden on the consumer. The agreement is not the "fundamental overhaul" of the mining wage structure advocated by Lord Porter, but it should ensure stability—a factor of great importance to the miners who suffered so grievously from years of insecurity—and should provide a greater incentive to output. Moreover, both sides are pledged, however grudgingly, to "maintain output, efficiency and regularity of attendance, and the speedy determination of disputes." The atmosphere in the coalfields is better than for some time,

unless, of course, Mr Lawther's outburst is representative of a deeper feeling. At the moment there are no strikes. In the three years after the last war, 97½ million working days were lost in mining disputes, compared with 4½ million in four years of the war. The new agreement is intended to be surety against a repetition of this experience.

### Strikers and the Law

The strikes of three thousand London bus workers and five hundred Manchester gas workers, which came to an end at the beginning of the week, had much in common. Both were unofficial and condemned by the Transport and General Workers' (Mr. Bevin's) Union. Both affected essential public services in a large city, and in both cases troops were called in to maintain the services, which created singularly little resentment. Both strikes were built up to very large proportions by the national press, but in neither case was there any enthusiasm among the strikers. Both fizzled out after a few days. Fundamentally, they were symptomatic of a general tiredness and war strain, which was particularly acute in the case of the bus workers. The summer schedule was the last straw, and the strike may have been due as much to a desire to take a holiday as to anything else. Defence Regulation 1A (a), the Cabinet's answer to illegal strikes, made no difference to either stoppage. There were no identifiable Trotskyists lurking in the background, fomenting and inciting the strikers, though there were conversations at the depots and in the streets in which non-strikers deliberated whether they should join the strikers—thus rendering themselves, presumably, punishable under the new regulation. Although official labour is supporting the Minister of Labour in the anti-strike measure—whose chief purpose, after all, is to prevent the authority of trade union leaders from being usurped by irresponsible outsiders—there are signs of disquietude among the rank and file of the movement. Regulation 1A (a) is as far-reaching in its possible application as it is narrow in its conception of what causes strikes; and, since

it is very largely irrelevant to any strike that is likely to happen, the threat it presents to ordinary democratic practices is not balanced by any gain to the war effort.

### Food Consumption Levels

The effective results of a wartime experiment in international food planning have been published this week by the Ministry of Food, on behalf of the Combined Food Board of Britain, Canada, and the United States. In principle, food supplies have been treated since 1942 as a common pool. The practical application of "to each according to his need," however, has naturally been severely limited by transport difficulties, especially where it necessitated an Atlantic crossing, to get food to Britain. Nevertheless, the nutrition of the people of this country, as of Canada and the United States, is shown to be reasonably adequate provided that there is no serious waste or maldistribution. The survey of comparative food consumption has not been limited to a study of bare nutrition levels in terms of calories and vitamins, but has gone in detail into changes in the types of food consumed in each country. The substitution of one type of food, usually less palatable, for another in short supply is a fact only too distressingly obvious to everyone, especially in this country, and explains the substantial increases in consumption of potatoes, cereals, and vegetables in place of meat, which are illustrated in the charts reproduced below. Naturally, the nature of the substitutions in each country, like the nature of the diet as a whole, is bound to vary between the three countries according to the differing conditions of home production and climate, and this should be remembered when the charts are studied. What is equally important is that consumption is estimated at the retail distribution level, and does not therefore take account of waste between the shop and the stomach. The estimates of consumption per head, therefore, err if anything on the side of over-estimation. Moreover, the *per capita* estimates are average figures, and cannot state the differences in consumption at different income levels in the three countries. The survey shows that total

CHART 1.  
COMMODITY SUPPLIES MOVING INTO CIVILIAN CONSUMPTION IN 1943  
Consumption per head in Canada and United Kingdom shown as percentages of United States.

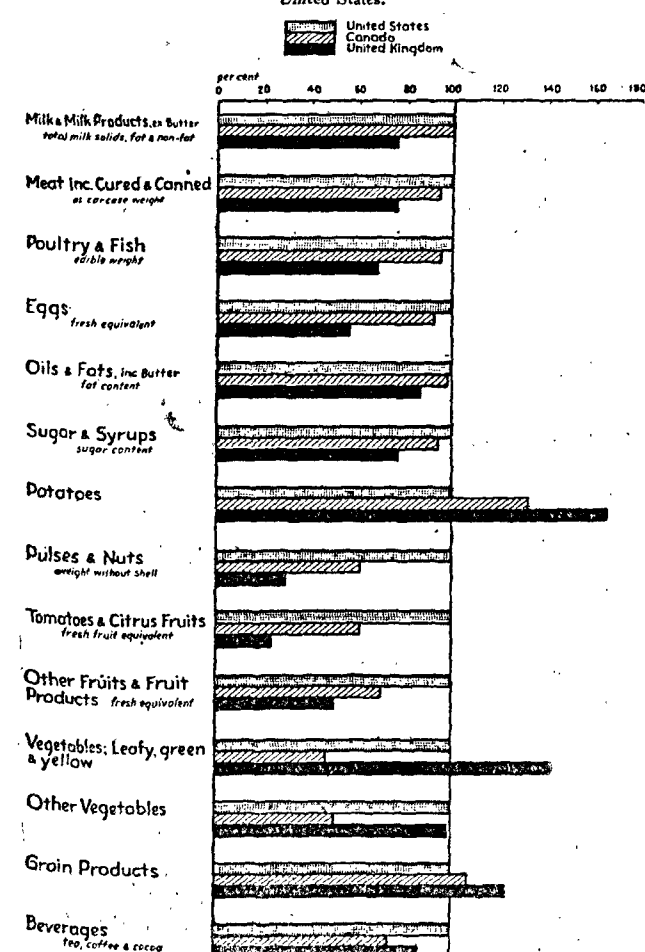
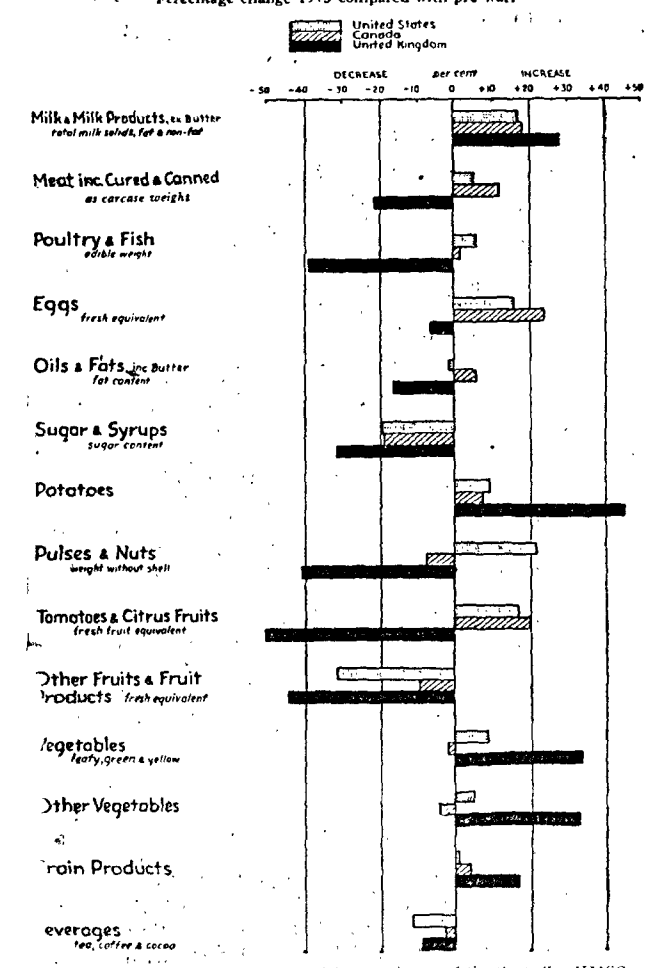


CHART 2.  
COMMODITY SUPPLIES PER HEAD MOVING INTO CIVILIAN CONSUMPTION  
Percentage change 1943 compared with pre-war.



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food supplies in the United Kingdom are about 10 per cent below the other countries, measured in calories per head, and considerably farther below in most of the foods that consumers prefer—notably meats, poultry, eggs, butter, sugar and fruit. But it also reveals the voluntary sacrifices that have been made by the American and Canadian communities in order to maintain the working efficiency of people in Great Britain. The complete cut in supplies of tinned salmon to Canadian civilians during 1942 and 1943

ESTIMATED SUPPLIES MOVING INTO CIVILIAN CONSUMPTION  
(lb. per head per year)

|                                                                                    | Supplies Pre-war |        |       | Supplies 1943 |        |       |
|------------------------------------------------------------------------------------|------------------|--------|-------|---------------|--------|-------|
|                                                                                    | USA              | Canada | UK    | USA           | Canada | UK    |
| Milk and milk products, excluding butter. Total milk solids (fat and non-fat)..... | 55.0             | 54.6   | 38.3  | 64.4          | 64.3   | 49.2  |
| Meats, including cured and canned (as carcass weight).....                         | 134.9            | 120.1  | 136.4 | 141.3         | 134.4  | 107.3 |
| Poultry, game and fish (edible weight).....                                        | 26.1             | 25.8   | 30.6  | 27.6          | 26.2   | 18.8  |
| Eggs (fresh equivalent).....                                                       | 35.6             | 30.5   | 24.4  | 41.2          | 37.8   | 22.9  |
| Oils and fats (fat content).....                                                   | 45.1             | 41.2   | 45.6  | 44.5          | 43.6   | 38.4  |
| Sugars and syrups (sugar content).....                                             | 105.3            | 97.0   | 94.5  | 84.0          | 79.1   | 65.0  |
| Potatoes.....                                                                      | 142.7            | 191.7  | 177.0 | 165.1         | 205.1  | 255.8 |
| Pulses and nuts (weight without shell).....                                        | 15.8             | 12.6   | 9.5   | 19.3          | 11.7   | 5.6   |
| Tomatoes and citrus fruits (fresh fruit equivalent).....                           | 88.3             | 51.1   | 46.8  | 103.0         | 61.5   | 23.2  |
| Other fruits and fruit products (fresh equivalent).....                            | 151.3            | 79.6   | 93.5  | 104.1         | 72.4   | 52.0  |
| Leafy, green and yellow vegetables.....                                            | 85.7             | 43.9   | 99.3  | 93.4          | 43.2   | 132.7 |
| Other vegetables.....                                                              | 62.3             | 34.0   | 48.6  | 65.4          | 32.8   | 64.4  |
| Grain products.....                                                                | 200.7            | 206.9  | 212.0 | 201.2         | 215.4  | 247.4 |
| Beverages (tea, coffee, cocoa).....                                                | 16.0             | 10.8   | 13.5  | 14.3          | 10.5   | 12.3  |

NOTES.—(1) The figures in the above table are national averages and should not be taken to represent the actual supply received by each individual consumer. (2) Including Victory Garden Production.

is only one example among many. The final value of this survey lies in the working out of a reliable method of comparing food consumption levels in different countries. In particular, the post-war problems of food supplies, particularly to Europe, foreseen by the Hot Springs Conference will undoubtedly call for similar survey work in the future. The experience gained by the Combined Food Board in the past will be of great value.

### The Finnish Disaster

The Russians have officially announced the breakdown of the Russo-Finnish peace talks. The Finns described the final terms as in part "technically impossible" and in general too heavy. Except perhaps for the matter of reparations, it is hard to see what easier terms they could have expected from a powerful and victorious enemy. The Russians asked for the 1940 frontiers and for Petsamo, but were prepared to withdraw their demand for Hangö. Otherwise all their demands were concerned with the methods of getting Finland out of the war, a step which, in asking for peace terms at all, the Finnish Government must have envisaged. Some hesitations at Helsinki would have been natural. Fear of Russia has not grown less, and the Russian demand for the demobilisation of the Finnish army to peacetime strength, though perfectly justified, must have underlined Finland's defencelessness in the event of an armistice. Again, it is very far from easy to turn out an occupying German army—as the Italians discovered—and Russia's offer of help would bring Soviet forces into Finland. But what is the alternative? In rejecting the opportunity of getting out of the war the Finnish Government have thrown away its people's greatest safeguard, the sympathy of the Western democracies. They face a Russo-German conflict on their soil, followed by a Russian occupation. Forced labour may now take the place of reparations and even independence may be at stake. What can lie behind this colossal folly? It can only be the assumption that Germany will not be defeated and that in some way there will be not victory but stalemate. It is also possible that an echo of the whispering campaign which has so bedevilled Polish politics—that the Anglo-Saxon Powers must ultimately break with Russia—has reached receptive ears in Helsinki. One may ask whether a dramatic step, such as the breaking off of United States relations with Finland,

might not at this eleventh hour stir public opinion to realise what the Government has done and give the peace party one more chance of action.

### Progress in the Far East

The Japanese advance towards the Assam-Bengal Railway has been held, the garrison at Kohima relieved after a three-week siege, and the road to Dimapur almost cleared. It does not look as though another serious Japanese threat can develop before the rains, but the advance into Assam has disrupted the Allied attack in North Burma. Major-General Lentaigne has been appointed to command the airborne divisions and reinforcements have reached the units operating in the rear of the Japanese; but it would need a strong new drive to effect a junction between the airborne columns and the British and Chinese forces advancing on Myitkyina—and the Japanese diversion into Assam may have drawn off the reinforcements. The first attack from Admiral Mountbatten's new headquarters in Ceylon was significantly directed against the naval base at Sabang in Sumatra. This is the first really heavy blow against the Japanese island conquests from the west. It matches the new attacks on the other most easterly end of the island chain. American and Dutch forces under General MacArthur have made a series of landings on the northern coast of New Guinea to the west of the Japanese 18th Army, which has been holding the Wewak-Madang coast line. These surprise attacks have so far met with little resistance, and the total defeat or dispersal of local enemy forces will probably be only a matter of time. The 18th Army is now threatened by sea, air and land. The fall of Madang to the Australians pens the Japanese in between two advancing Allied forces. The capture of Hollandia gives the Allies a new base from which to continue the pounding of Japanese bases and lines of communication. The outer cordon is being drawn steadily more close, and Japan's freedom of action is shrinking with each withdrawal.

### Divided Greece

A few weeks ago, groups of Greek soldiers and sailors in Cairo staged a "sit down strike" to express impatience over the delay in broadening the basis of the Greek Government. The number of soldiers affected was small, and they were constrained without much difficulty to return to duty. The mutiny in the Greek Navy was more serious, for the men refused to carry out convoy work and mine-sweeping duties, and, in three ships, held out for three weeks until they were boarded by Greek officers and men, and, after some fighting forced to surrender. The Greek Government had no alternative but to quell these disorders, which were a definite embarrassment to the Allied Command. Barely a third of the Greek crews were affected, and the mutiny—for, whatever its grounds, mutiny it was—could not be permitted to spread. On the other hand, it would equally be folly to dismiss the grounds which led the soldiers and sailors into insubordination. They used the most effective method at their disposal to demand a speedy broadening of the basis of the Greek Government. Their protest brought about the resignation of Mr Tsouderos, the interim administration of M. Venizelos, and now the formation of a new government by M. Papandriou who recently escaped from Greece and is said to be devoted to the cause of national unity. Now the question is whether representatives of the resistance movements inside Greece will consent to serve in an all-party government on the Italian model, and it is too early to say whether M. Papandriou is an acceptable leader. Thanks to the efforts of British and American officers in Greece, an armistice concluded in February put an end to most of the fighting between the three main resistance groups in Greece. The largest group, the EAM, with its new Political Committee of National Liberation, is said to be ready to send representatives to Cairo. The difficulty is the instability of the local situation. No Greek group has the continuity or cohesion of Tito's guerilla movement. Even the largest, EAM, is on a far smaller scale. Yet the danger remains that unless an all-party government can be secured, a situation resembling the Yugoslav deadlock may gradually develop, to the detriment both of the Greek contribution to the Allied war effort and of collaboration and goodwill between the Allies themselves.

### Labour's Foreign Policy

The Report by the National Executive of the Labour Party on its policy for the international post-war settlement does not cover much new ground. There is little with which a Conservative Government might not agree. The Report holds that co-operation between Britain, the United States and Russia can be the effective nucleus of a world organisation; it welcomes Mr Curtin's proposal that the co-operative machinery of the British Commonwealth should be strengthened; it says unexceptionable things about post-war economic organisation, and suggests a number of useful international economic institutions. "Expansion not restriction must henceforth be our watchword, and the aim of all our economic planning." There are some points, however, which do not simply register general agreement, and about some of these it is difficult to feel very happy; for example, that reparations should be made by forced labour is accepted as a perfectly normal and just procedure. No one doubts that the Germans should make good as far as possible the awful destruction for which they are responsible. But does the Labour Party, whose first concern should be to raise the status of work, and to ensure the dignity and rights of the labourer, suppose that a perpetuation of forced labour into the post-war period can have anything but disastrous political results? Again, the transfer of large national minorities is treated light-heartedly. Finally, it is astonishing to find thrown in almost as an afterthought a commitment of the Labour Party to a full Zionist policy.

The Arabs have many wide territories of their own; they must not claim to exclude the Jews from this small area of Palestine, less than the size of Wales. Indeed, we should re-examine also the impossibility of extending the present Palestinian boundaries, by agreement with Egypt, Syria, or Transjordan.

When the Labour Party comes to discuss this document at Whitsun, it should beware of the dynamite which the National Executive has embedded in the tail of its Report. A solution of the Palestinian problem, which not only gives to Jews a majority in Palestine, but suggests first that the Arabs should move out, and then that Palestine should be expanded to include other Arab territories as well, would confront Great Britain with war in the Middle East.

### Middle East Inflation

A conference on monetary policy, attended by representatives of twelve countries of the Near and Middle East, has been held in Cairo this week. It was opened by Lord Moyne, Minister of State in the Middle East, whose speech to the delegates was almost wholly concerned with the problems of inflation. He explained that this problem had arisen from the arrival of Allied forces for the defence of the Middle East, and from the subsequent development of this area as a base for operations. The Allies have been involved in heavy local expenditure—often, said Lord Moyne, exceeding the expenditure of the Government itself—and, owing to shortage of shipping and consumer goods, this expenditure could not be immediately offset by imports into the countries concerned. The main problem for these countries is to absorb the purchasing power created by the expenditure of foreign governments. As Lord Moyne pointed out,

If you can solve your problem, you will reap a rich harvest. Your countries are acquiring wealth. As far as it has not been controlled during the war, that wealth has acted as a boomerang, and has disorganised your price and wage levels. Unless this is checked, it will affect your competitive power in the markets of the post-war world. The problem is not one for this country or that. It is one for the Middle East as a whole.

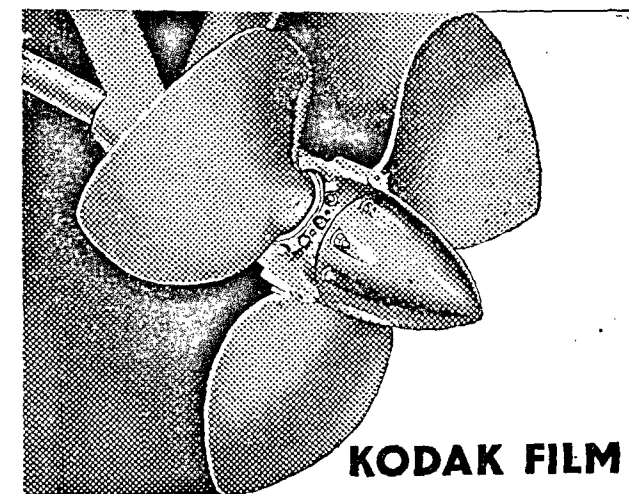
The difficulty arises from the fact that no government accepts the responsibility of countering by taxation or loans, expenditure incurred in its own territory by some external authority. In the Middle East, where no highly developed fiscal system exists, that difficulty is considerably intensified. The symptoms of inflation have, moreover, been increased by the absence of any administrative machine able to operate a rationing system, and by the natives' habit of hoarding and speculation. Palliatives have been applied in the shape of sales of precious metals in the countries concerned, and, in India, by the offer of Government premium bonds. These measures do no more than touch the fringes of the problem. The only complete, though not immediately practicable, solution must lie in the import of consumer and capital goods in the countries concerned, for their inflations are as much a problem of scarce goods as of unscarce money.

### Clothing the Naked

A rise in the purchasing power of the natives in the colonies and dependencies, besides being highly desirable in itself, should offer new markets for British exports. Among the needs of South African natives, clothing ranks high, especially for those working in the mines and those living in towns; but it is unlikely to receive attention until elementary food requirements have been more fully satisfied. A recent article in *International Textiles* points out how large a potential market for clothing exists in South Africa. It concludes that, as far as the native is concerned,

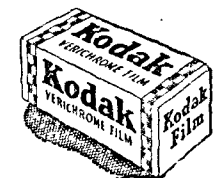
The money needed for improving his present ill-balanced diet by adding vital protective foods is comparatively small. Once he has learned to deal adequately with this problem . . . he will undoubtedly spend a large proportion of his remaining income on clothing himself warmly and reasonably, and without proper clothing no diet will sustain him.

This may be so. But the present poverty among South African natives, and among Bantus in particular, should not be under-estimated. The very low standard of living prevailing among native workers was brought out in a recent investigation by the National Health Service Commission of the Union of South Africa. The first need must be for officially-sponsored welfare and nutrition schemes. It must be some time before the native can become even a moderately large consumer of manufactured goods, although among such goods clothing will certainly enjoy a high priority. As far as the hopes of British textile exporters are concerned, there is also the probability of strong competition from other countries to be taken into account. Before the war, the export of cotton tissues from Japan was enjoying great success throughout the British Empire, in Africa as well as in Asia. Japan may now be put out of business, but there are other textile importers; and the gap left by Japan's defeat must be filled. Clothing the naked is more a duty than an ideal, and if the British are to play the proper part in fulfilling this duty, it is necessary both to make every effort to improve the natives' general standard of living and to produce clothes that can be sold to him at low cost.



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## AMERICAN SURVEY

### A Bridge to Congress

The appointment of a Senate Committee to work with the State Department on the principles of the peace marks a new advance in Mr Hull's patient efforts to build a bridge between Congress and the Administration. The American Constitution, which gives the Senate power of veto over treaties, also provides that the President, in conducting foreign relations, shall act with "the advice and consent of the Senate." In the past it has often happened that, because the advice was not sought, the consent was withheld. As Wilson found with Lodge, Hull knows no fury like a Senator scorned. The patent sincerity of Mr Hull's desire (he is himself a former Senator) to employ to the full the neglected possibilities of the provision about advice gives the creation of this new Committee its importance. It formalises the method he has been pursuing of gradually bringing Senators and Representatives into ever-closer consultation in the making of policy. Although the Democrats are still strong in the Senate, the Committee has not a partisan majority. It is composed of 4 Democrats, 3 Republicans, and one Progressive, Mr La Follette. Most of its members have pledged themselves in the past to international collaboration, though Mr Vandenberg and Mr Gillette are hardly to be described as liberals in foreign relations, and Mr La Follette even opposed the Connally-Fullbright resolution. But while Mr Hull may not be able to carry the Committee with him as rapidly as he would like, its composition is less important than the principle it establishes. Its existence obviously points to the creation of a new technique in American government, and a movement towards the Parliamentary method of being assured in advance of a majority that can be relied on. If in 1918 the Wilson Administration had associated Senators Johnson, Lodge, and Borah with its conduct of foreign relations, the Senate's rejection of the League Covenant might have been avoided. Mr Hull's attempts to prevent a similar breakdown this time may make his name live in history as a great constitutional innovator or rejuvenator. Senator Connally made it clear last week that any attempt to substitute a majority vote of both Houses for the power of the Senate to ratify treaties by two-thirds vote would be fought by every means at his disposal. With that avenue probably closed, it is more than ever important that an enduring and effective partnership be established between the State Department and the Senate if a possibly disastrous breach between the Executive and the Legislature is to be bridged. Without adequate support in the Senate the most inspired peace may fail to assure American participation.

### Too Little and Too Late

The day after Colonel Knox, Mr Stimson, and Admiral Land, the heads of the Navy, Army, and Maritime Commission, issued a statement terming the passage of a "War Work Service Act" for industrial conscription a step of great urgency, the House Military Affairs Committee announced that not only would it not propose legislation to draft the 4-Fs into essential war work, but that it had voted against submitting any legislation affecting the manpower position. Instead it suggested that the present law, if properly utilised, was adequate to deal with the situation. It is true that there is general agreement that over the nation as a whole the demand and supply of manpower are roughly in balance. What is less satisfactory in the present picture is the decline of 1.5 millions in the civilian labour force over the past year; specific labour shortages in 67 areas which impede essential war production; and the continuance, despite the stabilisation plans of the War Manpower Commission, of an astonishing rate of labour turnover, which requires, on the average during a year, the hiring of 72 new hands to maintain a working force of 100 men and women. In part, this is the natural consequence of the failure to create a single, effective policy and administration for the direction of manpower; but the situation also appears to have become worse as a result of the belief that the war is nearly as good as

won. The present alarm felt by the Services is due to the fact that from this rather shaky structure they will be compelled, during 1944, to withdraw 1.4 million of the younger men, many of them from vital war work, for Service replacements and the expansion of the Navy. They feel real doubt whether the present system can find the workers to maintain the flow of munitions and essential services, and propose an Act, which, while depending in the first instance on volunteers, would make possible direction of labour where this was found necessary. The statement urges, rather optimistically, that once the obligation to service was imposed, the volunteers would come forward, and that, in any case, only a small proportion of the nation's employables would be affected. Presumably this is a sop to Congress and the trade unions. But if a National Service Act is really essential at this date, what is needed is not a sop, but high explosive. There have been so many contradictory statements on the manpower position—Mr McNutt himself has said in the same week that it was "relatively good" and that "we have long since scraped the bottom of the manpower barrel"—and the Administration has dilly-dallied so long, that the fault will not be entirely that of Congress if this last cry of wolf goes unheeded. It has been the contention of the Truman Committee that by the time such an Act could be put into effective operation the need would be over. The matter has been left so long that there is some substance in this line of thought; and it will not be abandoned without new arguments from the battlefronts.

### Great Expectations

The House this week renewed President Roosevelt's authority to make Lend Lease contracts for another year by a vote of 334 to 21. All the Nays were Republicans, and mainly from the Middle West, but these diehards constitute only a tiny fragment of the Republican strength in the House. Only one amendment, that of Representative Wadsworth, was attached to the Bill when it was sent to the Senate, and this provides merely that any settlements should be in accordance with "long established constitutional processes" without specifying precisely what restrictions the Constitution imposes. The Schiffer amendment, subjecting any new agreements to Congressional approval, and the Rogers amendment, placing Congress in control of post-war Lend-Lease surpluses abroad, were defeated. The submission of these proposals has been hailed in some quarters as welcome proof that Congress is turning its mind to the post-war aspects of Lend-Lease. However, it is difficult to see in these three specific cases much more than a jealous attempt to safeguard the Congressional claim to be consulted. As the *Baltimore Sun* pointed out, the disposal of Lend-Lease surpluses is properly part of the much more general problem of all war surpluses and might usefully be considered from this angle. The *Journal of Commerce* this week suggests that surpluses abroad might be distributed as a part of the American contribution to UNRRA, with provisions against their re-export to established American markets. It seems likely that popular expectations of some concrete return for American contributions under Lend-Lease will be revived by the suggestion of the House subcommittee which has been touring American bases in the Caribbean and South Atlantic that the United States should take steps to convert the 99 years' leases from Britain into permanent possession—a suggestion on which Mr Churchill has since expressed himself emphatically, in the negative. Despite reports that the State Department considers possession unimportant, compared with equal access for American air-lines, Governor Bricker has been quick to incorporate this suggestion in his platform. This is a notion understandably popular in Congress. The American investment in these bases has been heavy; and it would be good politics to show a tangible return on Lend-Lease and confound the whispers that once more Uncle Sam had been taken to the cleaners without the Government showing sufficient energy to defend American interests. It is indeed, only

another short step to the thought that some of Britain's West Indies possessions would make an acceptable *quid pro quo*; and there is no very wide appreciation of the fact that Bermuda, or any other British possession, might, with all due respect for the American flag, feel as strong a distaste for being made a burnt offering to Anglo-American understanding as, say, Maine or Texas.

### Bricker Takes the Plunge

Governor Bricker, of Ohio, who makes no bones about his Presidential aspirations, is said to have adopted the slogan of "Whole hog or nothing." It is to be President Bricker or plain Mr Bricker, with no compromise candidacy as Vice-President on Governor Dewey's ticket. With equal dash, Governor Bricker has broken through the Republican conspiracy of silence on questions of foreign policy. After a vigorous attack on the Administration for having allowed the country to enter the war "shamefully unprepared"—proof that Mr Bricker has the conveniently brief memory of the true politician—he demanded a "consistent and competent" foreign policy, without the indecision and weakness he finds in the present Administration. His policy would include the maintenance of military order by the four Great Powers, acting as independent sovereign states, and without a world police force, until the peace had been settled; exploration of a basis for "post-war co-operative organisation of sovereign nations without any world super-government"; and inauguration of studies by the Big Four of currencies, credits, tariffs, air rights, markets, and international trade, with the eventual objective of a return to the world gold standard. Read carefully, the substance of the proposals is less startling than, as Dr Johnson said of the woman preacher, the fact that they were made at all. Governor Bricker clings to the word sovereignty with the passion of a drowning man for a life-belt; and he has carefully provided so many fire exits that his platform looks more like a colander than a policy. Nevertheless, the ice has been broken. If Governor Bricker survives his plunge, Mr Dewey may be tempted to emerge from his prudent and abstracted seclusion. Governor Bricker's modest proposals should not, however, be disregarded. As the man himself may well be the ideal of those Republicans who rallied behind Harding and the cry of normalcy, his evasive commitments may represent the plank the Old Guard favours.

### Service Integration

Admiral King's monumental "progress report" on the Navy's part in the war combines with a sketch of the technical and industrial problems of the expansion of the Service, an unequalled account of the Pacific War, which is well worth reading by itself. The description of combat operations includes hitherto undisclosed facts concerning the North African landings, and the heavy damage sustained by the US Fleet in the early defensive stages of the war against Japan. In view, however, of proposals now before Congress for a merger of the Services, particular interest attaches to Admiral King's emphasis on teamwork between the Army and Navy, and, within the Navy, between the air and sea arms. Admiral King is justifiably proud of the integration of the Services which was worked out after the disaster at Pearl Harbour underlined its importance. It appears, however, that both Army and Navy favour further consolidation of the two branches, to be effected after the war. In his testimony, Mr Stimson told the House Committee that under the present system disagreements have to be resolved at unnecessarily high levels—sometimes being taken even to the President—"a necessarily slow and inadequate process." Experience during the war has shown, Mr Stimson said, that voluntary co-operation can never be as effective as concentrated authority at the level of staff planning, supervision, and control. Another witness for the Army, Lieutenant-General McNarney, suggested that there might be a single department for the Armed Forces, with under-secretaries for the army, the navy, and the air. Such an arrangement by itself would not necessarily guarantee smooth co-operation; and, indeed, the creation of a separate Under-Secretary for Air suggests a departure from the integration of the Air Forces with the Army and Navy which has characterised the American Forces. The vitalising element would have to be provided by actual experience of the necessity of co-operation. Admiral King's report makes it clear how well this

lesson has been learned since the days of the rumour that in Hawaii the Army and Navy were hardly on speaking terms.

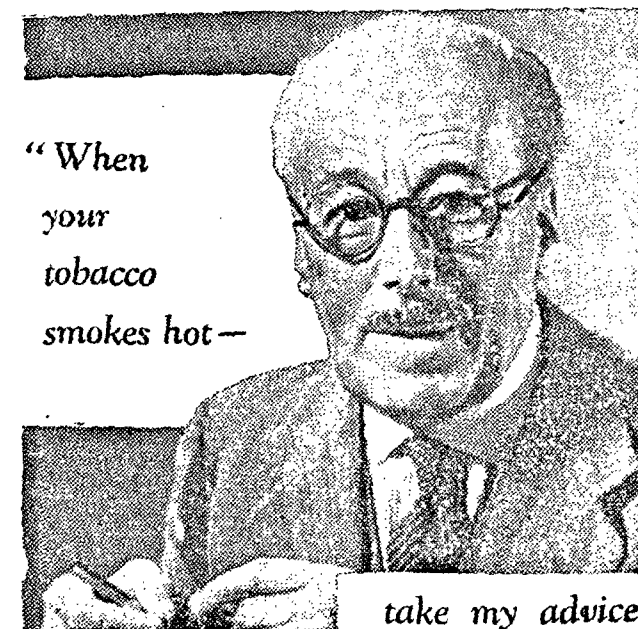
### Shorter Notes

Nearly 5,000,000 people have taken part in a vast internal migration since April, 1940. Two trends are visible, one towards metropolitan centres and war production areas, and the other from the north-east Atlantic States to the West Coast. Over a period in which New York State lost over a million inhabitants, California showed an almost precisely similar increase.

A vigorous press campaign on the complications of the new pay-as-you-earn tax schedules, combined with only too audible moans from the nation's 50 million taxpayers, has brought the promise of speedy relief from Congress. The House Ways and Means Committee this week approved legislation to revise the present withholding tax in order that the full liability for those earning up to \$5,000 a year in wages and salaries will be deducted at source. This will relieve 30 million taxpayers from computing their own returns and provide easier computation for the remainder.

The Secretary of the Treasury has announced that last year's census of American property holdings abroad totals more than \$13,300 million. Investments in Canada are the largest in any single country. American assets in six enemy countries total \$1,757 million, more than three times known Axis investments in the United States, and there is an additional \$2,000 million invested in countries now under enemy occupation. Assets in United Nations' territory, not under enemy occupation, are estimated at \$8,000 million. Mr Morgenthau said the returns are already being used for several wartime purposes, and that they will be available for the peace table and post-war negotiations.

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# THE WORLD OVERSEAS

## Hungarian Transformation Scene

THE dramatic incorporation of Hungary in the German defence system, which reached its climax at the end of March, has probably been completed in the purely military sense. Politically, Hungary is still in transition from a semi-parliamentary state to an openly totalitarian régime on the German model.

Before the fall of Mussolini, Hungary enjoyed some power of manoeuvre by virtue of her geographic and political position between Italy and Germany. Although the Government altered several times after the beginning of the war, the leading party, called the Government Party, remained in power. The fall of Mussolini and later the advance of the Russian armies to the Carpathians, the gates of Hungary, put an end to an extraordinary internal situation. After the fall of Mussolini there had been renewed activity by the political parties, on the Right by the Imredy Party and the Hungarian National-Socialists and on the Left by the Social-Democrats, the Trade Unions and the Smallholders' Party, the representatives of the peasant population. The Kallay Government, unable to strengthen its position by the complete suppression or assimilation of the Right or the Left, moved haltingly towards a policy of national concentration without any real success. The Social Democrats and Trade Unions were reported to have more than doubled their membership during 1943-44. Yet no clear statement of foreign policy came forward from the leaders of the party.

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please.

ROWNTREES

### Calling the Tune

It seems that the Premier, Mr Kallay, tried to pursue a policy of non-belligerency without realising that it was quite illusory, since Hungary had become indispensable as the rear of the German armies on the southern Russian front. German defence necessities and the rift in Hungary between peasants and workers, on the one hand, and the bureaucracy and big landholders, on the other, dictated the direction of Hungarian politics.

Retreating towards Hungary, the Germans decided to end all pretence. The result in Hungary was a change in government, partly enforced and partly voluntary, which bears all the marks of the first step in a transformation of the entire régime. It is still not possible to discover the truth behind the sensational rumours which accompanied the fall of the Kallay Government. The notion that the changes were simply dictated by Hitler can be dismissed. It would be nearer the truth to say that the changes were effected by active collaboration between German and Hungarian National-Socialists.

There is no doubt that the political monopoly of the MEP or Government Party has been broken. The new Government includes members of the Imredy Party as well as the Government Party. The new Prime Minister, Mr Sztojay, has been made a member of the Government Party and, according to traditional practice, its president. The most significant appointment, however, is that of Mr Backy to be Secretary of State in the Ministry of the Interior. Mr Backy is the deputy leader of the Hungarian National-Socialist Party, whose leader is Count Palfy.

A Government composed of members of the Government Party has thus been replaced by a Coalition Cabinet in which rival parties of varying degrees of totalitarianism predominate. Subsequently, there has been a strong drift away from the discredited Arrow-Cross group and from the Government Party to the Imredy and the National-Socialist Parties. It is, however, not clear at the moment whether the Right wing parties will finally merge into one totalitarian party. Negotiations for closer collaboration are said to be going on.

This is only one aspect of the transformation. The other is reminiscent of events in Germany eleven years ago. Almost the first action of the new Government was to proscribe the Social Democrats, the Trade Unions and the Smallholders' Party. Their leaders were arrested. The Social-Democrats, for example, were charged with high treason, and accused of having been in correspondence before the war with Mr Basil Davidson, a British correspondent in Budapest. Government Commissars took over the property of the trade unions. At the same time, the "National-Socialist Labour Centre" was officially recognised as representative of the workers. The Social Democratic and Liberal press has been banned, and the whole press is undergoing a process of *Gleichschaltung*.

### The Jewish Scapegoat

But the main aim of the new Government is to get a greater war effort from the Hungarian people. The Kallay Government was unable or unwilling to tackle the wartime agricultural problems. It was unable to prevent black markets and could not cope with the difficulties caused by the rapid industrialisation promoted by German war necessities. For the moment the new Government is following the line of least resistance. That is to say, anti-Jewish measures have been intensified. Jews, who number about 800,000, or 5½ per cent of the total population, are forced to wear a yellow David-Star. In many towns a curfew for Jews has been introduced. Measures promised by former Governments are now being carried out with great speed—the introduction of a fresh levy on Jewish capital

the distribution of Jewish landed property among peasants, and a speed-up in the closing down of Jewish retail shops, particularly in the textile trade. Other persons will be given the shops owned formerly by the Jews. At the same time, a big propaganda campaign has begun promising the solution of the agricultural problem, and some redistribution of land will probably be declared, at least formally. All this is done in conjunction with an anti-Bolshevik campaign, in which the peasants are threatened with compulsory collectivisation if the Russians should occupy Hungary.

The new Government describes itself as "a Government of action." So far most of the action has been in the direction of more intensive mobilisation for the war. Several classes have been called up for registration. The conscription of women for labour service is foreshadowed, and compulsory labour service is no longer confined to Jews. New civil defence regulations have been put into operation. A scheme for decentralising industries geographically is being prepared, together with more comprehensive industrial planning, and the compulsory delivery of agricultural products has been tightened. The military occupation by German troops is made to appear as voluntary collaboration. The Germans are all the time watchful observers, prepared at any moment to hasten the inevitable march towards a complete one-party and totalitarian system.

## The Turkish Path

THE problem of Turkish trade with Germany, especially in chrome for steel making, has lately been much in the news. Less has been said about the general economic situation in Turkey, which as a country has been for a considerable time in a near-war condition.

With over a million men under arms and military expenditure amounting last year to more than seven-tenths of total Government expenditure, Turkey is not reaping benefits from neutrality or non-belligerency. A country where four-fifths of the peasantry still work with primitive wooden ploughs, and where the numbers engaged in industry, despite recent industrial developments, are still comparatively small, is bound to suffer severely from the prolonged absence of the best and youngest workers on military service. Moreover, it has not been possible to replace mobilised labour by farm machinery. Before the war, farming was assisted considerably by the import of agricultural implements from abroad. This has been very much slowed down because of the wartime demand for machinery in other countries; and the Turkish Government recently announced a plan to set up a factory to make 50,000 iron ploughs annually.

The difficulties of production are only one of Turkey's troubles. Transport and distribution provide serious problems. Even in cases where the total annual supply is sufficient, local shortages frequently occur. Before the war much of the goods traffic of Turkey was conducted by sea. Now sea transport is only possible during daylight hours and within the Turkish zone of sovereignty. On land, there is a shortage of engines for the railways and of petrol for motor transport. Moreover, a very large proportion of the transport available is reserved for military purposes.

### Price Inflation

One of the most serious effects of the shortage of goods is the effect on prices. According to the recent statement of a Government Commission on Prices none of the official price-regulating measures has so far proved successful. Since the outbreak of the European war the average price level has risen by about five hundred per cent. In 1939 the note circulation was 230 million Turkish pounds. At the end of 1942 it was 767 million Turkish pounds. Early this year it was 806 million Turkish pounds.

There was a brief stop in the rise of the note circulation in the first half of last year; it fell by about 50 million Turkish pounds. This temporary check was the consequence of the so-called "tax on wealth." This tax, according to an official statement, was

a revolutionary step taken to protect the Turkish economy from collapse and, at the same time, to meet the most urgent financial needs.

Scores of thousands of business men, mainly in Istanbul, were suddenly asked to pay a large proportion of their wealth within a short space of time. The justification

was that many of them had made profits out of the war. It was estimated that the yield of this tax would be 380 million Turkish pounds. Up to the end of June last year, long after the official date for payment, only 255 million Turkish pounds had been paid—despite the fact that "defaulters" were threatened with deportation to forced labour camps in the interior of Anatolia.

Quite recently it has been stated that the Turkish Government still intends to collect most of the outstanding sums due for this tax, apparently as a further measure to stabilise the currency. It should be noted that three-quarters of those assessed for this tax, and probably a larger proportion of the "defaulters" condemned to forced labour, happened to be either Jews, Armenians or Greeks. There would seem to be a notable element of discrimination, since members of these national or religious minorities are now more or less completely barred from influential positions in the economic life of Turkey.

The failure of the state to control the currency is in odd contrast to the fact that modern Turkish industry is almost completely run by the Government. The hold of the state has in fact been strengthened during the war, especially by the campaign to get in the "tax on wealth." Many businesses which formerly belonged to private traders have been taken over by the Government or by its nominees.

### Failure to Ration

The state, however, has so far refused to introduce a comprehensive rationing system. Bread ration cards have been instituted, entitling ordinary consumers to 300 grammes daily and heavy workers to 600 grammes; and the Government Commission on Prices has suggested an increase in this ration as a way of combating the sale of unrationed bread at unofficial prices. In Istanbul, coffee has now been rationed also, and set amounts of sugar, rice and vegetable oil have to be sold at lower prices to wage and salary earners.

But the absence of any general rationing scheme is still a conspicuous lack. It is explained, or excused, by the special features of the country. The great differences in habits of consumption between the various regions and classes of the population, together with illiteracy which is still widespread, may indeed make it difficult to work a rationing system in Turkey. But the price paid for the absence of rationing is a very large uncontrolled market which imperils both the stability of the currency and the standard of living of the people.

Another factor which makes control of the markets even more difficult is the fact that many of those engaged in economic administration are unreliable. It is significant that the Government Commission on Prices found it necessary to make special recommendations for the "fight against corruption" and for a purge of the Civil Service. The number of civil servants has been reduced and the pay of the lower ranks is to be improved. But, in general, despite its often proclaimed intention to fight against profiteering with all its power, the Government is content to rely upon the penal code rather than upon the right economic policy.

## Books Received

*The Tariff Reform Movement in Great Britain, 1881-1895.* By B. H. Brown. (London) H. Milford. 170 pages. 16s. 6d. net.

*The Food Resources of Africa.* By T. S. Githens and C. E. Wood, Jr. (London) H. Milford. 105 pages. 9s. 6d. net.

OXFORD PAMPHLETS

No. 65. *An Atlas of the British Empire.* By J. H. Stenbridge. No. 66. *The Uplift War, Sept., 1939-Nov., 1942.* By R. C. K. Ensor. Oxford University Press. 6d. net, each.

*The British Empire.* Second Edition. By B. Williams. (London) H. Milford. 220 pages. 3s. 6d. net.

*Mining Year Book, 1944.* Compiled by Walter E. Skinner. (London) Walter E. Skinner, 20 Copthall Avenue, E.C.2. 452 pages. 25s. net.

*Beveridge on Beveridge. Recent Speeches of Sir William Beveridge.* Edited by J. S. Clarke. (London) Social Security League. 40 pages. 1s. net.

*The Development of British Universities.* By Sir Ernest Simon. (London) Longmans, Green and Co. 20 pages. 1s. net.

*Handbook of Latin American Studies, 1941.* No. 7. Edited by M. Burgin. (London) H. Milford. 649 pages. 22s. 6d. net.



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A and D, so that it has a vitamin content equal to summer butter. Children under five, and pregnant women, are given an allocation of Vitamin C in orange juice and Vitamins A and D in cod liver oil.

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# THE BUSINESS WORLD

## Business Notes

### Budget Reactions

The immediate reactions of the market to the Budget speech were limited to a slightly better tone in most sections. It caused an appreciable acceleration of the very modest rise in industrial equities which had carried the index of *The Financial News* from 103.0 to 105.6 in some eight weeks; the index now stands at 106.1, the highest since October 5th. But the changes suggested by Sir John Anderson merit more interest than is reflected in prices. The valuable depreciation provisions, discussed below, will have important effects on industries such as shipping and shipbuilding, owing to heavy wartime losses of fixed assets by the former, and on many of the newer industries where the rate of plant obsolescence is very rapid. The very definite announcement about the certainty that the EPT refund will be available for any capital expenditure should remove the many doubts which remain as to the value of this contribution to post-war finance. The special concessions for research are also valuable, but in the rather longer term, since they are more likely to encourage expenditure than to increase profits in the short run. The one section of the market specifically affected by the new taxation—breweries—shows only modest price changes. This is reasonable, provided that no credit has been taken in existing prices for the lower cost of barley. On the supposition that the additional tax is borne by the brewers, it can, apparently, be met out of this reduction in costs which would otherwise, presumably, have gone to swell EPT payments in those cases where the company's earnings exceed the standard. The present slight movement in industrial prices in general is not surprising, but as soon as conditions are more favourable to an active investment policy, it is probable that the provisions of the Budget will work in favour of higher prices.

### Taxation of Profits

Much the most important ingredients in Sir John Anderson's first Budget were his proposals for a new and more realistic definition of business profits as a basis of postwar taxation policy. More specifically, he laid down as a principle of future fiscal policy that the real profit of a business is that part of its revenue that is left over after meeting not only all current costs but, in particular, after deducting an amount equivalent to the value of the assets used up in the making of profits. "Tax," he said, "should be charged on true profits reasonably measured, but not more." This is mere commonsense, for the levying of tax at the present high rate of 50 per cent on an amount which exceeds the true profits of a business is bound, in the end, to defeat its own object in that it acts as an obstacle to the replacement of industrial equipment and, in the long run, diminishes the profit-earning power of British industry.

### Past Practice

Past practice, unfortunately, did not fully conform to this elementary principle, largely because in their search for revenue Governments were not too particular about the wider implication of the tapping of specific sources. In theory, the present system of wear and tear *plus* obsolescence allowances conforms to the principle of taxing true profits. Industrialists are granted annual tax-free allowances for the wear and tear of equipment, and at the time of replacement they can claim a tax-free obsolescence allowance in respect of the difference between the sum total of the wear-and-tear allowances already granted and the original cost of the equipment less its scrap value,

provided they have spent on new equipment an amount at least equal to the difference. In practice, however, the present system has fallen short of the principle of taxing only true profits. The annual wear-and-tear allowances are too small in that they do not—in many industries—correspond to the actual rate of depreciation in the value of the assets. In the iron and steel industry, for example, the annual wear-and-tear allowance is only 9 per cent on the written-down, as distinct from the original value of the plant. It may be argued, of course, that since, at the time of replacement, tax relief can be claimed for the whole of the difference between the sum total of the wear-and-tear allowances and the original cost, the actual rate of the depreciation allowances is a matter of indifference. But this argument is hardly valid since the rate of the allowances affects the ability of industrialists to accumulate reserves. Its fallacy can be seen if it is pushed to its logical conclusion, when there would be no annual wear-and-tear allowances at all, but merely the obsolescence allowance at the time of replacement. But inadequate wear-and-tear allowances are not the only reason why, in many industries, tax is at present levied on an amount in excess of true profits. Thus, except under the scheme for the construction of munition factories, no wear-and-tear allowances are granted in respect of buildings which are used up as much as plant and machinery in the making of profits. Finally, capital, as distinct from current expenditure in respect of industrial research, is not eligible for tax relief. In sum, under the present system taxation is levied not on true profits but on an amount often substantially greater. It has undoubtedly been an obstacle—though not the only one—to the modernisation of British industry—during the inter-war years, though its effect was probably negligible before the last war, when the rate of income-tax was small.

### The Chancellor's Proposals

The proposals of Sir John Anderson represent a rough-and-ready, and in many respects bold, attempt to translate the principle he enunciated into practice. The initial tax-free allowances of 20 per cent on the cost of new plant and machinery, and of 10 per cent on new industrial buildings, together with a wear-and-tear allowance of 2 per cent per annum on all such buildings, whether existing or new ones, and the decision to relieve from taxation all expenditure on industrial research in all its stages from the laboratory to full-scale production, should go far in removing the present obstacles to industrial progress, insofar as they arise from the out-of-date fiscal system. Commendable and bold though the proposals are, it may be asked whether they go far enough, whether they are likely to translate the Chancellor's principle fully into practice. If industry is to have at its disposal the best tools that can be had, it must replace the existing ones not only when they are beyond repair, but also when technical progress has made available new and better tools to carry out a given process and where the process itself has been superseded by a new and better one requiring different equipment altogether. Since technical progress is unpredictable, it is obviously impossible to estimate several years in advance the real rate of depreciation necessary to calculate the true profits. This, presumably, explains why the Chancellor has chosen a uniform initial allowance in preference to a system of periodically adjustable allowances varying from industry to industry. There may be a case, however, for a re-examination of the annual wear-and-tear allowances, some of which are probably too low. But the proposal to grant the obsolescence allowance to a going concern, irrespective of whether the piece of machinery that has been scrapped is replaced or not, will enable an industrialist to buy a different machine. The assumption



of a life of 50 years for factory buildings in calculating the rate of depreciation may be criticised on the ground that the average life is probably shorter, and often no longer than that of the plant it has been designed to house. So far as industrial research is concerned, the Chancellor has gone the whole way in translating precept into practice. Taken together, Sir John Anderson's proposals represent one of the most important contributions in a generation to industrial taxation, even though they merely remove obstacles placed in the path of industry by former Governments. But an enlightened fiscal policy is only one of the conditions essential to rapid technical progress. It is now for industry to seize its chance.

### Exchange Market and the Currency Plan

The proposals for the establishment of an International Monetary Fund provide interesting hints of the experts' views on the shape of the future world exchange markets. There is the usual evidence of compromise in the clash of suggestions on the maintenance of exchange control, and on the return to free dealings. The plan states definitely that member countries must withdraw as soon as possible any restrictions which impede multilateral clearing on current account, and suggests a period of three years during which such withdrawal should be completed. On the other hand, the scheme seems to envisage a continuing control of capital transactions, and states that

a member country may not use the Fund's resources to meet a large or sustained outflow of capital, and the Fund may require a member country to exercise control to prevent such use of the resources of the Fund.

It is added, however, that this provision is not intended to prevent the use of the Fund's resources for capital transactions of "reasonable amount" required for the expansion of exports, or in the ordinary course of trade, banking and other business. The difficulty will be to square this desired control of capital transactions with the principles of freedom in current exchange operations. It is in the solution of this essentially technical problem that London may come to play a most useful part in translating the experts' scheme into the reality of an effective exchange mechanism. Each national exchange market will continue to function as though the Fund did not exist, since member countries will only deal with the Fund through their Treasury, central bank, stabilisation fund, or other fiscal agencies. Gold operations between member countries—though not necessarily within them—will remain free within the prescribed gold points. No member country will be allowed to buy gold above the parity of its currency, together with a prescribed margin and will, similarly, be debarred from selling gold at less than the parity minus the prescribed margin. Whether these provisions will allow gold arbitrage depends, first, on the restrictions placed by member countries on free gold dealings within their national markets, and, secondly, on the width of the prescribed gold points. In any case, some limited scope for free choice in gold dealings is suggested by the provision that operations with the Fund are not to preclude the sale of newly-mined gold by a gold-producing country on any market.

### Shipbuilding Policy

Throughout the war, chairmen of shipping companies have been at pains to impress upon their shareholders and the public the problems which Government policy and other wartime developments will bring in their train. Of the numerous comments, those of Sir Percy Bates, chairman of the Cunard Steam Ship Company, have been among the most provocative, and this year he made a suggestion for an immediate change in building policy. In his statement to shareholders he says:—

Since the outbreak of war, Cunard White Star has not been able to build either a passenger ship or a cargo liner which would be of any post-war use in their lines of trade, either West or East. Whatever the course of the war, at the end of it there is bound to be a surplus of the ordinary type of cargo ships and a very considerable shortage of specialised ships, such as our cargo liners, refrigerated liners and passenger liners. I think the time has arrived when the building yards should be opened to specialised ships, capable of serving their owners' needs when the guns stop shooting. . . . We shall need them in all our trades, and to-day we cannot build any of them even for delivery in 1946.

The need for specialised ships at an early date can hardly be overstated, and they take substantially longer to build and equip than the standard cargo ship. Also, it is tempting to argue that if it is possible to prepare for post-war housing now, steps should be taken to bring in food and to earn the exchange to pay for it. The real questions are, however, whether the tonnage of ordinary cargo ships likely to be available up to the end of the war will be such as would render it possible to face the delay involved in a partial change-over to specialised craft, and, if that is so, whether the man-power and other resources can best be employed in that way. With the information available, the layman cannot answer these questions, but there should be no avoidable delay in making provision for the conditions which will prevail when the European war is over.

### The Replacement Problem

Apart from the problem of when replacement of ships is to commence, there is the question of how it is to be financed. Mr Philip Runciman dealt with this question at the meeting called to mark the third anniversary of the formation of the General Council of British Shipping. He stated that the mercantile marine will be handed back to its owners after the war gravely diminished in size, and with its average standard of efficiency seriously lowered by lack of replacement of specialised tonnage. Permitted profits have fallen short of EPT standards, and income tax allowances have taken no account of the replacement problems created by the war. (This, presumably, refers to the abnormal rise in building costs.) Insurance recoveries, plus depreciation reserves set aside during the life of ships, are substantially less than sufficient to finance replacement. In this connection Mr Runciman struck a blow at exaggerated prices for shipping shares, based on break-up values, on the ground that shipping companies propose to continue in existence. It is to the joint problems of securing adequate finance for replacement and of ensuring that political action shall not reduce the amount of work available to the mercantile marine that the Council has continued to address itself during the past year. The slogan remains "Freedom and Efficiency," and the point has been reached where the Policy Committee is co-ordinating the reports of the sectional sub-committees, but there is no word about when a final report may be expected. Meanwhile, the Council continues to handle the sale of ships built for Government account, and to negotiate with shipbuilders schemes for regulating the post-war flow of orders. Until more information is provided, it is impossible to assess with any accuracy the extent to which shipping financial resources fall short of what will be requisite at any given level of prices—and the post-war price level is still a matter of guesswork. In the past, official policy with regard to tax allowances for depreciation has pressed most heavily in proportion as fixed assets are destroyed, or rapidly become obsolete. The shipping industry is a special instance of a very general problem, and it will reap benefits correspondingly great from the changes announced by Sir John Anderson. Whether they will suffice to fill the gap can scarcely be known at present.

### The Lamport Affair

An end will, presumably, be put to the unfortunate fluctuations in the value of the 6s. 8d. stock units of Lamport and Holt Line, which have gone on for a month past, by the announcement of a new offer to take over the shares. On this occasion the bid is made by an associate of Union Cold Storage, the Blue Star Line, on account of Frederick Leyland and Company, which it controls. The offer is 25s. per unit in cash. It is dependent on acceptance by holders of not less than 75 per cent of the units. Only the previous day a declaration by United Molasses that they had no intention of repeating or improving on the offer they had made for the units led to a 2s. 6d. fall in the quotation to 17s. 3d.; despite the fact that the information had been disclosed semi-officially some days before. There appears to be very little doubt that the offer of 25s. will be accepted, for it is very close to the best estimate of value which can be made on the basis of the balance sheet as at December 31, 1943, and it carries the recommendation of the Lamport board. It is difficult to escape the conclusion that the publicity of the affair might have been much better handled, and it would be interesting to know the origin of the repeated

reports that the value of the units, including Conference rights and other intangibles, was of the order of 40s. That statement at least is rebutted by the decision to recommend acceptance of 25s., which is within sixpence of the upper limit suggested on page 475 of *The Economist* on April 8th. It seems that control of Lamport and Holt Line is to pass to a close competitor, and it is not evident on the face of it why so high a price should be paid. Certainly the offer is not based on past published earnings. Presumably, what is being bought is in part a right to new ships.

In connection with the United Molasses offer, it is interesting to note that there has been a startling recovery in the net profit of Tankers, in which they have a majority holding. Two and a half years' arrears of preference dividend are to be paid off, the first payment since one year's arrears was paid out of 1940-41 earnings. However much of this goes to United Molasses, the shareholders of that company are to reap no immediate benefit, for the total distribution for 1943 is unchanged at 20 per cent less tax plus 2½ per cent tax free from capital reserve.

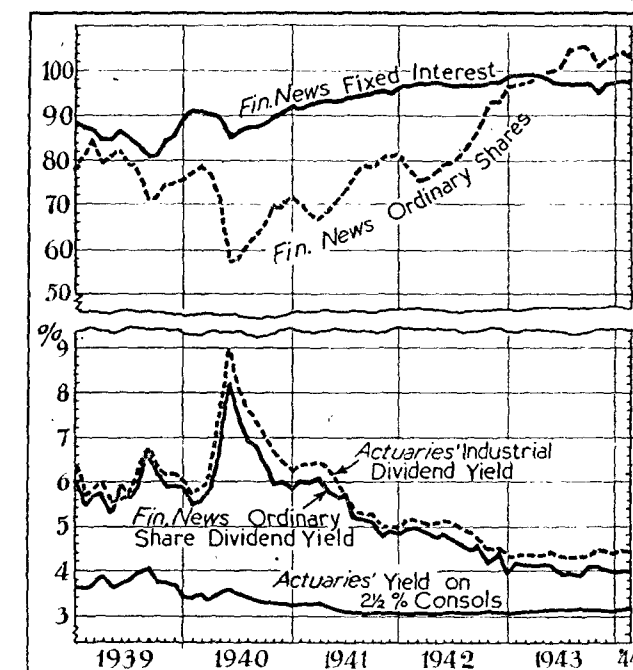
### Rhodesian Copper

Last January the Colonial Office announced that the output of copper in Rhodesia would be reduced by stages, beginning this month. This decision appears to have given the impression that the supplies of the metal available to the United Nations were more than ample, and that it was the first step in a gradual reduction in production. This impression seems to be correct so far as the United Kingdom is concerned; it is reported that the British Government has not only reduced its orders in Rhodesia but has discussed the possible reduction in imports from other countries with the Combined War Materials Board. But the United Nations as a whole, so it appears, by no means suffer from a surfeit of copper. In the United States, which, according to the American War Production Board, is now consuming one and a half times as much copper as the rest of the world, supplies appear to be tight rather than plentiful in relation to current needs. In order to correct any erroneous impression that might have been given by the decision to reduce production in Rhodesia, the Combined War Materials Board recently explained it by the statement that it was "due to the fact that copper is competing with vitally needed coal and metallurgical chrome for the limited rail facilities in that area." The War Production Board has reassured the copper industry in the United States by declaring that "the nation's copper requirements can be met only if industry and labour get together in an all-out production drive during the remainder of 1944." Moreover, in view of the shortage of manpower in the copper mining industry of the United States, the War Production Board has instructed the Metals Reserve Company to increase its copper purchases abroad to the highest possible level. Given America's need for heavy imports, it would be interesting to know whether the previous decision to curtail output in Rhodesia is to be modified, for the profits of the Rhodesian mining companies are obviously dependent, among other things, on the rate of production. The tightness in the copper supplies of the United Nations as a whole is a reflection not of a reduction in the volume of metal available but of the enormous rate of munitions production. The United Nations control about nine-tenths of the world's copper production, and current supplies are probably higher than ever before.

### Industrial Yields

Whatever the next few weeks may produce on the war fronts, it seems virtually certain that, from now on, movements in investment values will increasingly reflect attempts to assess post-war conditions rather than either fluctuations in military fortunes or exceptional results by individual companies. Both the latter will have short-term effects, but when the interest of the investor reawakens, his eyes will be turned to the former consideration. This fact and the publication of the new index of ordinary share dividend yields by *The Financial News* warrant a review of the war period. The accompanying chart provides this. The figures used are monthly averages; the price indices are to the usual base of July 1st, 1935 = 100. The yield on 2½ per cent Consols provides a useful datum line from which all measurements should be calculated and the *Actu-*

aries' dividend yield provides a check. The reasons for the main divergencies between the two dividend yields were explained on page 544 of last week's issue. A comparison between the price and yield indices of *The Financial News* shows that, for over two years past, the more marked



fluctuations in the former have, in large measure, been due to changes in dividend rates. Prior to that period, movements in yield were much more closely inverse to those in price. In recent months there has been a slight increase in the divergence between the two dividend yield indices. This is presumably associated with the growing uncertainty



### "Why I read The Yorkshire Post"

"I'm not a Yorkshire man but I feel I am missing something when I don't see my Yorkshire Post. This is why I have read it for years. It gives me a clear idea of what people in the North are thinking, and that's important to me. I haven't always got time to work things out for myself, and I have

come to know that I can rely on its considered point of view.

"Many men I know also think it's a good idea to read a paper other than a London one. I chose The Yorkshire Post because of its sane, balanced outlook on politics, finance and industry; because its leading articles are excellent, and because it gives me the news without sensationalism but with reasoned comment."



about what the future will bring and the fact that market leaders, which form the basis of the figures of *The Financial News*, tend to alter less in value than less-known shares.

### Monopoly in Ironmongery?

A section of the ironmongery and hardware trade has recently submitted for general consideration a proposal to form a trade alliance. The idea seems to be to build up a kind of combine. The aims of such a scheme have been outlined by its promoters at an exploratory meeting. Profit margins would be fixed; distributors who were not members would not be specifically penalised, but in course of time reciprocal treatment between member firms might be evolved, and the industry would be able to speak with one voice to the Government on the subject of regulating imports. All the familiar advantages enjoyed by a monopoly are here present in embryo. Nevertheless, the trade is not one which can expect to evolve smoothly into a monopoly. A number of important manufacturers' associations are said to favour the scheme, and—on the distributive side—it is believed to be supported, among others, by the National Federation of Ironmongers. The National Federation has 2,500 members, but—according to the scheme's promoters—there are 5,000 firms outside it who would need to join individually, while an alternative estimate, made recently, gave the higher total of 12,000 retail outlets for ironmongery. In addition, the trade lends itself to a number of outlets which are not ironmongers proper, such as bazaars selling cheap hardware goods. It will be a difficult task to secure unified action, and to stop gaps, at least in distribution. The National Federation of Ironmongers have always been in favour of fixed resale prices, and, before the war, had formed an alliance for this purpose with the Retail Hardware Distributors' Council, which proved, however, too weak to prevent undercutting. In view of the many difficulties, the war is seen as providing a unique opportunity, which is unlikely to recur, for securing an agreement. The proposed organisation has been christened the National Hardware Trade Alliance, and its inaugural meeting is to take place in May. For so young a body, the path that it is likely to tread is only too clear. All the arguments used as yet by the scheme's supporters refer to the desirability of propping up profits rather than to any benefits which the public may expect to derive. Yet on them is surely the onus of proving that the scheme will increase technical efficiency in the trade. Otherwise the "fair trading" which the alliance is designed to secure is likely to militate very strongly against the public's interest—and pocket.

### The Price of Coal

The wages agreement between miners and owners has ended the labour difficulties in the coal-mining industry, at least temporarily. But the coal problem has not yet been solved. There remains the urgent need for adequate supplies to meet essential war and civilian demands; and, looming ahead, there remains the urgent need of reducing the cost of coal through higher productivity if British industry is not to be fatally handicapped after the war. This is one aspect of the problem that has been almost overlooked in the recent excitement. The statistics given by the Minister of Fuel and Power in answer to a question in the House of Commons on April 19th, reproduced below, came as a sharp reminder. The salient feature of these statistics is that average wages per ton of coal have more than doubled between the second half of 1937—a period of high industrial activity—and the second half of 1943. Far from having brought an increase in productivity, the rise in wages per shift worked has actually been accompanied by a slight reduction in productivity and in the average number of shifts worked. The rise in the actual earnings of coal-miners has probably been no greater than in other industries—and pre-war earnings in the coal-mining industry were relatively low. But whereas

more than half the rise in industrial earnings has been due to longer hours, overtime and other special factors which will cease to operate after the war, the earnings of coal-

#### COAL PRODUCTION AND WAGES

|                                            | 1937<br>July-<br>December | 1943<br>July-<br>December |
|--------------------------------------------|---------------------------|---------------------------|
| Average number of wage-earners .....       | 783,700                   | 702,700                   |
| Output of saleable coal (million tons) ... | 119.9                     | 96.3                      |
| Average number of shifts worked per week   | 5.14                      | 5.03                      |
| Average proceeds per ton .....             | 16/2.82                   | 28/11.15                  |
| Average wages (excl. allowances in kind):  |                           |                           |
| (a) Per ton .....                          | 10/0.47                   | 20/7.31                   |
| (b) Per shift .....                        | 10/9.06                   | 19/3.36                   |

miners will continue at the higher level now established, lifting the price of coal well above that at which it is produced in the United States, for example. This is the nemesis of a policy of getting cheap coal with cheap labour. The technical reorganisation of coal-mining—coupled with a drive for further improvements in the utilisation of coal—is no longer merely desirable; it is imperative if Great Britain is to remain in the vanguard of industrial nations.

### Railway Wages

The claims of the railway workers and railway shopmen for an increase in their war wage have been negotiated separately, but the same settlement was reached. All categories of adult railway workers are to receive an increase of 5s. in the war wage, bringing this up to 25s. 6d. a week for males, with appropriate increases in the rates for juniors. The unions had asked for an increase of 12s. in the war wage. It is estimated that the total cost of the new addition, with extra payments involved, will amount to about £10 million a year. In 1942, the total wages bill of the main-line railways and London Passenger Transport Board was £170 million for 655,000 workers employed, compared with £122 million in 1938 for 668,000 employed. Average weekly earnings on the main-line railways increased from £3.46 in 1938 to £5.47 in 1943. The principal and most satisfactory feature of last week's settlement was the speed of the negotiations, in contrast to previous experience, when railway wage questions have dragged on interminably. It was reached by direct negotiation between the unions and the companies, without reference to the industry's arbitration machinery. Another feature was that the claim was presented collectively by the three railway unions—the National Union of Railwaymen, the Railway Clerks' Association and the Locomotive Engineers' and Firemen's Union. The other demand put forward by the unions, for an extension of holidays with pay, remains to be settled by further negotiation.

### Engineers' Claims

The conference of London engineers on Sunday served a valuable purpose in two directions. It provided an opportunity for one of the Amalgamated Engineering Union's Executive (Mr J. Scott) to explain to the rank and file members the union's policy and programme on certain outstanding issues, and it enabled the rank and file to "let off steam." If the same procedure were adopted in other areas and by other unions, it might have a useful effect in keeping the mass of union members in touch with their leaders. One of the factors which has contributed to the development of unofficial strikes has undoubtedly been the lack of contact between the unions and the leadership. The three main issues immediately confronting the engineers are, first, their own claim for an all-round increase of 10s. a week in wages. This demand has been refused by the engineering employers, on the ground that there have been no substantial changes since the Arbitration Tribunal made its award in April last year, and the claim has now been referred to arbitration. Average earnings in the engineering and shipbuilding group are higher than in any other industry (108s. 3d., compared with 93s. 7d. in the industries surveyed by the Ministry of Labour in the first payweek of July, 1943), but the high earnings result mainly from overtime and other special war-time factors, and the union is concerned about the position after the war. Independently of this claim, the AEU is pressing for a grading of skilled and semi-skilled jobs in engineering, as the present method of wage determination is, in its view, outmoded. The second main issue is the question of women's rates. There is an anomalous

disparity between the basic rate of a woman "on work commonly performed by women," which is 50s. a week, and the man's basic rate (66s. plus 21s. 6d. national bonus). A third problem, which has an important bearing on post-war entry into engineering, is that of training and apprenticeship. The union is asking for higher rates for youths in the industry, and has suggested their attendance at technical school, on at least one day a week in the employers' time. Many of these matters will be discussed at the union's annual conference in June, and the problems affecting women (of whom there are now 138,000 in the AEU) will be raised at a special women's conference at Leicester next week. It is to be hoped that the engineers' union will turn its attention equally vigorously to the post-war organisation of the industry, and in particular to the question of removing obstacles such as rigid demarcation lines that impede adaptability and technical efficiency.

### South Durham Earnings

South Durham Steel and Iron Company, whose accounts are analysed on page 583, show a profit for 1943 of £482,080, against £409,672. This increase of £72,000 odd compares with one of £128,000 odd from the year before. But, whereas last year's increased earnings were fully swallowed up by increased provision for taxation, this year the gross amount required for taxation is actually smaller by £25,000, so that altogether there is some £100,000 more available. Dividends, however, are not increased, being left at 8½ per cent on ordinary and 2½ per cent on "B" ordinary stock. The extra £100,000 is transferred to contingencies' reserve. Provision for contingencies is included in the balance-sheet, together with sundry creditors, and the chairman, Mr Talbot, has explained that there are a number of unsettled contracts with Government departments for which provision needs to be made. The indications are, in fact, that the allocation for contingencies is not wholly a reserve, while the provision for taxation is not clearly related to the earnings of the year, otherwise it would not have fallen for 1943. The South Durham is one of those companies of whom it may be safely said that their turnover is mounting and their earnings are rising, but about whose year-to-year changes of fortune the balance-sheet is a sorry guide.

### Brazil's Exchange Needs

The Brazilian Finance Minister recently reviewed his Government's financial policy, and in the course of his speech gave interesting details of Brazil's impressive gold and exchange reserves and of the various claims that are being built up against them. It is evident that the accumulation of Brazil's exchange reserves is in part the result of a wholly abnormal stimulus of manufactured exports—cotton textiles to West Africa, for example—which may disappear with the end of the war. It is also the result of a considerable leeway in imports, which will have to be made up after the end of the war. Taking as the basis of comparison the average imports of machinery and equipment for industry in 1938-39, Brazilian imports in the four years 1940-43 showed a deficiency of 472,000 tons. After allowing for the new domestic iron and steel production, the total value of imported industrial material needed to re-equip Brazilian industry would amount to the equivalent of US \$90 million. The leeway in imports of machinery and manufactured consumer goods amounts to \$240 million. With allowance for the reserve required to meet normal fluctuations in the balance of payments, a balance to meet remittances of refugee capital and the gold backing for the note circulation, a total reserve equivalent to about US \$365 million is needed by Brazil. Against this sum, the Finance Minister stated that Brazil already possessed gold and foreign currency balances valued at over \$450 million. The figure is probably an understatement of the present position, since an official Brazilian spokesman in the United States has recently placed these reserves at the equivalent of \$500 million. The gap between this figure and the conservatively estimated requirement of \$365 million given by the Finance Minister underlines once again the poverty of the terms given to foreign bondholders under the recent external debt settlement.

### Profit and Loss & Balance Sheet

Irrespective of the amount of information given, there are few matters arising from the form in which published accounts are presented which cause more trouble to the

layman than the diffusion of information about earnings throughout the report and accounts. So long as the auditor is responsible only for the balance sheet, there is a great deal to be said for all information being included there, and Mr P. D. Leake takes this view in a letter to the current issue of *The Accountant*. The opposite view has, however, been expressed by earlier correspondents, and there can be no doubt that, from the standpoint of the investor and his advisers, what is required is a full trading, profit and loss and appropriation account for which the auditors are responsible. The investor tends to place more weight on the earnings of the year than on the valuation of assets, and in this he is right, for the value of all but current assets depends on their power to earn profits. Even yet, the truth of this contention is not as fully realised as it should be. It is only by a knowledge of the true earnings of a company and a supervision of their allocation that any class of investor can secure a just valuation of his holding or any protection against the dissipation of the resources on which that valuation rests. While there is every reason for further reform of balance sheets, anything which tends still further to increase their importance compared with that of a full profit-and-loss account is to be discouraged.

### Retail Sales Index

The basis of the retail trade index numbers, which are published monthly in the *Board of Trade Journal*, has been changed. Formerly, the basis was the average value of daily sales in 1937; the new series is based on 1942. Details are given in the *Board of Trade Journal* dated April 1st. The change has been made for a number of reasons. Probably the most important is that the new basis will make for greater accuracy in the index. The returns made to the Bank of England, from which the index numbers are calculated, are made in the form of comparisons with the corresponding month the year before. In peace-time, the retail year ran through a pattern of well-defined seasonal variations, and the calculation of the index numbers appropriate to individual months was made with reasonable accuracy. During the war, the seasonal pattern of trade has been lost. In apparel the date of coupon releases is the vital factor, and in other departments sales depend on receipt of goods for sale. Except for Christmas, the seasonal influence is almost entirely gone. It is therefore more important now to compare one

AVERAGE VALUE OF DAILY RETAIL SALES IN GREAT BRITAIN  
(1942=100)

|            | Apparel | Household Goods | Non-food Merchandise | Food and Perishables | Total |
|------------|---------|-----------------|----------------------|----------------------|-------|
| 1937 ..... | 94      | 126             | 98                   | 88                   | 92    |
| 1938 ..... | 96      | 120             | 98                   | 92                   | 95    |
| 1939 ..... | 98      | 115             | 100                  | 96                   | 97    |
| 1940 ..... | 106     | 112             | 105                  | 98                   | 101   |
| 1941 ..... | 97      | 103             | 98                   | 97                   | 98    |
| 1942 ..... | 100     | 100             | 100                  | 100                  | 100   |
| 1943 ..... | 88      | 89              | 93                   | 102                  | 96    |

month with another than any month with the corresponding month in a previous year. The sources of error which were inevitable in calculating the monthly index figures have been increased by the war. In addition, the composition of the sample has changed during the war, mainly by the introduction of new contributors. The figures reported for 1942 have been carefully checked in order that the results for the new base year shall be as accurate as possible. It was felt necessary to introduce weighting, but only in the case of sales of boots and shoes—in this category, contributors to the sample have increased disproportionately, and the figures are halved before inclusion in total sales. Monthly index numbers have been calculated, on the new basis, for 1941, 1942 and 1943. Annual figures on the new basis have been calculated back to 1937. These are given in the accompanying table. The new series will be useful as a guide to wartime movements in retail trade, but comparison with pre-war trends will be made more difficult. Although the change may be a necessary one, it cannot be deemed to be permanent. The year 1942 might be taken as a typical war year, but with the return to peace-time conditions another basis will be needed. That might provide an opportunity for an entirely new and improved series of index numbers.

(Continued on page 583)

### THE ALEXANDRIA WATER COMPANY, LIMITED

NOTICE IS HEREBY GIVEN that a Dividend of Eleven Shillings per £5 Share on Coupon No. 111 will be paid without deduction of British Income Tax but less Egyptian Government and Alexandria Municipal Taxes amounting to 1s. 5.028d., making 9s. 6.972d. net, on and after the 15th April, 1944, at the National Bank of Egypt, in Alexandria at Rue Toussoun, or in London at 6, King William Street, E.C.4.

Dated, Alexandria, Egypt, the 6th April, 1944.

By Order of the Board.

T. D. KEY } Joint Managers.  
ROBERT WALTON }



## COMPANY MEETINGS

TELEPHONE AND GENERAL TRUST  
LIMITEDSIR ALEXANDER ROGER ON CAPITALISM, SAVINGS AND  
TAXATION

The eighteenth ordinary general meeting of the Telephone and General Trust, Limited, was held at Domington House, Norfolk Street, London, W.C., on the 25th instant.

The following is the statement of the chairman and managing director, Sir Alexander Roger, K.C.I.E., circulated with the report and accounts for the year to December 31, 1943:—

Profit at £115,469 shows an increase of £11,864. Dividends paid and proposed are now shown net after deduction of income-tax, and comparative figures have been adjusted accordingly. Income-tax absorbs £53,000, against £42,247, and after providing for the usual preference and ordinary dividends of 7 per cent. and 8 per cent. respectively, £73,708 is carried forward, as against £70,443 brought in.

Balance-sheet.—There is an increase of £43,364 in general investments. Cash has decreased by £176,476, which reflects the increase in general investments and a reduction of £135,180 in loans at call from subsidiary companies, which amounted to £192,272. Capital reserve amounts to the substantial figure of £275,000 after transferring £10,000 from investment suspense account. The balance to the credit of this latter account represents a further substantial reserve, and is deducted from the book cost of general investments.

## VALUATION OF SECURITIES

The quoted investments have been valued at middle prices current on December 31, 1943. The directors consider that the book values of unquoted investments, which are mainly in subsidiary telephone operating companies, are in the aggregate fair and reasonable. The valuation shows an appreciation of 9.15 per cent., compared with 2.21 per cent. in December, 1942. Eighty per cent. of the investments are in the British Empire, and 20 per cent. in foreign countries, the major portion of which represents our foreign telephone operating interests.

Government stocks, debentures and loans amount to 13.6 per cent., preference (including subsidiaries) to 16.3 per cent., ordinary to 41.1 per cent. and subsidiary ordinary to 29 per cent.

## TELEPHONE OPERATING COMPANIES

Portugal.—The Trust's association with the Anglo-Portuguese Telephone Company, Limited, commenced 17 years ago. In addition to its financial connection, the Trust has, through its own organisation, supplemented from time to time by that of associated interests, provided engineering and technical services required through long years of experience. The value of these services is acknowledged by the company both in Portugal and London. The difficulties of supplies under war conditions, which affect practically the whole world, are being increasingly felt, but the company is maintaining its position.

Venezuela.—The Nacional Telephone Company of Venezuela, in which, as you are aware, the Trust has a substantial investment interest, largely through the British holding company, Telephone Properties, Limited, is also hampered by the shortage of telephone material, and in the circumstances its progress is satisfactory. The evidence of its potential development is increasing, and when equipment is once more available the prospects of expansion are encouraging.

## WEST INDIES

As a result of negotiations with the Government of Jamaica, an offer has been

made on behalf of the Jamaica Telephone Company by representatives of the Trust to purchase the Government telephone system which operates over those parts of the island outside the company's franchise area. The Legislative Council has approved the sale by the Jamaica Government and the granting of a licence to the Jamaica Telephone Company for operating the island telephone system in conjunction with its existing system, subject to the approval of the Secretary of State for the Colonies, to whom the matter has been referred. There is no doubt that in an island the size of Jamaica the operation of all telephones under one expert telephone administration must prove of benefit to the community generally.

During the year a visit was made by our chief consulting engineer to each of our associated companies in the Caribbean to investigate urgent operational problems. The abnormally heavy traffic, with consequent overloading of the telephone systems, increases the problems of maintenance and operation. Under these circumstances, wear and tear of machinery, plant and equipment becomes progressively greater, and until a reasonable supply of relief equipment is released by the supply authorities maintenance difficulties will increase. However, in spite of these difficulties, efficient management and engineering have enabled the services to be maintained at a reasonable level.

## CAPITALISM SAVINGS AND TAXATION

Last year I drew attention to the fact that the war had enormously increased the number of capitalists in the country, and by reason of investment directly in savings certificates and national defence bonds, and also indirectly through friendly societies, trade unions, insurance companies, Post Office and Trustee Savings Banks, we had become a veritable democracy of capitalists. Taking the Post Office Savings Bank alone, there are 17,300,000 depositors. This great stabilising force of taxpayer-investors must have grown in numbers and in saving capacity during 1943, because about £730,000,000 was contributed by small investors alone, making the total since 1939, through this unprecedented patriotic savings movement, over £2,500,000,000.

It is worth repeating today, therefore, that we are a nation of capitalists. These vast totals are almost impossible for the ordinary person to grasp as mere figures, but their import can easily be grasped, and it must be considered and pondered. A change of equal magnitude and importance arises from the fact that the average earnings of men and women in all industries has increased by 76 per cent. in the last five years.

In 1938-39 some 3,800,000 persons were chargeable for income-tax. A year ago the number reached £10,500,000, and today it must be considerably higher. Out of these 10,500,000 some 9,500,000 taxpayers had an earned income of from £2 to £10 a week, and their total tax amounted to £270,000,000 out of a total tax of £835,000,000. It is scarcely necessary to say this is a tremendous contribution by the lower income earner towards the total raised.

## ESTATE DUTIES

Another phase of saving and tax paying should be studied carefully. For the year ended March 31st the tax called "estate duties" produced the sum of £99,000,000. The dictionary has a variety of meanings for the word "estate," but principally it is described as landed property, which is also the popular interpretation, but when applied

to "estate duties" this is, of course, fundamentally wrong. In fact, it is a tax payable at death on the possessions—assets—savings of the late owner, and landed property, if any, is only part of the total taxed. It may be true that the larger part of this great sum of £99,000,000 has been derived from a comparatively few people, but it includes an increasingly large number of smaller fortunes, as the figures I have quoted of small saver-investors and taxpayers amply show.

High crippling taxation of incomes is sufficiently serious, but the reduction of capital by taxation on the present scale lessens the ability and willingness of people of wealth to risk capital for reproductive ventures, whether they possess or have saved £1,000 or £10,000. If this capital had been left in private hands it is safe to assume that a large part of it would have been ventured in new enterprises, a shop, a garage, a new motor-car, paint, or similar things, all designed to add to the national wealth through individual endeavour. But if enterprise and profit earnings is taboo, it can only be a matter of years before all the capital available for enterprise disappears.

It would be very interesting, incidentally, to hazard a guess what proportion of "estate duties" paid to the state is used in reproductive expenditure, as opposed to what would ordinarily happen if the money were left in the hands of the owners. It was easy to legislate with the wealth of a small class of people by introducing steep taxation in the higher incomes, super-tax, possession duties, etc. The lower income earner who did not have to pay direct taxation had the natural and indeed comfortable feeling that the state could be run on other people's money, and that all he had to do was to participate.

## THE TAXPAYER-ELECTOR

Outside and inside Parliament the impression exists that the Treasury is a body which holds a moneybox available for projects of various kinds, and that it is the business of a member or party to get as much as possible out of the Treasury in favour of elector constituents. The taxpayer-elect today, however, is no longer able to say that money demanded from the Treasury for various projects can be taken out of the other man's pocket. He and she is realising that the money comes out of their own pocket, and each Member of Parliament will have to answer more precisely to his constituents how money contributed by them in taxation is being spent, and what benefit the constituents will get out of the expenditure. No longer will "they" be the persons who will pay. This fateful word will be substituted by "we," and the people will realise that the fund available to Government consists of the taxation directly and indirectly levied on themselves, and that it increases or decreases in proportion to the demands we, the people, make upon it.

## RESPONSIBILITY IN RULERS

All this places a great additional responsibility on our rulers, who will be held accountable by the electors, just in the same way as directors and workers are held accountable by shareholders. I confess I am reaching a conclusion which appears inescapable, that when the war is over the saver-investor will want great argument to induce him to accept regimentation telling him how he must live, how he must spend his money, and how his possessions shall be disposed of. Having expressed these thoughts, I return to today's realities. Whatever the war costs, we must pay for it, we must work for it, and we must fight for it until complete victory is ours.

Management and Staff.—I welcome the opportunity to ask you once again to join with me in recording our appreciation for the untiring efforts and splendid work of our staffs at home and overseas. The burden upon the seriously depleted staff at home is particularly heavy, but is being carried loyally and cheerfully.

RUGBY PORTLAND CEMENT  
COMPANY, LIMITEDTHE MEANING OF ENTERPRISE  
MR HALFORD REDDISH'S SPEECH

The annual general meeting of The Rugby Portland Cement Company, Limited, was held on the 27th instant. In the course of his speech the chairman and managing director, Mr Halford W. L. Reddish, said:

You will see that the trading profit for the year, after providing for taxation and contingencies and for adjustments under the C.M.F. Pooling Scheme, amounts to £130,496. The net profit of £76,215 compares with £69,196 for 1942. We propose that the dividend on the ordinary shares should again be at the rate of 7½ per cent., leaving £75,961 to be carried forward, against £64,967 brought in.

In all the circumstances of a difficult period I venture to think that you will regard these results as satisfactory, and that you will wish me to pay tribute to those of our staff and workpeople who have toiled long hours to overcome the many difficulties which are inevitable in these days. The liquid position disclosed by the balance-sheet is strong, while our fixed assets stand in the books at figures which are 10-day substantially below their real values. You may be interested to learn that in recent years we have made considerable additions to our reserves of raw materials by the acquisition of several hundreds of acres of quarriable land.

## THE FUTURE

At previous annual meetings since the beginning of the war I have declined to attempt any prophecy of future results. But on this occasion I feel it my duty to indicate that it is unlikely that in the current year our trading profits can be maintained. It is of course impossible to foresee the precise consequences which will flow from the impact of coming military developments, but it will be surprising if both production and distribution are not affected from time to time. Further, some shrinkage in the demand for cement may be anticipated this year in the absence of any unforeseen development.

If I am right in painting not too rosy a picture of the immediate future, then the very conservative policy which your directors have always followed, and which is a tradition of this century-old business, will prove to be justified and I hope that from a dividend point of view we may gaze upon this period with a reasonable degree of equanimity.

## PROSPERITY—IF...

Your directors have been giving serious attention to the possibilities which lie ahead, and it is because they feel that they should be in a position to take advantage of any suitable opportunity for expansion which may present itself that they are proposing an increase in the authorised share capital, which purpose notices of the necessary meetings have been sent out. No immediate issue is contemplated, and I should like to emphasise that no further capital will be issued nor any programme of expansion embarked upon after the war unless the board is reasonably certain that there will be adequate freedom for industrial progress.

As to the wider future on which our eyes are set when Germany has been defeated, I think we may anticipate without undue optimism a long period of demand at a level which will keep our plants, and possibly some of the extensions already planned, comfortably employed. Whether, however, this will be a period, as it should be of rising prosperity not only for the cement industry but for the nation at large will inevitably depend on whether we are able to develop on sound and tried lines, whether we are going to fritter away a golden period of opportunity in haphazard economic experiment in disregard of the example of other countries which have tried them and reduced their peoples to untold misery.

A war for our very survival essentially

calls for centralised direction of the nation's activities but it is a war also for the maintenance of our traditional British freedoms, which we expect to enjoy when it is over and when conditions of military necessity no longer call for the regimentation of the individual by the chill hand of bureaucracy.

## ENTERPRISE DEFINED

What is enterprise? Surely it is a combination of brains, "guts" and faith—qualities which emanate essentially from an individual, and which by their very nature cannot proceed from conglomerations of officials. It is therefore nonsense to talk of public enterprise. Even the term private enterprise is not a very happy expression, since the enterprise of any individual must react to the benefit of others, however much he may legitimately gain himself. If, therefore, the nation is to be prosperous it follows that incentive must be given to individuals to exercise those qualities which they alone are capable of producing. The greater the incentive the greater the enterprise, and the greater the ultimate benefit to all. Let those of us who are engaged in industry, whether as workers or shareholders, face the simple fact that any political or economic system which seeks to glorify the State at the expense of the individual must inevitably mean the negation of the personal freedom and must quickly lead to the dictatorship of an ever-growing bureaucracy.

Let us remember, too, that the State as such cannot produce—it can merely control the ultimate distribution of the wealth which individuals have produced. State ownership cannot therefore in itself increase the wealth of the community nor raise the general standard of life. As I pointed out on a previous occasion, the average individual shareholding in our joint stock companies in this country is very small. What, then, is our system of joint stock companies but a form of ownership in common, yet in a way which does nothing to choke the breath out of individual enterprise, but on the contrary does much to encourage it? Let us not exchange the substance for the shadow.

## THE SHORT ROAD TO RUIN

We are often told (whether in sheer ignorance or from more sinister motives is not always clear) that a well-organised industry is inevitably a monopoly and will restrict production in order to keep up prices and exploit the consumer. Let us examine the position of the cement industry in relation to such a charge. In the first place, there is no monopoly by existing companies of the raw materials required for the manufacture of portland cement, all of which are indigenous, and all of which are in plentiful supply in different parts of the country.

Next, let us remember that the business of producing cement has certain characteristics which may not be so widely appreciated as is desirable. Cement is manufactured by large and expensive units of continuous process plant. From this it is at once obvious that the prosperity of the industry is entirely dependent on the extent to which this plant can be kept running. Therefore we must do everything we can to increase the use and the uses of cement, to enhance efficiency, and to achieve the utmost economy in production, marketing, and distribution. To restrict output deliberately would be the short road to ruin.

## CONCRETE FACTS

The cement industry works on a very small margin of profit per ton—substantially less to-day than the cost of the 20 paper sacks in which it is packed. This again calls clearly for the fullest measure of production if profits are to be maintained. You may be interested to know that while cement must of necessity play a vital part in practically all forms of building and construction work, both in peace and war, it represents an amazingly small part of the total cost.

In the case of the new reinforced con-

crete Waterloo Bridge, for example, the cost of cement was less than 2½ per cent. of the contract price, and even that includes the not inconsiderable item of transport to the site. In the average small house the profit to the cement industry on the cement consumed is a matter of shillings only. Lastly, cement is virtually useless by itself, and is in effect used only in conjunction with other materials to form concrete. If then the demand for cement is to be stimulated, it is clear that every effort must be made to improve the quality of concrete and to advise on its manifold uses.

It was for these reasons that the industry brought into being in 1934 the Cement and Concrete Association, and in peace-time spent large sums through the organisation on research, technical advice, and propaganda in connection with all forms of concrete construction.

## A PROUD RECORD

The cement industry—and we are proud of the fact—is a well-organised industry. Its pre-war policy has alone made possible the great contribution which it has been able to make to the war effort. In the pre-war years the demand for cement was steadily growing and the productive capacity of the industry was always maintained year by year ahead of the demand. In the five years before the war, for example, obsolete and uneconomic plants with an annual capacity of less than 125,000 tons were scrapped and were replaced by efficient modern plants with a capacity of no less than 2,250,000 tons.

Since 1924 there was a steady and consistent reduction in the price of cement to the consumer, notwithstanding the fact that from 1933 onwards the price of coal was steadily rising. Now it takes over eight hundredweights of coal to produce a ton of cement, but only in 1938 did the continuing rise in coal costs force a slight reversal of the downward trend of cement prices.

During those pre-war years the industry was able to make substantial increases in the wages of its employees, while it also materially improved the quality of its product. Although holidays with pay have been a feature of the industry for very many years, we have this year gone a step further and introduced the principle of payment to workpeople for the recognised Bank holidays. As between manufacturers arrangements exist for the free exchange of technical information in connection with the manufacture of portland cement.

## AN ENLIGHTENED POLICY

In this comprehensive record there is no tittle of evidence of any anti-social "monopoly," but proof, I submit, of an advanced and enlightened policy. When peace returns, and industry is freed from the crippling and wasteful (even though inevitable) controls of war-time, we hope to return to our pre-war policy in the service of the nation and to the legitimate advantage of all concerned—workers, shareholders, and consumers of our products.

In the difficult period of transition and demobilisation immediately after the war, many controls will clearly have to remain for a time until a reasonable equation between supply and demand has been achieved; and I venture to suggest that nothing would be more calculated to promote the enthusiastic co-operation of all concerned during this period than a definite announcement by the Government that no control will be retained merely for the sake of control and that the fullest measure of freedom will be restored to industry and to labour as soon as may be practicable.

But let us not forget, while we peer into the future, that the war is not yet won; and that while we may hope for victory before we meet again next year we must relax nothing of concentration and of effort as we enter the last lap. Afterwards if we can all settle down to hard work and honest endeavour, remembering that it is worthy labour, whether of hand or brain, which gives substance and meaning to life, I am confident that we shall find ahead abundant opportunities for adventurous and satisfying enterprise.

## THE LONDON ASSURANCE

## FURTHER PROGRESS

The annual general court of the London Assurance will be held on the 3rd proximo, at 1, King William Street, London, E.C.

The following is an extract from the statement of the Governor, Mr R. Olaf Hambro, circulated with the report and accounts for the year ended December 31, 1943:—

My comments on each section of our operations indicate once again a record of satisfactory progress. The life department new business for 1943 totalled £1,752,709, being an increase over the previous year of approximately £142,000. The premium income for the year amounted to £893,908, being an increase over the previous year of £30,831.

## FIRE AND ACCIDENT FIGURES

The fire department premium income shows an increase of £85,502 over that of the previous year, the total being £2,598,558. The ratio of claims paid and outstanding is 46.4 per cent., against 43.4 per cent. in the previous year. Commission, expenses of management, contributions to fire brigades and overseas taxation absorb 48.5 per cent., against 48.9 per cent. in the previous year. After providing for the increase in the premium reserve on account of increased income of £34,200, there is available for transfer to profit and loss account the sum of £99,405, being 3.8 per cent. of the premium income.

The accident department premium income of £1,320,209, as I predicted last year, shows a reduction of £42,452, one of the factors contributing to this being a further decline, owing to war-time conditions, in the business of motor insurance. Claims paid and outstanding are 50 per cent., compared with 49.8 per cent. in the previous year, and commission, expenses of management and overseas taxation total 33.5 per cent., compared with 32.3 per cent. in 1942.

After taking credit for the slight decrease in reserve on account of decreased income, there has been transferred to profit and loss account the sum of £234,793, being 17.8 per cent. of the premium income compared with 18.6 per cent. last year.

In the maritime department, the progress of the war happily established a reduction in the war risk hazard, which is mainly responsible for the decrease in our marine premium income. At £2,249,585, the total premium income shows a reduction of £377,815 compared with the previous year.

On the other side of the account, the claims paid show a very substantial reduction of £801,833, the total figures in respect of the 1943 account being £1,105,342.

The amount of £600,000 is transferred to profit and loss account, and after providing for this transfer, the amount of the marine insurance fund at £2,823,404 shows an increase over the previous year of £401,530, which, expressed in percentages, now stands at 125.5 per cent. of the premium income, compared with 92.2 per cent.

## ASSETS EXCEED £27,000,000

The profit and loss account opened with a balance brought forward of £988,334. Our interest, dividends and rents, less tax, total £198,251. The total transfers from underwriting accounts amount to £934,198. The balance stands at £1,215,649, being an increase over the previous year of £227,315. The balance-sheet figures are self-explanatory, the main item of variation being an increase of £1,321,234 in our holdings in British Government securities. The surplus over market value in regard to the Stock Exchange securities amounts to £671,416, which, coupled with the item of appreciation of £752,406 in the life fund, shows a total of £1,423,822. The total premium income for the year 1943, including the life department, is £7,072,943, and the total assets now exceed the sum of £27,000,000.

INTERNATIONAL NICKEL  
COMPANY OF CANADA,  
LIMITED

## MR R. C. STANLEY'S REVIEW

Mr R. C. Stanley (the chairman and president) presided at the annual meeting of The International Nickel Company of Canada, Limited, held in Toronto on the 26th instant, and in the course of his remarks said: Production of nickel in 1943 approximated the all-time high of the previous year, notwithstanding that during the last six months the output from our mines dropped to per cent. below their increased capacities. The decline was due to a shortage of labour as well as to the fact that we had to use many inexperienced workers.

Prices of nickel have remained at levels prevailing for many years. Production costs have risen and are still rising. Moreover, in expanding operations a heavy financial burden has been assumed. Copper deliveries in all forms, including copper in "Monel" matte and copper refined for others, amounted to 316,000,000 lbs., compared with 336,000,000 lbs. in 1942. Cash and time deposits, Canadian treasury bills, British and United States tax notes and other securities at the close of the year amounted to \$64,086,020, compared with \$62,219,245 on December 31, 1942.

## EARNINGS AND DIVIDENDS

The profit and loss statement shows that net profit was \$31,127,204, as compared with \$33,301,829 for 1942. 99.88 per cent. of the net profit was disbursed to shareholders. On November 12th last I mailed a letter to shareholders stating that because of increasing costs it was quite probable that our earnings would be less and that it might be necessary to lower the common dividend. Your directors decided that in the best interests of the company it would not be prudent under present conditions to appropriate funds from our surplus account to aid in paying dividends. The consequence was that the common dividend payable March 31st was reduced from 50 cents to 40 cents per share. I mention this because, while mailing such a letter was unusual, the response from shareholders was most satisfactory.

Capital expenditures were \$5,445,248 and are much less than the \$12,009,497 in 1942 and the \$11,739,041 in 1941. The amount required for 1944 will approximate \$6,000,000. During the past five years more than \$43,000,000 has been expended by the company to expand production.

## LONG LIFE STILL AHEAD

At our annual meeting two years ago I stated that war requirements of nickel by the United Nations forced the discontinuance of our long-term economic mining plan and that we had undertaken a production expansion programme involving a capital outlay of nearly \$35,000,000. I emphasised that under this production expansion programme, the company is paying a great toll in the form of non-replenishable ore reserves.

I mention this drain on our ore reserves, which is serious but not irreparable. With the end of the war in sight, as we all hope, a long life still lies ahead for the company's mines.

I believe that we are capable of gaining sufficient new business from our war work to make up for any losses to competitive materials. Our metallurgical processes are being studied with the idea of making all possible improvements which may lead to lower costs of production. Following the last world war many process improvements were made and there still exist numerous opportunities to alter plants and equipment and thus make desired savings.

What the future holds in store for us is naturally problematical. Our immediate job is to help win the war and to aid in securing a just and durable peace. When this has been accomplished, the company is well prepared to carry on its business successfully into a long period of world peace.

BEIRA RAILWAY COMPANY,  
LIMITEDMR ARTHUR E. HADLEY'S  
STATEMENT

The forty-third ordinary general meeting of this company was held on the 26th instant, in London. Mr Arthur E. Hadley, C.B.E. (the chairman), presided.

The following is an extract from the chairman's statement, which was issued with the report:—The working of the line during the year ended September 30, 1943, resulted in a gross revenue of £840,197, a decrease of £65,562, as compared with the previous year, accounted for principally by continued decline in import traffic. Expenditure, at £474,908, was £20,572 higher than in the previous year, and net revenue at £365,289, therefore declined by £86,124.

The profit for the year, after provision of a reserve for taxation, increased by £20,000, to £7,619, adding to which the undivided balance from last year—£37,721—makes a total of £45,340.

Your directors propose that a dividend of 1s. per share, less tax at 5s. 11d. in the £, be paid.

Rhodesia Railways, Limited, has agreed to a temporary reintroduction of an allowance in excess of our strict mileage division on certain special traffics as from October 1, 1943. The effect of this should be an estimated increased net revenue to our company of some £50,000 during the current financial year.

The chairman added that they had now received the traffic figures for the month of February, and the net earnings for the five months—October, 1943, to February, 1944—amounted to £188,961, as compared with £163,772 in the previous year, an increase of £25,189. On these figures he thought he was justified in saying that the prospects looked more hopeful.

The report was adopted.

MANGANESE BRONZE AND  
BRASS COMPANY, LIMITEDMR. J. C. COLQUHOUN'S  
STATEMENT

The forty-fifth ordinary annual general meeting of this company was held, on the 21st instant, in London, Mr J. C. Colquhoun (chairman and managing director) presiding.

The following is the statement by the chairman, which was circulated with the report and accounts:—Turning to the accounts, the surplus of current assets has increased by £22,050 to £114,528 and the total of net assets has increased by the surplus for the year of £16,263 to £324,860.

Before leaving the balance-sheet I would refer to the other important figures of stocks and debtors, which together have increased from £445,062 to £472,204, and also the company's total liability for taxation, which has increased from £153,426 to £209,956.

In the appropriation account you will see that £230,405 is available for taxation and dividends, against £146,969 for the previous year. The proposed final dividends are 3½ per cent. on the preference shares (making 7½ per cent. for the year) and 17½ per cent. on the ordinary shares (making 25 per cent. for the year), all being the same as in the previous year. You will see, therefore, that out of £230,405 available, taxation, including the tax withheld from dividends, takes £193,321, leaving £37,084 per cent. Dividends (net) for the year take £20,821 and the surplus of £16,263 remains in the business.

The chairman added: I should like to make it clear that the proposal (to consolidate the free reserves mentioned in the directors' report) in no way affects the board's dividend policy and must not be construed as foreshadowing any change in the capital structure.

The report and accounts were unanimously adopted and the dividends recommended were declared.

THE ROYAL LONDON  
MUTUAL INSURANCE  
SOCIETY LIMITED

## TOTAL ASSETS EXCEED £59,000,000

The eighty-third annual general meeting of this Society was held, on the 25th instant, in London.

Mr J. K. Wiseman, joint managing director, who presided, said:

The total income for the year amounted to £10,636,000, an increase of £485,000 over the previous year.

The combined premium income amounted to £8,554,000, an increase of £374,000 over the previous year.

The total claims and surrenders paid during the year amounted to £4,008,000. This, however, only partially represents the amount applied for the benefit of policyholders, as a proportion of the premiums being paid now are set aside to provide for sums assured which emerge for payment in the future. In this way, in addition to the £4,008,000 paid to policyholders during the year, the sum of £3,926,000 has been added to the Funds as provision for future repayments to policyholders, these two items together making a total of £7,934,000.

The premium income in the ordinary branch (including consideration for annuities granted) amounted to £2,202,000, an increase of £68,000 over the previous year. The new sums assured amounted to £2,953,000. The amount paid in respect of claims and surrenders amounted to £1,370,000. The amount disbursed in surrenders again showed a reduction.

In the industrial branch the premium income for the year amounted to £6,352,000, showing the excellent increase of £307,000 over the previous year. Claims and surrenders amounted to £2,634,000.

The amount added to the fund during the year was £2,841,000, which includes £1,513,000 interest on investments. This addition to the fund is money put aside as a provision for future payments to policyholders. Adding this item to the actual disbursements to policyholders during the year the total is £5,475,000. Thus the actual amount paid to policy-

(Continued from page 579)

## Wings for Peace

This is the title chosen for the report on the future of civil aviation published by the Labour Party this week. As was to be expected, it is a plea for the adoption of the ideal of complete internationalisation of military and civil aviation. The Labour Party's aim is to substitute a "super-national air force" for the existing national air forces and a "World Air Authority" in civil aviation for private or public national enterprises. The World Air Authority would comprise an assembly on which the participating countries would be represented; a council, including representatives of countries with major interests in air transport and other elected members; a board of management responsible for technical and operational control; and a director-general appointed by the assembly. It would have the sole right to own and operate "World Airways" on behalf of the community of nations; this would include all the main trunk routes of the world. Subsidiary to the World Air Authority and World Airways would be regional air authorities, and regional airways, such as a Europa Airways. If complete internationalisation cannot be achieved at this stage, it would be necessary to fall back upon a system of British Commonwealth Airways; meanwhile Britain's air services, internal as well as external, should be wholly nationalised.

Only the public ownership of all civil air transport will provide the people with a service which is fully efficient and fully dedicated to the interests of the community as a whole.

The report has the merit of stating an ideal solution; but does nothing more. A statement of ultimate aims hardly counts to a policy.

## Shorter Note

The decision of the members of the Provincial Brokers Exchange, taken last week, to re-elect their old committee en bloc may appear reactionary. In fact it is a blow

holders, plus the amount added to the fund, which provides for future payments to policyholders, together make up a sum equal to 86.2 per cent. of the premiums.

In the general branch the premium income amounted to £70,000, an increase of £3,000 over the previous year.

The whole of the fire and accident and general insurance business was reinsured. I would again call attention to the necessity to increase amounts insured in order to cover increased values.

The fire insurance fund at the end of the year amounted to £65,000, the accident and miscellaneous insurance fund to £35,000, the capital redemption assurance fund to £16,000, and the general branch reserve fund to £100,000.

The balance-sheet shows that the assets total £59,686,000, an increase of £3,931,000 over the previous year. Stock Exchange securities represent 80.3 per cent. of the total, the remainder consisting mainly of mortgages, loans on public rates, freehold and leasehold properties, and ground rents.

The report and accounts were unanimously adopted.

LACRINOID PRODUCTS,  
LIMITED

## MR T. L. HORABIN'S STATEMENT

The seventh annual general meeting of Lacrinoid Products, Limited, was held, on the 26th instant, at the company's registered office. Mr T. L. Horabin, M.P., the chairman of the company, presided. The chairman's statement, circulated with the report and accounts, was as follows:—

The net profit for the year under review, after charging depreciation and making provision for taxation, amounts to £5,559 as compared with £5,523 for the previous year. Owing to the incidence of excess profits tax, it is not possible to show a variation to any large extent in the profit of the company.

## INCREASED OUTPUT

Practically the whole of the output of the company has been directed to supplying

Government requirements. Buttons are still the company's main product, but much of the output today is different from its normal specialities. Output has been increased substantially, although the labour situation has become increasingly stringent during the year. For the way in which this and other difficulties faced by the company have been overcome, the managing director, his colleagues, and the employees of the company, have deserved the greatest credit.

The management have continued their policy during the present year of improving the conditions for the workers. A new canteen has been built in which subsidised meals are supplied to the workers at low prices, and a social club has been started. During the year an efficiency bonus scheme has been instituted for all employees, which is yielding satisfactory results. In addition a contributory pensions scheme for the staff has been inaugurated.

The research laboratories of the company have been used to carry out research on new lines, some of which may be of importance in the post-war period. Button production methods have been developed and improved, as a result of which it is hoped that the company will be in a favourable position to export after the war. In this connection it must be remembered that 80 per cent. of the buttons used in this country before the war were imported mainly from Germany, Italy and Japan.

## BUILDING ACCESSORIES

I referred last year to the fact that the management were preparing plans for the production of building accessories to enable the company to play its part in the vast housing schemes which will have the prior claim on the production capacity of the country after the war. The company's ranges of building accessories are now nearing completion, and production can commence immediately demand arises.

We regret that, owing to pressure on space, the reports of the following companies have been held over for insertion in our next issue: Royal Exchange Assurance, Anglo-Palestine Bank, B. Morris and Sons.

for progress insofar as it ensures that the PBSE retains its new found power of co-operation with London and the Associated Stock Exchanges. The decision is a further blow to those who wish to combine the advantages of membership of a national body with the liberty to be guided only by their own views about what is in the public interest.

## Company Result

## South Durham Steel and Iron Company.

|                                          | Years to September 30, |           |           |
|------------------------------------------|------------------------|-----------|-----------|
|                                          | 1941                   | 1942      | 1943      |
| Profit.....                              | 281,134                | 409,512   | 482,980   |
| Depreciation.....                        | 100,000                | 100,000   | 100,000   |
| Taxation.....                            | 41,000                 | 180,000   | 155,000   |
| War Damage.....                          | 25,933                 | 10,003    | 7,508     |
| Fees and pensions.....                   | 5,456                  | 5,502     | 5,864     |
| Debt interest.....                       | 50,840                 | 51,000    | 50,667    |
| Preference dividend.....                 | 18,000                 | 18,000    | 18,000    |
| Ordinary dividend of 6%.....             | 21,000                 | 21,000    | 21,000    |
| Ordinary shares and "B" Ordinary shares: |                        |           |           |
| Surplus available:                       |                        |           |           |
| Earned.....                              | 18,005                 | 24,167    | 124,041   |
| Paid (gross).....                        | 18,757                 | 23,446    | 23,445    |
| Earned %.....                            | 2.0                    | 2.7       | 23.9      |
| Paid %.....                              | 2                      | 2½        | 2½        |
| Contingencies Reserve.....               |                        |           | 100,000   |
| Carry forward.....                       | 122,865                | 123,585   | 124,182   |
| Net fixed assets*.....                   | 2,417,889              | 2,339,579 | 2,316,896 |
| Net inter-company items*.....            | 947,345                | 1,065,216 | 986,029   |
| Net liquid assets.....                   | 570,687                | 636,639   | 769,235   |
| Gross liquid assets.....                 | 1,155,486              | 1,825,857 | 3,126,238 |
| Stock.....                               | 617,942                | 819,109   | 1,148,898 |

\* Before deduction of unallocated depreciation of £532,198 in 1941, £637,198 in 1942, and £666,025 in 1943.

† Including 4 per cent. Deb. Sinking Fund allocations of £7,500 in 1941, £7,820 in 1942, and £8,154 in 1943.

‡ After payment of 6 per cent. on Ordinary Shares, Ordinary and "B" Ordinary share equally in any further dividend payments. Total "Earned for Ordinary" amounted to 8.0 in 1941, 8.7 in 1942 and 29.9 in 1943.

The Ordinary Shares of £1, standing at 29s. ex dividend, yield 45 17s. 3d. per cent. The "B" Ordinary Shares of £1, standing at 11s. 6d. ex dividend, yield 44 6s. 11d. per cent.



# RECORDS and STATISTICS

## INVESTMENT

### Stock Exchanges: London

"FINANCIAL NEWS" INDICES

| 1944  | Total<br>Bargains<br>in S.E.<br>List | Corres.<br>Day<br>1943 | Security Indices   |                   | Yields         |                |
|-------|--------------------------------------|------------------------|--------------------|-------------------|----------------|----------------|
|       |                                      |                        | 30 Ord.<br>Shares* | 20 Fixed<br>Int.† | Old<br>Consols | Ord.<br>Shares |
| 20... | 4,897                                | 5,246                  | 105.4              | 134.4             | 3.16           | 3.97           |
| 21... | 4,679                                | 5,011                  | 105.4              | 134.4             | 3.17           | 3.97           |
| 24... | 5,120                                | (a) 5,224              | 105.5              | 134.4             | 3.17           | 3.96           |
| 25... | 5,074                                | 5,224                  | 105.6              | 134.3             | 3.17           | 3.96           |
| 26... | 4,954                                | 4,930                  | 106.1              | 134.4             | 3.17           | 3.94           |

\* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1944: highest, 106.1 (Apr. 26); lowest, 103.0 (Feb. 28). 20 Fixed Int., 1944: highest, 135.4 (Feb. 23); lowest, 134.0 (Jan. 3). (a) Easter Monday.

## New York

(WEEKLY AVERAGES) (1935-36=100)

| 1944               | Low<br>Mar.<br>15 | High<br>Mar.<br>15 | April     |            |            |
|--------------------|-------------------|--------------------|-----------|------------|------------|
|                    |                   |                    | 5<br>1944 | 12<br>1944 | 19<br>1944 |
| 7 Industrials..... | 95.1 (a)          | 99.7               | 97.6      | 97.5       | 95.3       |
| 2 Rails.....       | 88.9 (a)          | 101.2 (c)          | 98.5      | 99.5       | 95.1       |
| 0 Utilities.....   | 85.0              | 88.9 (d)           | 87.6      | 87.8       | 86.7       |
| 19 Stocks.....     | 93.6 (a)          | 97.9               | 96.1      | 96.1       | 94.0       |
| lv. yield %.....   | 4.83 (c)          | 4.60               | 4.72      | 4.72       | 4.83       |

Common Stocks. (a) Feb. 9. (b) Jan. 5. (c) Mar. 22. (d) Mar. 8. (e) Feb. 23.

## STANDARD STATISTICS INDICES

DAILY AVERAGE OF 50 COMMON STOCKS

| 1944        | Average | Transactions | 1944        | Average | Transaction |
|-------------|---------|--------------|-------------|---------|-------------|
| April 14... | 117.5   | 477,000      | April 18... | 117.5   | 1,193,000   |
| " 15...     | 117.5   | 242,000*     | " 19...     | 115.6   | 904,000     |
| " 17...     | 117.8   | 538,000      | " 20...     | 115.1   | 534,000     |

1944: High, 121.2 (Mar. 18). Low, 113.8 (Feb. 8). \* Two-hour session.

## Capital Issues

| Week ending<br>April 29, 1944 | Nominal<br>Capital<br>£ | Con-<br>versions<br>£ | New<br>Money<br>£ |
|-------------------------------|-------------------------|-----------------------|-------------------|
| 1944.....                     | 455,079,936             | 444,387,280           |                   |
| 1943.....                     | 587,491,190             | 577,579,465           |                   |

Particulars of Government issues appear on page 585.

| Year†     | Destination* |                        |                      | Nature of Borrowing* |           |           |
|-----------|--------------|------------------------|----------------------|----------------------|-----------|-----------|
|           | U.K.         | Brit. Emp.<br>ex. U.K. | Foreign<br>Countries | Deb.                 | Pref.     | Ord.      |
| 1944..... | 444,056,559  | 330,721                | Nil                  | 440,783,836          | 2,015,289 | 1,583,155 |
| 1943..... | 576,203,780  | 1,375,685              | Nil                  | 571,516,581          | 659,837   | 5,403,047 |

\* Conversions Excluded. † Includes Government issues to April 18, 1944, only. Above figures include all new capital in which permission to deal has been granted.

## FINANCE AND BANKING

**THE MONEY MARKET.**—There was a sudden tightening of credit conditions in the early part of the week, and the position in the money market had to be helped by considerable official purchases of bills. The immediate causes of the stringency were calling of loans by some clearing banks which were making up this week, and the withdrawal of substantial American balances of which the market had had the use for a few days. The appearance of these balances is now a regular monthly event. The funds in question are in the main destined for the pay of American troops, and disappear as they are transferred to the clearing bank which handles the American army accounts.

## AMERICAN WHOLESALE PRICES

|                                     | Apr. 11,<br>1944<br>Cents | Apr. 25,<br>1944<br>Cents |                                 | Apr. 11,<br>1944<br>Cents | Apr. 25,<br>1944<br>Cents |                                      | Apr. 11,<br>1944<br>Cents | Apr. 25,<br>1944<br>Cents |
|-------------------------------------|---------------------------|---------------------------|---------------------------------|---------------------------|---------------------------|--------------------------------------|---------------------------|---------------------------|
| <b>GRAINS (per bushel)—</b>         |                           |                           | <b>MISCELLANEOUS (per lb.)—</b> |                           |                           | <b>MISCELLANEOUS (per lb.)—cont.</b> |                           |                           |
| Wheat, Chicago, May.....            | 173½                      | 173½                      | Cocoa, N.Y., Acra.....          | 8.81                      | 8.81                      | Rubber, N.Y., smkd. sheet spot ..    | †                         | †                         |
| Maize, Chicago, Dec.....            | †                         | †                         | Coffee, N.Y., cash—             |                           |                           | " " Jan.-Mar. ....                   | †                         | †                         |
| Oats, Chicago, May.....             | 82                        | 82                        | Rio, N. Y. ....                 | 9½                        | 9½                        | Sugar, N.Y., Cuban Cents, 96         |                           |                           |
| Rye, Chicago, May.....              | 128½                      | 129                       | Santos, No. 4.....              | 13½                       | 13½                       | deg. spot.....                       | 3.74†                     | 3.74†                     |
| Barley, Winnipeg, May.....          | 64½                       | 64½                       | Cotton, N.Y., Am. mid., spot .. | 21.95                     | 21.62                     | Sugar, N.Y., 96 deg. No. 4, f.o.b.   |                           |                           |
| <b>METALS (per lb.)—</b>            |                           |                           | " Am. mid., May .....           | 21.11                     | 21.16                     | Cuba, Mar. ....                      | †                         | †                         |
| Copper, Connecticut.....            | 12.00                     | 12.00                     | Cotton Oil, N.Y., May .....     | 14.31                     | 14.31                     | Moody's Index of staple com-         |                           |                           |
| Tin, N.Y., Straits, spot .....      | 52.00                     | 52.00                     | Lard, Chicago, July .....       | 13.30                     | †                         | modities, Dec. 31, 1931=100..        | 250.3                     | 250.3                     |
| Lead, N.Y., spot.....               | 6.50                      | 6.50                      | Petroleum, Mid-cont. crude, per |                           |                           |                                      |                           |                           |
| Spelter, East St. Louis, spot ..... | 8.25                      | 8.25                      | barrel.....                     | 117                       | 117                       |                                      |                           |                           |
|                                     |                           |                           | † Trading suspended.            |                           |                           | † Nominal.                           |                           |                           |

† Trading suspended.

† Nominal.

By Wednesday the position had been considerably eased, and with the resumption of considerable purchases of bills by the clearing banks, credit was in abundant supply towards the close of the week. Another factor making for stringency was the heavy volume of Treasury bills which the market had to take up this week, the syndicate having obtained a 35 per cent allotment on its £110,000,000 applications at the tender on Friday of last week. The Bank return reflects the easing of the position in the increase in bankers' deposits by £21,097,000 to £198,479,000. An increase of £35,100,000 in Government securities provides most of the explanation of this expansion in bank cash, though the movement has been offset to the extent of £11,858,000 by a fall in other securities, and to the extent of £3,716,000 by a further increase in the circulation.

**MONEY RATES, LONDON.**—The following rates remained unchanged between April 21st and April 27th:—

Bank rate, 2% (changed from 5% October 26, 1939). Discount rates: Bank Bills 60 days, 1½%; 3 months, 1½%; 4 months, 1½-½%; 6 months 1½-½%. Treasury Bills: 2 months, 1-½%; 3 months, 1-½%. Day-to-day money, 1-½%. Short Loans, 1-½%. Bank deposit rates, ½%. Discount deposit at call, ½%; at notice, 2%.

**Exchange Rates.**—The following rates fixed by the Bank of England remained unchanged between April 21st and April 27th. (Figures in brackets are par of exchange).

United States. \$ (4.86) 4.021-031; mail transfers 4.021-031. Canada. \$ (4.86) 4.43-47; mail transfers 4.43-47. Switzerland. Francs (25.22) 17.30-40. French Empire. Francs 1971-200. Syria. P. 8.81-85. Sweden. Krona (18.159) 11.16-85-95. Dutch West Indies. Florin (12.11) 7.58-62. Portugal. Escudos (110) 99.80-100.20; mail transfers 99.80-100.30. Panama. Colon (100) 4.02-04. Brazil. 63.64¢ cr. (buying); mail transfers 63.56½. Uruguay. 7.6597 p. (buying).

Fixed Rates for Payment at Bank of England for Clearing Offices. Spain. Pesetas 44.00. Turkey. Liras 520. Italy. 71.25 lire.

**Market Rates.**—The following rates remained unchanged between April 21st and April 27th.

Egypt. Piastres (74) 97½-1. India. Rupee (184 per rupee) 17½-18½. Belgian Congo. Francs 176½-2. China. National \$3-3½. Iran. Rl. 128-130.

**Special Accounts** are in force for Chile, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London. Rate for payment into Argentine special account: 16.07 pesos.

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

## NEW YORK EXCHANGE RATES

| New York on         | April 19 | April 20 | April 21 | April 22 | April 24 | April 25 | April 26 |
|---------------------|----------|----------|----------|----------|----------|----------|----------|
| Cables:—            |          |          |          |          |          |          |          |
| London.....         | 402½     | 402½     | 402½     | 402½     | 402½     | 402½     | 402½     |
| Montreal.....       | 90.250   | 90.180   | 90.125   | 90.125   | 90.125   | 90.125   | 90.125   |
| Zurich.....         | 27.00    | 27.00    | 27.00    | 27.00    | 27.00    | 27.00    | 27.00    |
| Buenos Aires.....   | 24.88*   | 24.93*   | 24.93*   | 24.93*   | 24.93*   | 25.00*   | 25.05*   |
| Rio de Janeiro..... | 5.16     | 5.16     | 5.16     | 5.16     | 5.16     | 5.16     | 5.16     |
| Lisbon.....         | 4.10     | 4.10     | 4.10     | 4.10     | 4.10     | 4.10     | 4.10     |
| Barcelona.....      | 9.20     | 9.20     | 9.20     | 9.20     | 9.20     | 9.20     | 9.20     |
| Stockholm.....      | 23.86    | 23.86    | 23.86    | 23.86    | 23.86    | 23.86    | 23.86    |

\* Official Buying Rate 29.78. † Free Rate. \$ Bid.

## INDUSTRY AND TRADE

**"The Economist" Sensitive Index.**—There was no change in the index during the week ended April 26th. The complete index (1935 = 100) was 158.6; crops 135.6; and raw materials 185.5.

## COST OF LIVING INDEX

(July, 1914=100)

| First Day of Month | Food | Rent | Clothing | Fuel and Light | Other Items | All Items |
|--------------------|------|------|----------|----------------|-------------|-----------|
| Sept., 1939.....   | 138  | 162  | 208      | 182            | 179         | 155       |
| 1940.....          | 166  | 164  | 295      | 212            | 219         | 187       |
| 1941.....          | 166  | 164  | 380-385  | 228            | 230         | 199       |
| 1942.....          | 160  | 164  | 395-400  | 240            | 265         | 208       |
| 1943.....          | 166  | 164  | 345      | 244            | 291         | 198       |
| Feb., 1944.....    | 164  | 164  | 365      | 244            | 268         | 199       |
| Mar., 1944.....    | 165  | 164  | 360      | 244            | 268         | 199       |
| Feb., 1944.....    | 168  | 164  | 340-345  | 252            | 291         | 200       |
| Mar., 1944.....    | 168  | 164  | 340-345  | 251            | 291         | 200       |
| April, 1944.....   | 168  | ...  | ...      | ...            | ...         | 200       |

Source: Ministry of Labour Gazette.

## GOVERNMENT RETURNS

For the week ended April 22, 1944, total ordinary revenue was £40,708,000, against ordinary expenditure of £107,154,000, and issues to sinking funds of £110,000. Thus, including sinking fund allocations £212,965, the deficit accrued since April 1st is £201,886,000 against £248,815,000 for the corresponding period a year ago.

## ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

| Revenue                         | Receipts into the Exchequer (£ thousands) |                           |                           |                           |
|---------------------------------|-------------------------------------------|---------------------------|---------------------------|---------------------------|
|                                 | April 1 to April 24, 1943                 | April 1 to April 22, 1944 | Week ended April 24, 1943 | Week ended April 22, 1944 |
| ORDINARY REVENUE                |                                           |                           |                           |                           |
| Income Tax.....                 | 58,451                                    | 45,070                    | 13,755                    | 10,651                    |
| Sur-tax.....                    | 3,962                                     | 2,950                     | 960                       | 600                       |
| State, etc.,                    |                                           |                           |                           |                           |
| Duties.....                     | 7,413                                     | 6,928                     | 2,310                     | 1,553                     |
| Stamps.....                     | 590                                       | 230                       | 560                       | 80                        |
| R.D.C.....                      | 1,408                                     | 1,116                     | 200                       | 254                       |
| E.P.T.....                      | 23,875                                    | 22,799                    | 5,439                     | 6,635                     |
| Other Inland Rev.               | 40                                        | ...                       | 20                        | ...                       |
| Total Inland Rev.               | 95,739                                    | 79,093                    | 23,244                    | 19,773                    |
| Customs.....                    | 33,012                                    | 31,620                    | 10,999                    | 12,872                    |
| Excise.....                     | 15,807                                    | 13,000                    | 6,400                     | 6,500                     |
| Total Customs & Excise.....     | 48,812                                    | 44,620                    | 17,399                    | 19,372                    |
| Motor Duties.....               | 1,015                                     | 992                       | 134                       | 108                       |
| Post Office (Net Receipts)..... | 600                                       | ...                       | 1,000                     | ...                       |
| Wireless Licenses.....          | ...                                       | ...                       | ...                       | ...                       |
| Town Lands.....                 | 140                                       | ...                       | 140                       | ...                       |
| Receipts from Sundry Loans..... | 345                                       | 61                        | 129                       | 1,456                     |
| Miscell. Receipts.....          | 4,628                                     | 3,201                     | 1,982                     | ...                       |
| Total Ord. Rev.....             | 151,279                                   | 127,966                   | 44,028                    | 40,708                    |
| SELF-BALANCING P.O. & Brdcastg. | 5,800                                     | 5,600                     | 1,400                     | 2,200                     |
| Total.....                      | 157,079                                   | 133,566                   | 45,428                    | 42,908                    |

Issues out of the Exchequer to meet payments (£ thousands)

| Expenditure                     | April 1 to April 24, 1943 | April 1 to April 22, 1944 | Week ended April 24, 1943 | Week ended April 22, 1944 |
|---------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| ORDINARY EXPENDITURE            |                           |                           |                           |                           |
| Int. & Man. of Nat. Debt.....   | 34,936                    | 37,563                    | 1,287                     | 2,024                     |
| Payments to N. Ireland.....     | 335                       | ...                       | 335                       | ...                       |
| Other Cons. Fund Services.....  | 259                       | 33                        | 226                       | ...                       |
| Total.....                      | 35,530                    | 37,596                    | 1,848                     | 2,024                     |
| Supply Services.....            | 364,100                   | 291,830                   | 88,300                    | 105,130                   |
| Total Ord. Exp.....             | 399,630                   | 329,426                   | 90,148                    | 107,154                   |
| Sinking Funds.....              | 463                       | 213                       | 110                       | 110                       |
| Total.....                      | 400,093                   | 329,639                   | 90,258                    | 107,264                   |
| SELF-BALANCING P.O. & Brdcastg. | 5,800                     | 5,600                     | 1,400                     | 2,200                     |
| Total.....                      | 405,893                   | 335,239                   | 91,658                    | 109,464                   |

A change has been made in the method of showing an excess of Post Office Expenditure over Post Office Revenue. Such excess is now included as ordinary expenditure (under "Total Supply Services") instead of being shown, as up to July 24 inclusive, as a deduction from ordinary revenue.

After increasing Exchequer balances by £18,878 to £2,771,329, the other operations for the week (no longer shown separately) raised the gross National Debt by £6,726,321 to £19,794 million after allowing for £15 million for sinking funds 1943-44.

| NET ISSUES (£ thousands)         |     |
|----------------------------------|-----|
| Post Office and Telegraph.....   | 150 |
| War Office Trade Guarantees..... | 2   |
| Total.....                       | 152 |

## FLOATING DEBT

(£ millions)

| Date          | Treasury Bills |        | Ways and Means Advances |                 | Treasury Deposits by Banks | Total Floating Debt |
|---------------|----------------|--------|-------------------------|-----------------|----------------------------|---------------------|
|               | Tender         | Tap    | Public Depts.           | Bank of England |                            |                     |
| 1943          |                |        |                         |                 |                            |                     |
| April 24 1944 | 990.0          | 1867.2 | 203.8                   | 1043.5          | 4104.5                     |                     |
| Jan. 22 1944  | 1190.0         | 1936.2 | Not available           | 1390.0          | 4796.8                     |                     |
| Feb. 29 1944  | 1180.0         | 1936.2 | 290.6                   | 1390.0          | 4796.8                     |                     |
| Mar. 5 1944   | 1170.0         | 1936.2 | Not available           | 1390.0          | 4796.8                     |                     |
| " 12 1944     | 1170.0         | 1936.2 | Not available           | 1390.0          | 4796.8                     |                     |
| " 19 1944     | 1170.0         | 1936.2 | Not available           | 1390.0          | 4796.8                     |                     |
| " 26 1944     | 1170.0         | 1936.2 | 340.3                   | 1376.0          | 4865.5                     |                     |
| Mar. 4 1944   | 1170.0         | 1936.2 | Not available           | 1390.0          | 4796.8                     |                     |
| " 11 1944     | 1170.0         | 1936.2 | Not available           | 1390.0          | 4796.8                     |                     |
| " 18 1944     | 1170.0         | 1936.2 | Not available           | 1390.0          | 4796.8                     |                     |
| " 25 1944     | 1170.0         | 1936.2 | Not available           | 1390.0          | 4796.8                     |                     |
| April 1 1944  | 1170.0         | 1936.2 | 394.5                   | 1389.5          | 4933.1                     |                     |
| " 8 1944      | 1170.0         | 1936.2 | Not available           | 1390.0          | 4796.8                     |                     |
| " 15 1944     | 1170.0         | 1936.2 | Not available           | 1390.0          | 4796.8                     |                     |
| " 22 1944     | 1170.0         | 1936.2 | Not available           | 1390.0          | 4796.8                     |                     |

## TREASURY BILLS

(£ millions)

| Date of Tender | Amount  |             |          | Average Rate of Allotment |       | Per Cent Allotted at Min. Rate |
|----------------|---------|-------------|----------|---------------------------|-------|--------------------------------|
|                | Offered | Applied for | Allotted | %                         |       |                                |
| 1943           |         |             |          | s.                        | d.    |                                |
| April 23 1944  | 90-0    | 153-1       | 90-0     | 20                        | 2-85  | 43                             |
| Jan. 21        | 90-0    | 202-0       | 90-0     | 20                        | 2-54  | 27                             |
| " 28           | 90-0    | 193-2       | 90-0     | 20                        | 1-48  | 32                             |
| Feb. 4         | 90-0    | 203-3       | 90-0     | 20                        | 0-86  | 22                             |
| " 11           | 90-0    | 206-5       | 90-0     | 20                        | 0-81  | 22                             |
| " 18           | 90-0    | 199-4       | 90-0     | 20                        | 1-12  | 27                             |
| " 25           | 90-0    | 191-0       | 90-0     | 20                        | 0-84  | 23                             |
| Mar. 3         | 90-0    | 201-7       | 90-0     | 19                        | 11-86 | 31                             |
| " 10           | 90-0    | 190-1       | 90-0     | 20                        | 2-28  | 25                             |
| " 17           | 90-0    | 177-2       | 90-0     | 19                        | 11-84 | 31                             |
| " 24           | 90-0    | 176-9       | 90-0     | 20                        | 0-36  | 36                             |
| " 31           | 90-0    | 190-5       | 90-0     | 20                        | 2-20  | 25                             |
| April 6        | 90-0    | 211-8       | 90-0     | 20                        | 2-74  | 27                             |
| " 14           | 100-0   | 209-1       | 100-0    | 20                        | 2-58  | 30                             |
| " 21           | 110-0   | 216-8       | 110-0    | 20                        | 2-83  | 35                             |

## OVERSEAS BANK RETURNS

## U.S. FEDERAL RESERVE

Million \$'s

|                                             | April 22, 1943 | April 13, 1944 | April 13, 1944 | April 13, 1944 |
|---------------------------------------------|----------------|----------------|----------------|----------------|
| 12 U.S.F.R. BANKS                           | 22, 6          | 13, 20         | 13, 20         | 13, 20         |
| Resources                                   | 20,275         | 19,084         | 19,012         | 19,022         |
| Gold certifi. on hand and due from Treasury | 20,670         | 19,658         | 19,588         | 19,594         |
| Total reserves                              | 354            | 295            | 287            | 285            |
| Total cash reserves                         | 6,329          | 12,332         | 12,648         | 12,734         |
| Total U.S. Govt. secs.                      | 6,355          | 12,388         | 12,716         | 12,833         |
| Total loans and secs.                       | 28,852         | 33,853         | 34,296         | 34,604         |
| Total resources                             | 22, 6          | 13, 20         | 13, 20         | 13, 20         |
| LIABILITIES                                 |                |                |                |                |
| F.R. notes in circ.                         | 12,970         | 17,636         | 17,707         | 17,762         |
| Excess res. bank res.                       | 2,340          | 900            | 1,000          | 900            |
| Mr. bank res. dep.                          | 12,318         | 12,277         | 12,604         | 12,704         |
| Govt. deposits                              | 471            | 426            | 274            | 204            |
| Total deposits                              | 14,162         | 14,504         | 14,701         | 14,881         |
| Total liabilities                           | 28,852         | 33,853         | 34,296         | 34,604         |
| Reserve ratio                               | 76.2%          | 61.2%          | 60.4%          | 60.0%          |

## AUSTRALIAN COMMONWEALTH BANK—Million £A's

|                           | Feb. 15, 1943 | Feb. 7, 1944 | Feb. 14, 1944 | Feb. 21, 1944 |
|---------------------------|---------------|--------------|---------------|---------------|
| ASSETS                    |               |              |               |               |
| Gold and English ster.    | 32.64         | 43.04        | 43.04         | 43.04         |
| Other coin, bullion, etc. | 8.88          | 11.37        | 11.37         | 11.37         |
| Call money, London        | 44.14         | 63.02        | 64.48         | 64.65         |
| Secur. and Treas. bills   | 184.74        | 244.70       | 243.94        | 249.61        |
| Discounts and advances    | 24.94         | 26.34        | 26.81         | 29.51         |
| LIABILITIES               |               |              |               |               |
| Notes issued              | 126.11        | 166.01       | 166.26        | 166.51        |
| Deposits, etc.            | 168.37        | 185.90       | 181.81        | 183.96        |

## CENTRAL BANK OF IRELAND

Million £'s

|                      | Mar. 15, 1944 | Apr. 1, 1944 | Apr. 8, 1944 | Apr. 15, 1944 |
|----------------------|---------------|--------------|--------------|---------------|
| ASSETS               |               |              |              |               |
| Gold                 | 2.65          | 2.65         | 2.65         | 2.65          |
| British Govt. secs.  | 23.40         | 23.65        | 23.65        | 23.89         |
| Sterling balances    | 18.2          | 1.62         | 1.89         | 1.74          |
| LIABILITIES          |               |              |              |               |
| Notes in circulation | 28.17         | 28.24        | 28.46        | 28.50         |

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

|                          | Jan. 31, 1943 | Nov. 30, 1943 | Dec. 31, 1943 | Jan. 31, 1944 |
|--------------------------|---------------|---------------|---------------|---------------|
| ASSETS                   |               |               |               |               |
| Gold in bars             | 67.4          | 81.7          | 137.1         | 137.9         |
| Cash                     | 29.6          | 22.7          | 20.1          | 18.7          |
| Sight funds              | 15.6          | 38.9          | 7.0           | 6.6           |
| Commercial bills         | 114.3         | 102.1         | 7.0           | 7.6           |
| Treasury bills           | 31.3          | 24.1          | 30.2          | 29.5          |
| Time funds at interest   | 21.0          | 21.1          | 21.1          | 21.1          |
| Sundry bills and invest. | 199.8         | 195.7         | 194.5         | 195.5         |
| LIABILITIES              |               |               |               |               |
| Deposits:                |               |               |               |               |
| Annuity                  | 152.7         | 152.7         | 152.7         | 152.7         |
| German                   | 76.3          | 76.3          | 76.3          | 76.3          |
| Central Banks            | 16.5          | 6.3           | 7.0           | 6.1           |
| Other                    | 1.7           | 1.8           | 1.7           | 1.5           |
| Gold                     | 35.0          | 49.9          | 50.6          | 50.5          |

## RESERVE BANK OF INDIA

Million rupees

|                       | April 9, 1943 | Mar. 17, 1944 | Mar. 24, 1944 | Mar. 31, 1944 | April 7, 1944 |
|-----------------------|---------------|---------------|---------------|---------------|---------------|
| ASSETS                |               |               |               |               |               |
| Gold coin & bullion   | 444           | 444           | 444           | 444           | 444           |
| Rupee coin            | 145           | 118           | 121           | 125           | 164           |
| Balances abroad       | 809           | 1,543         | 1,634         | 1,662         | 1,607         |
| Sterling securities   | 4,676         | 7,798         | 7,798         | 7,798         | 7,848         |
| Ind. Govt. rap. secs. | 1,455         | 583           | 583           | 583           | 583           |
| Investments           | 56            | 86            | 86            | 87            | 88            |
| LIABILITIES           |               |               |               |               |               |
| Notes in circ.: India | 6,632         | 8,854         | 8,836         | 8,825         | 8,936         |
| Burna                 |               |               |               |               |               |
| Deposits: Govt.       | 310           | 885           | 853           | 1,018         | 885           |
| Banks                 | 470           | 554           | 635           | 499           | 513           |
| Reserve ratio         | 76.2%         | 92.2%         | 92.1%         | 92.1%         | 91.8%         |

## CENTRAL BANK OF TURKEY

Million Turkish pounds

|                          | Dec. 31, 1943 | Dec. 31, 1943 | Dec. 31, 1943 | Jan. 8, 1944 |
|--------------------------|---------------|---------------|---------------|--------------|
| ASSETS                   |               |               |               |              |
| Gold                     | 143.1         | 201.7         | 201.7         | 202.7        |
| Clearing and other exch. | 62.9          | 88.8          | 95.3          | 96.8         |
| Treasury bonds           | 134.0         | 131.6         | 131.6         | 131.6        |
| Commercial bills         | 487.1         | 459.3         | 466.7         | 466.6        |
| Securities               | 56.3          | 61.1          | 61.4          | 61.3         |
| Advances                 | 265.1         | 251.3         | 254.6         | 251.2        |
| LIABILITIES              |               |               |               |              |
| Notes in circulation     | 744.9         | 794.2         | 805.6         | 806.5        |
| Deposits                 | 222.6         | 213.2         | 212.0         | 215.1        |
| Clearing and other exch. | 24.2          | 37.2          | 34.1          | 31.3         |

## BANK OF CANADA

Million Can. \$'s

|                      | Mar. 24, 1943 | Mar. 15, 1944 | Mar. 22, 1944 | Mar. 29, 1944 |
|----------------------|---------------|---------------|---------------|---------------|
| ASSETS               |               |               |               |               |
| Reserve: Gold        | 1026.2        | 1321.93       | 1331.13       | 1338.70       |
| Other                | 0.3           | 0.19          | 0.06          | 0.0           |
| LIABILITIES          |               |               |               |               |
| Note circulation     | 710.8         | 881.37        | 884.78        | 887.20        |
| Deposits: Dom. Govt. | 30.2          | 70.13         | 49.98         | 58.91         |
| Chartered banks      | 251.3         | 353.18        | 364.72        | 368.25        |

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

## RESERVE BANK OF NEW ZEALAND

Million £N.Z.'s

|                        | Feb. 8, 1943 | Jan. 24, 1944 | Jan. 31, 1944 | Feb. 7, 1944 |
|------------------------|--------------|---------------|---------------|--------------|
| ASSETS                 |              |               |               |              |
| Gold and stg. exch.    | 32.47        | 38.15         | 38.63         | 39.21        |
| Advances to State      | 30.66        | 41.32         | 41.32         | 41.32        |
| Investments            | 4.46         | 10.32         | 10.32         | 10.32        |
| LIABILITIES            |              |               |               |              |
| Bank notes             | 29.96        | 36.40         | 36.58         | 36.41        |
| Demand liab. : State   | 11.98        | 13.54         | 14.77         | 16.22        |
| Banks and others       | 24.21        | 38.73         | 38.25         | 36.93        |
| Reserve to sight liab. | 48.9         | 42.6          | 43.1          | 43.7         |

## SOUTH AFRICAN RESERVE BANK

Million £'s

|                          | Feb. 26, 1943 | Feb. 11, 1944 | Feb. 18, 1944 | Feb. 25, 1944 |
|--------------------------|---------------|---------------|---------------|---------------|
| ASSETS                   |               |               |               |               |
| Gold coin and bullion    | 63.53         | 88.07         | 89.33         | 89.84         |
| Bills discounted         | 5.62          | 14.72         | 14.47         | 14.70         |
| Invest. and other assets | 82.74         | 93.79         | 94.83         | 91.04         |
| LIABILITIES              |               |               |               |               |
| Notes in circulation     | 40.33         | 47.80         | 47.39         | 48.39         |
| Deposits: Government     | 7.05          | 11.65         | 13.70         | 10.16         |
| Banks                    | 94.10         | 130.21        | 130.60        | 130.06        |
| Others                   | 5.30          | 3.64          | 3.56          | 3.76          |
| Reserve ratio            | 43.7%         | 45.7%         | 45.9%         | 47.0%         |

| Company                              | Year<br>Ended | Total<br>Profit | Deprecia-<br>tion,<br>etc. | Net<br>Profit<br>after Deb.<br>Interest | Available<br>for<br>Distribu-<br>tion | Appropriation |              |               |                     |                                  | Preceding Year  |               |               |
|--------------------------------------|---------------|-----------------|----------------------------|-----------------------------------------|---------------------------------------|---------------|--------------|---------------|---------------------|----------------------------------|-----------------|---------------|---------------|
|                                      |               |                 |                            |                                         |                                       | Prof.<br>Div. | Ord.<br>Div. | Rate          | To Free<br>Reserves | + or -<br>in<br>Carry<br>Forward | Total<br>Profit | Net<br>Profit | Ord.<br>Div.  |
| <b>Breweries, &amp;c.</b>            |               |                 |                            |                                         |                                       |               |              |               |                     |                                  |                 |               |               |
| Flower & Sons                        | Dec. 31       | £ 279,439       | £ 7,596                    | £ 78,592                                | £ 138,596                             | £ 4,500       | £ 40,500     | 18            | £ 34,371            | - £ 779                          | £ 287,934       | £ 78,170      | 18            |
| Royal Brewery, Brentford             | Dec. 31       | 190,978         | ...                        | 33,676                                  | 85,687                                | 4,500         | 18,000       | 12            | 10,000              | + 1,176                          | 186,834         | 34,668        | 12            |
| Woodhead's Canonbury Brewery         | Jan. 31       | 34,521          | ...                        | 8,046                                   | 12,490                                | 1,100         | 3,000        | 15            | ...                 | + 3,946                          | 27,831          | 6,372         | 12 1/2        |
| <b>Coal, Iron and Steel</b>          |               |                 |                            |                                         |                                       |               |              |               |                     |                                  |                 |               |               |
| Cargo Fleet Iron                     | Sept. 30      | 204,528         | 65,000                     | 664                                     | 99,233                                | ...           | ...          | ...           | ...                 | + 664                            | 202,626         | 796           | Nil           |
| Donner Iron Co.                      | Dec. 31       | 329,491         | ...                        | 151,341                                 | 410,696                               | 25,750        | 108,281      | 17 1/2        | 15,000              | + 2,310                          | 293,715         | 131,563       | 17 1/2        |
| Lanarkshire Steel Co.                | Dec. 31       | 54,654          | 40,000                     | 9,054                                   | 62,590                                | 8,250         | 11,562       | 12 1/2        | ...                 | + 10,758                         | 50,773          | 10,173        | 12 1/2        |
| Macellan (P. & W.)                   | Dec. 31       | 57,560          | 10,000                     | 30,499                                  | 38,574                                | ...           | 20,520       | 6             | 10,000              | - 21                             | 44,690          | 25,129        | 6             |
| Nunery Colliery Co.                  | Dec. 31       | 69,219          | 18,500                     | 28,715                                  | 37,425                                | 4,500         | 11,550       | 7 1/2         | 10,000              | + 2,665                          | 54,572          | 11,456        | 5             |
| South Durham Steel and Iron          | Sept. 30      | 482,080         | 100,000                    | 163,041                                 | 286,627                               | 18,000        | 44,445       | 8 1/2 & 2 1/2 | 100,000             | + 596                            | 409,672         | 63,167        | 8 1/2 & 2 1/2 |
| Trussed Concrete Steel Co.           | Dec. 31       | 30,428          | 13,080                     | 6,848                                   | 10,252                                | 1,500         | 6,020        | 5             | ...                 | + 672                            | 41,944          | 10,737        | 5             |
| Vulcan Foundry                       | Dec. 31       | 272,587         | ...                        | 25,280                                  | 69,153                                | 2,500         | 21,127       | 5             | ...                 | + 1,653                          | 230,778         | 24,968        | 4             |
| <b>Electric Lighting and Power</b>   |               |                 |                            |                                         |                                       |               |              |               |                     |                                  |                 |               |               |
| Electric Supply Corporation          | Dec. 31       | 178,025         | ...                        | 58,818                                  | 95,986                                | 15,000        | 43,126       | 10            | ...                 | + 692                            | 165,375         | 57,842        | 10            |
| <b>Financial, Land, &amp;c.</b>      |               |                 |                            |                                         |                                       |               |              |               |                     |                                  |                 |               |               |
| Bowmaker Ltd.                        | Oct. 31       | 62,783          | ...                        | 27,708                                  | 48,431                                | 20,000        | ...          | ...           | ...                 | + 7,708                          | 66,428          | 30,083        | NI            |
| British South Africa Co.             | Sept. 30      | 821,021         | ...                        | 379,479                                 | 1,097,883                             | ...           | 344,488      | 8 1/2         | ...                 | + 34,991                         | 807,914         | 396,754       | 8 1/2         |
| Cordova Land Co.                     | Dec. 31       | 44,427          | ...                        | Dr. 3,071                               | 29,582                                | ...           | ...          | ...           | ...                 | + 3,071                          | 50,746          | 11,053        | NI            |
| Nat. Mortgage & Agency of N. Zealand | Sept. 30      | 210,170         | ...                        | 17,798                                  | 32,636                                | ...           | 17,078       | 5 1/2         | ...                 | + 720                            | 199,089         | 16,884        | 5 1/2         |
| Rowton Houses                        | Dec. 31       | 133,379         | ...                        | 15,389                                  | 21,047                                | 3,839         | 4,066        | 4             | ...                 | + 7,484                          | 127,734         | 7,187         | 4             |
| Selfridge (Holdings)                 | Jan. 31       | 94,076          | ...                        | 18,612                                  | 49,743                                | ...           | ...          | ...           | ...                 | + 18,612                         | 79,975          | 15,766        | NI            |
| Telephone and General Trust          | Dec. 31       | 167,168         | ...                        | 62,649                                  | 132,912                               | 23,681        | 35,623       | 8             | ...                 | + 3,265                          | 152,336         | 61,358        | 8             |
| Wharfedale Dwellings Co.             | Dec. 31       | 19,569          | ...                        | 2,228                                   | 8,620                                 | 1,688         | 1,125        | 1             | ...                 | - 585                            | 19,539          | 4,031         | 3             |
| <b>Hotels, Restaurants, &amp;c.</b>  |               |                 |                            |                                         |                                       |               |              |               |                     |                                  |                 |               |               |
| Express Dairy Co.                    | Dec. 31       | 130,966         | ...                        | 118,852                                 | 219,885                               | 23,016        | 32,000       | 8 1/2         | 60,000              | + 3,836                          | 129,492         | 117,356       | 8 1/2         |
| <b>Motor, Aviation, &amp;c.</b>      |               |                 |                            |                                         |                                       |               |              |               |                     |                                  |                 |               |               |
| Associated Motor Cycles              | Aug. 31       | 128,442         | ...                        | 14,722                                  | 27,193                                | ...           | 13,180       | 12 1/2        | ...                 | + 1,532                          | 94,306          | 9,453         | 10            |
| Birmingham Small Arms Co.            | July 31       | 744,219         | ...                        | 144,510                                 | 382,620                               | 15,596        | 105,569      | 7 1/2         | ...                 | + 23,145                         | 719,758         | 150,158       | 7 1/2         |
| <b>Rubber</b>                        |               |                 |                            |                                         |                                       |               |              |               |                     |                                  |                 |               |               |
| Amberst Estates (Selangor)           | Dec. 31       | 155             | ...                        | Dr. 1,807                               | 4,115                                 | ...           | ...          | ...           | ...                 | - 1,807                          | 163             | Dr. 5,010     | NI            |
| Besokai Plantations                  | Dec. 31       | 558             | ...                        | Dr. 516                                 | 11,300                                | ...           | ...          | ...           | ...                 | - 516                            | 1,387           | 44            | NI            |
| British Malay Rubber                 | Dec. 31       | 990             | ...                        | 78                                      | 7,359                                 | ...           | ...          | ...           | ...                 | + 78                             | 580             | 158           | NI            |
| Gedong (Perak) Rubber                | Oct. 31       | 348             | ...                        | Dr. 85                                  | 361                                   | ...           | ...          | ...           | ...                 | - 85                             | 338             | Dr. 2,898     | NI            |
| Holroyd Rubber                       | Dec. 31       | 811             | ...                        | 2,014                                   | 6,857                                 | ...           | ...          | ...           | ...                 | + 2,014                          | 727             | Dr. 2,814     | NI            |
| Java United Plantations              | Dec. 31       | 370             | ...                        | Dr. 3,173                               | Dr. 924                               | ...           | ...          | ...           | ...                 | - 3,173                          | 1,188           | Dr. 3,410     | NI            |
| Malayan Para Rubber                  | Dec. 31       | 295             | ...                        | Dr. 3,458                               | 2,788                                 | ...           | ...          | ...           | ...                 | - 3,458                          | 357             | Dr. 4,722     | NI            |
| Oriental Rubber                      | Dec. 31       | 889             | ...                        | 110                                     | 11,125                                | ...           | ...          | ...           | ...                 | + 110                            | 520             | Dr. 40        | NI            |
| Padang Langkat Rubber                | Sept. 30      | 759             | ...                        | Dr. 99                                  | 2,458                                 | ...           | ...          | ...           | ...                 | - 99                             | 1,817           | Dr. 3,930     | NI            |
| Sembau Jelai Rubber                  | Dec. 31       | 2,231           | ...                        | 788                                     | 47,406                                | ...           | ...          | ...           | ...                 | + 788                            | 1,956           | 966           | NI            |
| Sempang Rubber Estates               | Dec. 31       | 1,010           | ...                        | Dr. 3,068                               | 3,725                                 | ...           | ...          | ...           | ...                 | - 3,068                          | 504             | Dr. 3,235     | NI            |
| Sino Rubber Co.                      | Dec. 31       | 1,010           | ...                        | Dr. 3,068                               | 11,335                                | ...           | ...          | ...           | ...                 | - 3,068                          | 523             | Dr. 10,178    | NI            |
| Southeastern Rubber                  | Sept. 30      | 156             | ...                        | Dr. 4,832                               | 1,084                                 | ...           | ...          | ...           | ...                 | - 4,832                          | 2,777           | Dr. 6,008     | NI            |
| Southern Rubber                      | Dec. 31       | 299             | ...                        | Dr. 5,834                               | 4,826                                 | ...           | ...          | ...           | ...                 | - 5,834                          | 1,278           | Dr. 6,580     | NI            |
| Southeast                            | Dec. 31       | 1,377           | ...                        | 599                                     | Dr. 44                                | ...           | ...          | ...           | ...                 | + 599                            | Dr. 774         | Dr. 774       | NI            |
| Southern Rubber                      | Dec. 31       | 400             | ...                        | Dr. 412                                 | Dr. 1,598                             | ...           | ...          | ...           | ...                 | - 412                            | 349             | Dr. 903       | NI            |
| Sempang Rubber Estates               | Sept. 30      | 1,058           | ...                        | Dr. 199                                 | 10,828                                | ...           | ...          | ...           | ...                 | - 199                            | 1,139           | Dr. 1,160     | NI            |
| Logoregdo United Plantations         | Dec. 31       | Dr. 24,696      | ...                        | Dr. 24,696                              | Dr. 89,584                            | ...           | ...          | ...           | ...                 | - 24,696                         | Dr. 27,035      | Dr. 27,035    | NI            |
| Ataderia Rubber and Tea              | Dec. 31       | 9,940           | 1,300                      | 4,829                                   | 7,934                                 | ...           | 4,725        | 5             | ...                 | + 104                            | 17,276          | 5,034         | 5             |
| <b>Shipping</b>                      |               |                 |                            |                                         |                                       |               |              |               |                     |                                  |                 |               |               |
| Grand Steam Ship Co.                 | Dec. 31       | 1,027,924       | 19,274                     | 312,128                                 | 532,940                               | 67,500        | 167,108      | 6             | 100,000             | - 22,480                         | 1,064,196       | 343,723       | NI            |
| Lang Line Limited                    | Dec. 31       | 59,829          | 18,487                     | 36,443                                  | 120,872                               | ...           | 31,250       | 12 1/2        | ...                 | + 5,193                          | 62,221          | 31,553        | 12 1/2        |
| Richell Coats & Co.                  | June 30       | 182,475         | ...                        | 96,226                                  | 148,581                               | 4,538         | 44,064       | 15            | 40,000              | + 7,624                          | 180,053         | 93,803        | 15            |
| <b>Shops and Stores</b>              |               |                 |                            |                                         |                                       |               |              |               |                     |                                  |                 |               |               |
| Radleys (Chester)                    | Jan. 31       | 53,266          | ...                        | 35,366                                  | 69,410                                | 6,300         | 31,250       | 12 1/2        | ...                 | - 2,184                          | 46,668          | 37,768        | 12 1/2        |
| Silksmiths and Silversmiths          | Jan. 31       | 145,143         | ...                        | 54,438                                  | 100,929                               | 15,000        | 22,500       | 7 1/2         | 17,500              | - 562                            | 115,256         | 40,624        | 5             |
| Shoe Brothers                        | Feb. 29       | 60,477          | 6,863                      | 41,538                                  | 107,409                               | 16,500        | 24,000       | 6             | ...                 | + 1,038                          | 77,016          | 41,787        | 6             |
| Sherry & Co.                         | Jan. 31       | 44,286          | ...                        | 28,251                                  | 55,091                                | 3,000         | 20,000       | 20 1/2        | ...                 | + 5,251                          | 27,948          | 22,948        | 15 1/2        |
| Shimans Limited                      | Feb. 29       | 54,405          | 11,937                     | 28,958                                  | 60,274                                | 15,950        | 11,555       | 17 1/2        | ...                 | + 1,453                          | 51,938          | 28,581        | 17 1/2        |
| Simpson (S.)                         | July 31       | 172,933         | ...                        | 49,617                                  | 60,121                                | 12,500        | 10,000       | 10            | 27,404              | - 287                            | 84,181          | 35,288        | 10            |
| Simpson Limited (Dolcis Shoe Co.)    | Dec. 31       | 219,621         | ...                        | 80,048                                  | 115,497                               | 34,047        | 38,250       | 12            | ...                 | + 7,751                          | 218,443         | 74,676        | 12            |
| <b>Tea</b>                           |               |                 |                            |                                         |                                       |               |              |               |                     |                                  |                 |               |               |
| Central Province Ceylon Tea          | June 30       | 44,302          | ...                        | 22,662                                  | 28,672                                | 5,445         | 15,247       | 12            | 2,000               | - 30                             | 83,230          | 16,747        | 9             |
| <b>Telegraphs, &amp;c.</b>           |               |                 |                            |                                         |                                       |               |              |               |                     |                                  |                 |               |               |
| Automatic Telegraph, &c.             | Dec. 31       | 280,952         | 58,833                     | 84,834                                  | 223,503                               | 7,058         | 66,097       | 12 1/2        | 20,000              | - 8,321                          | 261,888         | 65,642        | 12 1/2        |
| <b>Textiles</b>                      |               |                 |                            |                                         |                                       |               |              |               |                     |                                  |                 |               |               |
| Harding, Tilton & Hildley            | Dec. 31       | 52,930          | 4,381                      | 21,261                                  | 22,583                                | 1,238         | 15,000       | 40            | 5,000               | + 23                             | 54,616          | 17,899        | 40            |
| Hubbard (S.) Limited                 | Nov. 30       | 146,140         | 10,184                     | 25,102                                  | 46,038                                | ...           | 8,000        | ...           | ...                 | + 17,102                         | 84,818          | 10,945        | 10            |
| <b>Tramway and Omnibus</b>           |               |                 |                            |                                         |                                       |               |              |               |                     |                                  |                 |               |               |
| Grayshead and District Tramways      | Dec. 31       | 115,457         | ...                        | 22,795                                  | 67,356                                | 6,756         | 15,211       | 10            | ...                 | + 828                            | 107,824         | 22,143        | 10            |
| North General Transport              | Dec. 31       | 563,774         | ...                        | 146,792                                 | 224,975                               | 19,500        | 83,108       | 10            | 40,000              | + 4,184                          | 488,349         | 136,967       | 10            |
| South General Transport              | Dec. 31       | 55,236          | ...                        | 9,567                                   | 22,263                                | 1,525         | 4,641        | 10            | 3,000               | + 401                            | 50,625          | 9,571         | 10            |
| <b>Trusts</b>                        |               |                 |                            |                                         |                                       |               |              |               |                     |                                  |                 |               |               |
| Alliance Trust Co.                   | Jan. 31       | 667,962         | ...                        | 256,642                                 | 321,641                               | 51,060        | 137,812      | 25            | 60,000              | + 7,770                          | 641,668         | 250,514       | 25            |
| City National Investment             | Feb. 29       | 20,168          | ...                        | 7,024                                   | 14,842                                | ...           | 5,454        | 6 1/2         | 1,000               | + 570                            | 18,299          | 6,020         | 6 1/2         |
| Dunburgh Investment Trust            | Mar. 15       | 59,870          | ...                        | 59,870                                  | 233,567                               | 14,175        | 33,600       | 10            | ...                 | + 12,095                         | 53,935          | 53,935        | 10            |
| East Ready Trust Co.                 | Mar. 31       | 33,814          | ...                        | 31,762                                  | 42,418                                | ...           | 30,000       | 10            | ...                 | + 1,762                          | 31,946          | 28,893        | 9             |
| East Investment Trust                | Feb. 15       | 78,629          | ...                        | 21,495                                  | 36,839                                | ...           | 15,500       | 4             | 5,000               | + 995                            | 71,008          | 17,762        | 4             |
| Scottish Capital Investment          | Mar. 31       | 112,631         | ...                        | 30,706                                  | 52,000                                | 15,500        | 8,267        | 4             | 10,000              | - 3,061                          | 106,579         | 27,520        | 4             |
| <b>Other Companies</b>               |               |                 |                            |                                         |                                       |               |              |               |                     |                                  |                 |               |               |
| Birmingham Railway Carriage          | Dec. 31       | 78,894          | ...                        | 37,712                                  | 173,406                               | 3,000         | 37,162       | 7 1/2         | 40,000              | - 6,450                          | 74,754          | 66,572        | 7 1/2         |
| Clyde (William) & Co.                | Dec. 31       | 67,302          | ...                        | 38,336                                  | 39,101                                | 4,426         | 9,904        | 15            | 20,000              | + 2,606                          | 40,778          | 26,778        | 15            |
| British Insulated Cables             | Dec. 31       | 1,130,253       | 256,626                    | 291,812                                 | 720,039                               | 28,930        | 200,625      | 20            | 100,000             | - 37,743                         | 1,141,631       | 283,167       | 20            |
| British Quarrying Co.                | Oct. 31       | 102,658         | 24,763                     | 25,555                                  | 36,548                                | 9,375         | 14,721       | 8 & 6         | ...                 | + 1,459                          | 106,616         | 28,498        | 8 & 6         |
| British Tobacco Co. (Australia)      | Oct. 31       | 962,602         | ...                        | 957,149                                 | 1,006,895                             | 111,188       | 843,474      | 9             | ...                 | + 2,487                          | 963,448         | 957,818       | 9             |
| Brown & Eagle                        | Dec. 31       | 19,400          | ...                        | 10,440                                  | 32,166                                | 3,125         | 7,500        | 5 1/2         | ...                 | - 185                            | 20,775          | 12,109 1/2    | 5 1/2         |
| Byrant & May Limited                 | Mar. 31       | 454,910         | 30,000                     | 404,910                                 | 543,366                               | 67,200        | 313,558      | 18 1/2        | ...                 | + 24,152                         | 439,907         | 389,907       | 18 1/2        |
| Chabree (R. W.) & Sons               | Dec. 31       | 143,225         | 13,094                     | 39,229                                  | 77,666                                | 9,261         | 6,000        | 8             | 25,000              | + 1,032                          | 119,707         | 38,083        | 8             |
| Chapman Brothers (Manchester)        | Dec. 31       | 163,160         | 15,000                     | 69,235                                  | 217,025                               | ...           | 60,000       | 20            | ...                 | + 9,235                          | 227,086         | 68,070        | 20            |
| Cable Cable Works                    | Dec. 31       | 152,215         | 28,958                     | 117,206                                 | 130,376                               | 15,000        | 100,000      | 12 1/2        | ...                 | + 2,206                          | 203,396         | 116,623       | 12 1/2        |
| Central Refrigerators Ltd.           | Dec. 31       | 228,283         | 20,000                     | 47,743                                  | 103,408                               | ...           | 24,375       | 7 1/2         | 25,000              | - 1,632                          | 247,174         | 39,455        | 7 1/2         |
| City Telephone Accessories           | Dec. 31       | 832,608         | 22,181                     | 32,710                                  | 45,696                                | ...           | 20,160       | 12 1/2        | 20,000              | + 7,450                          | 581,655         | 36,160        | 12 1/2        |
| Coward & Warehouse Co.               | Dec. 31       | 117,736         | 1,908                      | 50,079                                  | 168,856                               | 40,000        | 40,000       | 5             | ...                 | - 29,921                         | 199,464         | 145,322       | 10            |
| Cox Boilers and Radiators            | Dec. 29       | 158,796         | 5,297                      | 19,001                                  | 28,790                                | 1,250         | 12,066       | 12 1/2        | 5,000               | + 685                            | 121,837         | 13,592        | 12 1/2        |
| Elmer-Partridge Paper Pulp           | Dec. 31       | 580,671         | ...                        | 69,280                                  | 282,102                               | 50,000        | 17,500       | 20 1/2        | ...                 | + 1,780                          | 668,513         | 158,838       | 20 1/2        |
| Ernest Jones                         | Dec. 31       | 6,758           | ...                        | 5,559                                   | 7,111                                 | ...           | 4,500        | ...           | 1,000               | + 69                             | 2,510           | Dr. 29,555    | NI            |
| Langness-Bronze & Brass              | Dec. 31       | 256,436         | 22,179                     | 57,905                                  | 97,850                                | 3,798         | 37,844       | 25            | ...                 | + 16,263                         | 189,697         | 57,469        | 25            |
| Leeson Limited                       | Jan. 31       | 41,369          | ...                        | 28,533                                  | 39,374                                | 4,737         | 6,250        | 12 1/2        | 23,221              | - 5,675                          | 30,501          | 23,800        | 12 1/2        |
| Leeson Industries                    | Dec. 31       | 88,382          | 15,585                     | 26,578                                  | 43,184                                | 7,170         | 18,000       | 20            | ...                 | + 1,408                          | 81,587          | 34,182        | 20            |
| Provincial Newspapers                | Nov. 30       | 280,231         | 13,750                     | 78,088                                  | 162,487                               | 52,500        | 15,000       | 3             | 10,000              | + 588                            | 286,610         | 78,626        | 3             |
| Randall (C. W.) & Co.                | Dec. 31       | 2,384           | ...                        | 705                                     | 30,132                                | 649           | 688          | 10            | 3,750               | - 4,382                          | 10,034          | - 5,266       | 2 1/2         |
| Rayrolle (A.) & Co.                  | Dec. 31       | 396,712         | 66,232                     | 90,032                                  | 226,729                               |               |              |               |                     |                                  |                 |               |               |



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£12,000,000

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£13,500,000

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DEPOSITS &amp; CREDIT BALANCES

as at 29th Feb., 1944 ... £62,235,580

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and many Branches and Agencies throughout Australia.

With its widespread connections, this Bank offers every facility for the conduct of all classes of Banking and Exchange business with Australia.

J. A. CLEZY, London Manager and Secretary.

## THE UNITED MOLASSES COMPANY, LIMITED

NOTICE TO STOCKHOLDERS

Owing to circumstances beyond the Directors' control, the publication of the Accounts of the Company for the year ended 31st December, 1943, will be delayed and the Eighteenth Annual General Meeting of the Company will therefore be postponed until such time as the accounts are available.

In the circumstances the Directors, at a Meeting held to-day declared a Second Interim Dividend of 12½ per cent. (actual), less Income Tax, together with a Cash Distribution of 2½ per cent. (not subject to Income Tax) out of Capital Reserve payable on the 12th June, 1944, to the holders of the £1,954,500 Ordinary Stock in the capital of the Company entitled to participate therein registered in the books of the Company as at 5th May, 1944.

It is not the intention of the Directors at the Annual General Meeting to recommend a further Dividend for 1943.

The Registers of the Ordinary Stock will be closed from the 5th May, 1944, to the 19th May, 1944, both dates inclusive.

The Directors announce the following appointments:—Mr R. G. Simpson, M.C., C.A., as Deputy Chairman of the Board, Mr G. W. Scott, as Joint Managing Director, and Mr C. G. Allott, A.C.A., as Secretary to the Company.

Mr H. T. Schierwater has been appointed Deputy Chairman of Athel Line Limited and Tankers Limited, subsidiaries of the Company.

Dated this 25th day of April, 1944.

By Order of the Board.

C. G. ALLOTT, Secretary.

Leighton Buzzard, Beds.

## REFUGE ASSURANCE COMPANY LTD.

Chief Office: OXFORD STREET, MANCHESTER.

ANNUAL INCOME EXCEEDS - £14,500,000

ASSETS EXCEED - £83,000,000

CLAIMS PAID EXCEED - £155,000,000

(1943 Accounts)

## THE PROVIDENT ASSOCIATION OF LONDON, LIMITED

PROVIDENT HOUSE, 246 BISHOPSGATE, LONDON, E.C.2.

FOUNDED 1877. Authorised by Act of Parliament, Intituled Provident Association of London Act, 1910.

LIFE ASSURANCE WITH HOUSE PURCHASE PRIVILEGES. ATTRACTIVE ANNUITY RATES

TOTAL FUNDS

£16,037,306

Total Advances upon House Property to Policy-holders exceed

TWENTY-FIVE MILLIONS

W. W. BENHAM, Chairman.

J. G. SLEIGH, Managing Director.

Printed in Great Britain by ST. CLEMENTS PRESS, LTD., Portugal St., Kingsway, London, W.C.2. Published weekly by THE ECONOMIST NEWSPAPER, LTD., at Brettenham House, Lancaster Place, Strand, London, W.C.2—Saturday, April 29, 1944.

# THE ECONOMIST

ESTABLISHED 1843

Vol. CXLVI No. 5254 REGISTERED AS A NEWSPAPER

MAY 6, 1944

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

ONE SHILLING

|                            |     |                              |         |
|----------------------------|-----|------------------------------|---------|
| Election Illusions - - - - | 589 | Poles, Ukrainians and Jews - | 602     |
| Appointments Vacant - - -  | 590 | The National Finances -      | 605-614 |
| Tractor and Plough - - - - | 592 | The Taxation of Industry -   | 617     |

|                           |     |                        |     |
|---------------------------|-----|------------------------|-----|
| NOTES OF THE WEEK - - - - | 594 | BOOKS RECEIVED - - - - | 604 |
|---------------------------|-----|------------------------|-----|

In Conference; Southern Rhodesia at the Conference; Lord Portal's Houses; Rural Rents; "Slightly Purified"; After the Mutiny; On Trial; Local Duties; Farm Policy Illustrated; The Russo-Czech Agreement; Stalin's May Day Order; Building on Sand; The Reproduction Rate; Tax Troubles; The Unit of Local Government; Labour's Fuel Policy; Shorter Notes.

|                         |     |
|-------------------------|-----|
| AMERICAN SURVEY - - - - | 599 |
|-------------------------|-----|

Green Pastures and Hot Asphalt; Agreement on Essentials; Civilian Supply; A Post-War Military Establishment; Magna Carta in Chicago.

|                            |     |
|----------------------------|-----|
| THE WORLD OVERSEAS - - - - | 602 |
|----------------------------|-----|

Poles, Ukrainians and Jews; Germany at War.

|                             |     |
|-----------------------------|-----|
| LETTERS TO THE EDITOR - - - | 604 |
|-----------------------------|-----|

Irish Neutrality; Depreciation Allowances.

THE ECONOMIST, BRETENHAM HOUSE, LANCASTER PLACE, STRAND, LONDON, W.C.2. TELE.: TEMPLE BAR 3316 ANNUAL SUBSCRIPTION £3.

## THE BUSINESS WORLD

|                        |     |
|------------------------|-----|
| BUSINESS NOTES - - - - | 618 |
|------------------------|-----|

Speculation or Investment; Motor Taxation; Oil-based Chemicals; Conversion Fines Repaid; Gold Redemption in South Africa; Mexican Hopes; The Patents Committee; Taxing Overseas Enterprises; Criteria for Relief; Primitiva Gas Expropriation; Distribution of Bank Deposits; Essential Work Orders; Export Finance; Coal Supplies and Output; Cocoa and Chocolate; Mr Hawtrey on "Futures"; Shorter Notes; Company Results.

|                          |     |
|--------------------------|-----|
| COMPANY MEETINGS - - - - | 624 |
|--------------------------|-----|

|                            |     |
|----------------------------|-----|
| RECORDS AND STATISTICS - - | 627 |
|----------------------------|-----|

## Election Illusions

THE personal issues of the American election are gradually narrowing themselves down. On the Republican side, Mr. Wendell Willkie and General Douglas MacArthur—two of the three men who, for a year past, have led the public opinion polls—have bowed themselves out. Governor Dewey is thus left not only as favourite but a long way ahead of the field. Conventions are unpredictable, and they have often seemed to take a perverse delight in rejecting the too-confident suitor. But to beat the favourite the convention must first be deadlocked, and to deadlock it requires an alternative name, and with only a few weeks to go none of the alternative names looks nearly big enough. The odds are very heavily on Mr. Dewey's nomination.

The Democratic nomination depends on the Republican. The President can undoubtedly have it by acclamation if he wants it, and his decision will turn on his estimate of the prospects after the opposition standard bearer is chosen. There are two circumstances in which he might conceivably stand down: if the Republicans nominate a candidate so good, from the President's point of view, that his election would involve no break in policy; or if they nominate a candidate so bad that some other Democrat can beat him. Lieutenant-Commander Stassen might answer to the first description; Governor Bricker might conceivably answer to the second. But Governor Dewey fills neither rôle, and if he is nominated, Mr. Roosevelt will be, top.

Mr Dewey's recent speech has made it plain that he would not make a campaign issue of foreign policy. If the contest is Dewey versus Roosevelt, both champions will be talking the same language on the external relations of America. There is one point of view from which this circumstance, otherwise so gratifying, is a matter for regret. There is a foreign policy issue before the American people, conventionally presented as the fight between co-operation and isolation—renamed nationalism. But the election will not decide it. Both candidates look like being on the same side—or at least saying that they are on the same side. In the short run, this is pure gain, since it means that a change of administration would not mean a change of foreign policy. But in the longer run, it leaves the issue undecided. If it is Mr Dewey and Mr Roosevelt who go to the polls on November 7th, then the world will be no wiser on November 8th than it is to-day about the ultimate course of American policy.

This is unfortunate; but it is also unavoidable. Every country always sees every other country's politics as less complex and more clear-cut than they really are. British opinion is making this mistake at present about America. There is a real issue of foreign policy, but it is not of a nature to be settled by a single vote even if it were clearly posed. Even if next November's election were between an avowed internationalist and an avowed isolationist—say between Mr Willkie and Colonel McCormick—the vote would be no more than the second

reading of a Bill which would then enter an indefinite committee stage. The issue is not the state of mind to which the American people will give expression on November 7th, but the state of mind that they will induce in their Congressional representatives through the long years that will follow. It will be a great advantage to have a sincere internationalist in the White House, but not so great as to be decisive. It is sometimes forgotten that, if the party platforms and the campaign speeches were any guide, the position in 1920 was very similar to what it is to-day. Both candidates agreed on the necessity for a League of Nations of some sort; it was the mood of the country after the election that settled the policy to be pursued. This is the first mistake that British opinion is making: it lies in thinking that a single vote on a single day will pronounce a clear yea or nay.

The second mistake lies in misinterpreting the nature of the question to be answered. The conflict is represented as one between co-operation and isolation, between internationalism and nationalism, between altruism and selfishness, between white and black. It is, of course, nothing of the sort. Doubtless there are extremists on either side who preach the pure milk of the gospel. But political parties are the embodiment of compromises, and the difference between the practical alternatives is very much smaller. The furthest that any American administration, clothed with the responsibility of office, could possibly go towards isolation would be a refusal to accept any specific commitments, or to join any organisation which did not leave the United States with full liberty of decision in all circumstances. The lesson of 1940 cannot be denied, and none but the lunatic fringe

would try to maintain that America can disinterest itself in what passes beyond the oceans. On the other hand, it is becoming clear that not even the most internationalist administration that is politically practicable is likely to go much beyond the League Covenant of 1919—that is, to surrender no significant segment of its sovereignty, but to promise to exercise that sovereignty in consultation. There is a difference, but it is much less than is popularly supposed. At one extreme, no American Government will be able to ignore the posture of world affairs. At the other extreme, no American Government is likely to feel able not merely to join an international association but also to pursue a firm and consistent policy within it—for to do so would involve making burdensome commitments. It is not even certain that, in its practical working out from day to day, the choice that now seems the preferable would yield most satisfaction to America's partners. France, between the two wars, might have been glad of less need to consult British susceptibilities in detail, since she was not to get more support; and the British relationship to America after this war may not be so very different from the French relationship to Britain after the last.

It is no doubt a disappointing fact that the issue is so restricted, that the champions of black and white are not to run at tilt, and one unhorse the other decisively and for ever. But it is a fact none the less and should be recognised as such. Nothing could be more dangerous to the future of that "durable cohesion" between the major allies of to-day on which the future of the world depends, than that any one of them should harbour illusions about any other.

## Appointments Vacant

ONE thing at least is certain about education in this country after the war. There will be a seller's market for teachers. At the pre-war rate of recruitment there will be many more jobs to fill than there will be teachers to fill them. Before the war there were 200,000 full-time teachers in elementary and secondary schools. After the war the school leaving age is to be raised; secondary education is to be reorganised; both technical and adult education are to be extended; and the size of classes is to be reduced. The teaching force—one in ten of whom is now serving with the Forces or in other war work—will have to be increased by a third at least. It is a far cry from the days, not so long ago, when young teachers had to take any job they could find, if they could find one at all, and were used mainly as casual labour in the schools.

Before the war, at any one time, there were about 15,000 candidates for teaching in the training colleges and universities. The figure after the war will have to be more like 30,000; and the task is to recruit them without lowering the quality of teaching. Here the experience of the United States, where a comprehensive system of public education grew with great rapidity, is a warning as well as an example. There is a double danger in the process of expansion. There is the danger of diluting the teaching profession; and there is a possibility that the local authorities, who pay teachers' salaries, may not be able to bid high enough for the numbers and talents needed. In terms of both manpower and money the means of the community after the war, however large, will nevertheless be limited, and there will be many requirements.

The need, indeed, is for better teachers as well as for more teachers. This is above all the angle from which the McNair Committee, which reported on Thursday, has approached the problem. The temptation to shorten training courses in order to pass more trainees through in a given time has been resisted; in fact, it is proposed that the normal course for recruits from school should be lengthened from two years to three. The most important single item in the Committee's recommendations is the proposal that the net should be cast much more widely to catch recruits of various ages, attainments and experience. Other professions concerned in the expansion of the social

services, such as medicine and nursing, will make much increased demands on the same young and able men and women from whom new teachers will normally be sought. Both industry and the armed Forces will require more technicians and administrators than before the war. The supply of professional and technical skill may be an even narrower bottleneck in peacetime than in wartime; and teaching cannot be broken down into simple processes and done mechanically. The McNair Committee is therefore to be congratulated on its good sense in suggesting a search for teachers wherever they may be found; and the quality of teaching itself may gain much by the recruitment of new kinds of teachers.

Yet, whatever reforms may be made in the methods and scope of recruitment, it will be necessary to increase the material attractions as well as the professional attractiveness of teaching. It is a problem of supply and demand. Both pay and conditions will have to be much improved. But other services, such as public health, will also have a much enlarged lien upon rates and taxes and upon private purses. The added cost of education to the local authorities under the Butler Bill represents a prospective increase in rates, on the average, of almost 3s. in the £; and the further additional cost of improving the pay, status and quality of teachers, as well as of increasing their numbers, has not yet been counted. It was noticeable that the MPs who recently pressed for equal pay for men and women teachers, on very sound grounds, nevertheless did not stop to reckon the extra cost in a profession where women outnumbered men by 2½ to 1.

These difficulties of supply and finance are not arguments against either the educational reforms which require these additional teachers or the very sensible recommendations of the McNair Committee for attracting and training them. But they are arguments for suggesting that it may very well be necessary to look cautiously at any fresh claims, over and above those already registered, upon educated manpower and public money. It is a question of priorities, among which teachers must be ranked with industrial technicians and scientists; and, with the best will in the world, there is a limit to the commitments that can be undertaken in the near future. Moreover, even with

priority, it is by no means certain that the new schools will get all the new teachers they need of the required quality; and, if they do not, there may be a case, however reluctantly it has to be conceded, for preventing the pace of expansion from outrunning the supply of personnel. Immediately after the war, the gap will be filled by short-term emergency methods of intensive training. Local teams of instructors are already being got ready, and their "shock" methods of instructing new kinds of recruits, older and more experienced, may themselves bring some fresh air into the schools. But, on balance, the results of the makeshift schemes must be more or less makeshift, and the plea of the McNair Committee that this training should be carried out in the light of its own long-term proposals deserves special attention.

The reference of the McNair Committee, which was set up two years ago, is to the permanent problem of supplying sufficient teachers of the right kind, year by year (as well as to the important but ancillary problem of training "youth leaders," which is not dealt with in this article). Before the war, the annual output of teachers was 6,500, 5,000 from 83 training colleges and 1,500 from 22 university training departments. After the war, an annual output of over 10,000 a year will be required. The number of teaching candidates in the colleges and training departments at any one time will be from 30 to 40 thousand—that is, not far short of the total number of university students in all faculties before the war. Clearly, in considering the best organisation and inter-relation of the training colleges and universities, it is important not only to see that the standards of teachers' training are not depressed, but also to see that the universities, whose main functions are very different, do not simply become annexes of the training scheme. For training departments to dominate their parent university bodies, as occasionally happens, is bad; and for training departments to be treated as inferior side-lines, as sometimes happens also, is no better.

The Committee sees teaching as a vocation in itself and not simply as a technical veneer upon more cultural and scientific studies.

We must ensure that those who intend to be teachers . . . have the chance to enjoy a period of education and training which, above all else, will encourage them to live a full life themselves, so that they may contribute to the young something which arises as much from a varied personal experience as from professional studies.

It is in this spirit that the proposals to widen both the field of recruitment and the scope of training are made. It is recommended that training, with maintenance and family allowances if necessary, should be available to

men and women of maturer years who desire to be trained for the teaching profession and are judged fit for such training.

It is proposed that, in addition to three (instead of two)

year courses at training colleges and one-year courses for university graduates,

suitably qualified persons other than graduates should be eligible for a one-year course of training; and that courses of training varying in duration should be provided to meet the needs of others whose attainments and experiences, however obtained, justify their entering upon a course of training.

Both to swell the number of teachers and to enhance their quality, the Committee looks with special hope to this "leaven of people who do not approach the profession along the normal avenues." The vast majority of teachers will still come straight to training from the schools. But the profession will be enriched by the addition of recruits, not only from the Forces, but also from industry, commerce and the professions. It is argued in the Report that not only secondary schools should qualify for teachers' training; but that technical colleges, art and musical schools, agricultural institutes and adult education should also provide ways in. The search should be for men and women who want to teach and can do so; the test for a teacher, say, of music should be his ability as a musician and instructor, not how or where he was previously educated. The Committee has in mind a more variegated and less stereotyped body of teachers than in the past, more representative of the life, work, culture and crafts of the community; and it is proposed to bring in men and women from other walks, to do part-time teaching.

The rest of the Report is on the same high level of practical sense. The Committee insists that pay should be higher all round—with equal basic salaries for all categories of teachers plus special supplements for special qualifications—and that greater freedom should be allowed to teachers to take their place in local and public affairs; and it is certain that, if these steps cannot be taken, the teachers will not be obtained. Similarly, better working and living conditions are proposed for teachers in training, who will no longer be under bond to teach in return for financial aid from public funds; and proposals are made for the reform of training itself which will bring trainees very much closer to the practical problems of their profession.

The principle throughout is that teachers should have much closer contact with the community to which they and their pupils belong. There is, first, the fact that, if these proposals are accepted, teachers will no longer tend to be a narrow and isolated group of public servants, and they will be much more mixed in their qualifications and experience. Secondly, during their training they will get to know the schools. In addition to the present arrangements for short periods of teaching practice in schools, an entire term in the extended three-year course will be devoted to continuous teaching as a member of a school staff; and, in turn, the staff of every training college will include a number of school-teachers seconded for a period.

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Thus the bias of the Report is towards closer links in the training of teachers with the world outside, on the one hand, and with the schools on the other. The only issue on which there was apparent division of opinion within the Committee was the link with the universities. There was general agreement that the universities should assist in maintaining academic standards in tests and examinations. There was disagreement about the extent to which the universities should direct the whole process of training. The Committee proposes the appointment of a small Central Training Council for England and Wales to advise the Board of Education. Below the Council, two alternative schemes for the organisation of training in each area of the country are put forward. In one, the work would be done by University Schools of Education which would embrace "an organic federation" of training institutions and be directly responsible for the training of teachers. In the other, the present system of Joint Boards, on which both universities and training colleges are represented, would be preserved and improved. It seems almost certain that this second solution is the right one. No form of professional or technical education is properly the first function of a university; and, in general, university training departments have not been good advertisements for the direct responsibility of universities for teachers' training.

It is possible that, while keeping the representatives of universities on the Joint Boards to advise and scrutinise—and, in academic matters, even to lead—the Committee should have gone still further and recommended the abolition of their training departments, except in special cases. This is not to suggest that all the training colleges have

been signal successes in the past. Many of them have stayed firmly in a rut. But they ought to be the right places for training teachers; and university graduates intending to be teachers would benefit most from their one year's training if it was taken, not as an epilogue in their own universities, but at a training college with a spirit and a status of its own. At bottom, however, the question is complicated by two considerations. There is, first, the genuine and praiseworthy desire of the universities not to see the scholarly standards of teachers' education allowed to fall too far, which is essential. Secondly, there is the question of finance. Too many of the poorer university institutions depend far too much for their subsistence upon grants to teachers in training—a situation which will be even more decisive for the future of the universities when the number of teachers in training and the total of university students (which, of course, overlap) are roughly equal.

The success of the McNair proposals will depend upon matters outside the Committee's purview. The Committee could not say what its programme will cost and whether it can be afforded. Nor could the Committee tell whether, even with wider recruitment, sufficient candidates of the right kind will be available for training. There is a case both for the most careful costing of the proposals which have now been tabled for better education and better health and for some census, survey or budget of the manpower that is likely to be available for all the professional and technical appointments already envisaged. Finally, there is the core of the problem—what are the teachers to teach? So far, the Government has said nothing about the important recommendations on curricula which were submitted by the Norwood Committee last year.

## The Tractor and the Plough

At the beginning of this war European countries had found no solution for the smouldering agricultural crisis that affected with varying intensity one country after another. The farmers in European countries are mainly peasant proprietors; but most of the land is still concentrated in big estates. This is true, not only of highly industrialised Germany, but also of Poland and Hungary. In the south-east, Bulgaria is the peasant country *par excellence*, like Denmark in the west. But there is a vast difference between the peasant in south-eastern countries and the peasant in Denmark, who, before the war, manufactured bacon, butter and eggs, for export, using the cheap cereals and oilseeds imported from overseas for feeding stuffs. In the east and south-east, the peasant plot is still worked as a self-sufficient unit chiefly for subsistence. Consumption is frequently near the starvation line, and the amount of marketable produce sold in exchange for absolutely necessary commodities varies with the vicissitudes of climate and weather. If the peasants in eastern and south-eastern Europe were to increase their consumption to the minimum recognised by scientific research, the export surpluses of most of the agricultural products would disappear.

The experience of this war has again proved that the agricultural production of the continent of Europe as a whole is insufficient for the subsistence of the peoples living on it. The predominantly agricultural countries in the east and south-east have been unable to replace the former imports of agricultural products from overseas. In other words, the industrialised peoples of the Continent still depend essentially on cheap agricultural raw materials and processed agricultural products and fruit from outside Europe. Every country that has entered the stage of industrialisation has experienced the same change in diet. The high percentage of carbohydrates provided by cereals and root crops, typical in the peasant diet, declined, and foodstuffs containing proteins, fats and vitamins formed a steadily increasing part. The most suitable diet for industrialised populations is now recognised everywhere as a mixed diet in which proteins, fats of all kinds, vegetables and fruit are predominant. Climatic conditions vary this diet slightly, but the basic

composition remains the same. Rye, the standard cereal in the flat lands of northern Europe, has a low protein content and has lost its importance as a bread cereal compared with wheat, which contains more protein.

In Germany, rye was definitely on the point of being "degraded" to an animal feeding stuff during the prosperity of the 1920's. The price consequently declined, and the large estates became unprofitable, since they were unable to compete with cheap imported wheat, whose production costs in the most favourable regions in Germany were double the cost in overseas countries.

A radical change was necessary if Germany's agriculture was to become profitable again. The duty-free import of agricultural raw materials, that is, of cereals and oil seeds, would have given Germany's large peasantry, assisted by efficient credit and co-operative organisations, the chance of reaching the efficiency of Danish meat and dairy producers. Protective duties before Hitler and the policy of self-sufficiency under Hitler arrested these changes, which were already visible, and then deliberately reversed the trend. The consumption of meat, fats and fruit was reduced. The large estates went on producing cereals at production costs far above world prices, and required enormous direct and indirect subsidies. Germany's agriculture became a planned industry. Large numbers of peasants were bound to their land by the hereditary farm law. The system of compulsory deliveries followed fixed prices, and year by year cultivation was ordered by a production programme. After ten years of this Nazi agricultural policy, the whole industry has become unprofitable. Peasants and agricultural workers have left the land in great numbers. This disastrous policy has had its repercussions on the whole continent. It made agricultural agreement with Poland almost impossible. At the same time, it enabled Germany to draw the agricultural countries of the south-east into a state of dependency by guaranteeing relatively high prices. Denmark and Holland, large exporters of agricultural products to Germany, were almost cut off from the German market, and overseas imports of cereals were curtailed.

All over Europe the big estates, which from a technical

point of view could be highly efficient units of production, have been and still are, as remnants of feudalism, an obstacle to any lasting reform of European agriculture. Peasant proprietorship, on the other hand, making for small inefficient units, is in its present form equally an obstacle. The peasant proprietor has shown an amazing productive power where co-operative organisation has provided the framework of a division of labour. The chief difficulty for the individual peasant is that he is owner, manager, worker, salesman and book-keeper rolled into one. Relying on his own resources, he must cultivate his fields and rear his stock without knowledge of science and without modern machinery. The different forms of free co-operatives, which vary from country to country, provide all these necessities. The sales organisations of the Dutch and Danish co-operatives are world famous. The education and training centres of the Danish co-operatives are unparalleled. Co-operatives enable the pooling of finance and machinery, the running of the most modern dairies, slaughterhouses, and other processing plants. In short, modern free co-operatives effect the division of labour without taking away the ownership of the land from the peasant. They assure all-round efficiency, even in the cultivation of cereals, on plots of land which would be totally insufficient for the subsistence of a single peasant. These co-operatives need the active assistance of the state, the only organisation which is able to establish research institutes, experimental stations and statistical offices. No doubt countries whose climate and soil conditions are suitable to large scale cultivation of cereals, oilseeds and similar crops could find a way for the co-operative use of peasant land, combining small plots to the necessary optimum size.

Where the co-operative system is fully established peasants have changed from self-sufficient occupiers into manufacturers for markets. They are no longer mere toilers on the land to inspire romanticism in townspeople, who regard the ploughman as a philosopher, or like the Nazis discover mystical qualities in the affinities between blood and soil. The single peasant without co-operative organisation, wherever he may live on the Continent, earns the barest minimum, and is rather an object of pity.

The following table shows the average yield of wheat per hectare for the average of 1931-35. It illustrates in the most simple and generalised form the differences in the agriculture of certain European countries. The figures in brackets give the percentage of persons gainfully occupied in agriculture.

|                   | Quintals<br>per hectare |                  | Quintals<br>per hectare |
|-------------------|-------------------------|------------------|-------------------------|
| Holland .....     | 29.8 (20.0)             | Italy .....      | 14.7 (47.6)             |
| Denmark .....     | 29.7 (35.0)             | Hungary .....    | 13.1 (73.1)             |
| Belgium .....     | 26.6 (17.1)             | Poland .....     | 11.3 (76.2)             |
| Germany .....     | 21.2 (29.5)             | Bulgaria .....   | 11.3 (80.9)             |
| Czechoslovakia .. | 17.0 (38.3)             | Jugoslavia ..... | 10.3 (80.0)             |
| France .....      | 16.0 (35.7)             | Roumania .....   | 10.2 (76.6)             |

The first and most important point is that the countries which are highly industrialised, and those whose peasants have an efficient co-operative system, obtain the highest yields. Germany lags far behind, which is the result of maintaining wheat cultivation on a large scale on unsuitable soil. The purely agricultural countries are at the bottom of the list. The table also gives a clue to the fact that the agricultural crisis in most European countries cannot be solved without radical changes. Agriculture becomes efficient in the same degree as a country is industrialised. The different stages of industrialisation are faithfully reflected in agriculture. At the time when the steam engine was the sole power generator, the cable plough was used in agriculture on big estates. At present, electricity, the tractor, and the stationary internal combustion engine are revolutionising agriculture, in combination with scientific farming and stock breeding. Yet the most important source of power, the tractor, is useless on the small plot of a peasant. In fact, neither in Germany nor in any other European country can most peasants use tractors. They are used on the larger farms and big estates, and have set free large numbers of workers. An American expert gives the following estimates of the number of man-hours neces-

sary for growing and harvesting one acre of wheat yielding 20 bushels:

|               | Man Hours |                                             |
|---------------|-----------|---------------------------------------------|
| In 1830 ..... | 55.7      | (Seeding and harvesting done by hand)       |
| In 1896 ..... | 8.6       | (Horse-drawn drill and binder)              |
| In 1930 ..... | 3.3       | (Tractor-drawn drill and harvester combine) |

At the same time the tractor has made the cultivation of semi-arid steppe country possible. All necessary work in growing cereals and root crops can to-day be done by machines. In land reclamation and drainage, machinery is also used. Soil conditions can be changed by the use of chemicals and modern plant selection; seed preparations have put a stop to disastrous crop failures. The modern farm can be almost fully mechanised. Stock breeding is largely freed from hazards if science is applied. The possibilities of artificial insemination have hardly been realised. In short, the division of labour, which is the basis of industry, has become the basis of modern agriculture. The cereal factory in America and Russia has given full proof of its possibilities. The same factors, changes in demand and division of labour, have resulted in the standardisation of almost all agricultural products. Lastly, the methods of processing and refrigeration demand more factories beyond the scope of peasants.

The policy of self-sufficiency in Germany was actually an attempt to feed an industrial population without participating in the international division of agricultural labour. The result was a decrease in consumption and a flight from the land. At the same time the eastern and south-eastern countries experienced the difficulties of agricultural over-population, without any prospect of emigration. Industrialisation, on the other hand, was slow in south-eastern countries. Most important of all, however, is the fact that such modern factories as have been started in these countries use the labour-saving methods of the highly industrialised countries. New industries do not therefore employ the large numbers of workers absorbed in the early period of industrialisation in Great Britain and Germany. Industrialisation in Britain, and later in Germany, provided the markets for American agriculture. During the decades after the last war, Germany, the largest market for agricultural products on the continent, put itself in a paradoxical situation. It offered only limited possibilities for south-eastern countries to sell farm produce. Using the greater part of its industry for armaments, it was not able to industrialise the agriculture of the Balkan countries. In spite of the fact that German firms tried to organise centralised buying on the lines of the compulsory marketing of Germany itself, Balkan agriculture remains unchanged.

War conditions in Hungary and Roumania show that the reduction of labour on the farms by military service immediately reduces production if there is no change in production methods. The problem cannot be solved simply by opening up industrial employment for the surplus agricultural population. Labour emigrating to industries in towns reduces the number of consumers on the land, but industry produces no foodstuffs. Industrialisation, moreover, must proceed on a large scale if the agricultural population is to be appreciably reduced. The problem has changed. Industry must go to agriculture in the eastern and south-eastern countries. The tractor will have to be used. Science will be necessary to improve cultivation and stock breeding. In short, the process of the division of labour, which took generations in western countries, will have to be accomplished in years. British, German and American industry will find great markets in European agriculture, provided that Germany's agriculture ends the unprofitable production of cereals. The agricultural revolution in eastern and south-eastern Europe, which began after 1918 under the pressure of the revolution in Russia, was arrested after a few years. The limited division of big estates was immediately followed by a reduction in exportable surpluses, a result of the increasing consumption by peasants. After this war peasants will again demand more land. Yet more land is in itself no solution. A redistribution of land and co-operative organisation should be the first step to the industrialisation of agriculture.

## NOTES OF THE WEEK

### In Conference

There is not much that can be said at this stage about the Empire Conference which is taking place in London. Most of the personal background of the Conference has been given, at great length, in the daily press. Most of the diplomatic topics that may be under discussion have been canvassed: the next phase of the war; the problems of peacemaking; the treatment of Germany; postwar trade and aviation; and the question of some closer and more permanent machinery for peacetime consultation. The fact that these Dominion Prime Ministers are here in London, in the fifth year of a war in which from the first few days—when Poland had been attacked but not Britain—they were participants equally with Britain, is sufficient proof of the degree of co-operation already achieved in the natural course of events. It is a proof, too, of the fact that, here in the British Commonwealth, the problem of international collaboration has been brought vastly nearer a solution than in the case of any other group of nations. Perhaps the outcome, for the Commonwealth, may be some sort of permanent secretariat, together with some historic statement recording the extent of the interdependence which in fact already exists among its members. More important for the present is the token of common action against Germany and Japan and in the making of the peace settlement. More important for the future, perhaps, is the political aspect. Two of the Dominion Prime Ministers, Mr Curtin and Mr Fraser, came from countries which, uniquely in the British world, have possessed settled Labour governments for some time. Mr Curtin is more strongly in power in Australia than any of his predecessors as Prime Minister, despite the virulence of the opposition to him; and Mr Fraser, despite a setback in last year's election, is well entrenched. Here are experiments of importance for the future of democratic politics. General Smuts, though he is poles apart in his politics from Mr Curtin, triumphed equally in last year's South African elections. But this was too largely a personal triumph for the future of South African politics to seem so settled during the next decade as that in Australia. Dr Malan's Nationalist opposition, which has drawn tighter together, still stands for an Irish solution to South Africa's problems; and even General Smuts cannot go on for ever. In Canada the contrast between the present position and future possibilities is even greater. Mr Mackenzie King has reigned for a long time; his position is high, his authority great, but the tides of politics have been running against him. On the face of it, the only question is whether Mr Bracken's progressive conservatism or the socialist policies of the CCF will prevail in the next chapter. Perhaps, round the Conference table, Mr Churchill himself will be able to add to this conspectus of political possibilities the likely outcome of the next elections in this country. Certainly there will be no lack of topics, in the small talk between the big decisions, about both political theory and political practice.

### Southern Rhodesia at the Conference

The presence of Sir Godfrey Huggins, Prime Minister of Southern Rhodesia, at the Empire Conference is significant from the viewpoint of colonial affairs rather than from the more outstanding items on the agenda. His country is not a Dominion, but has a position still unique in the Empire as a self-governing colony. It has, that is to say, complete independence in internal affairs with one important proviso—that any legislation affecting the native population must have the consent of the Dominions Office before it takes effect. It is well known that in recent years this consent has become a matter of course with regard to the colony's own natives, but the Government of Southern Rhodesia has not been able to have its own way in the question of the amalgamation of the two Rhodesias and Nyasaland. Since, however, colonial regionalism is apparently to be discussed at the present Conference, this question is bound to be raised again, and Sir Godfrey Huggins will doubtless use the occasion to press his case to the utmost. There is clearly a great deal to be said in favour of it on administrative, geographical and economic

grounds. But the main reason why the Bledisloe Commission decided against amalgamation still holds good to-day—native policy in the self-governing colony and in the two dependent colonies is inspired by completely opposite principles. The Colonial Office policy maintains the paramountcy of native interests and the ability of the African eventually to govern his own territory. Southern Rhodesian policy is based on the paramountcy of European interests and the complete segregation of the African in the colony's social and economic life. Nevertheless, native policy in the dependent colonies has much to learn from Southern Rhodesia. Under Sir Godfrey Huggins's premiership, a great deal has been done to improve the welfare of the African. The latest measure, announced at the time of the Prime Minister's arrival in this country, is the formation of co-operative organisations, in which the natives would become shareholders, in each native reserve and the establishment of model native towns. It is hoped thereby to raise the native standard of living, but, at the same time, a way of life which can take the place of the old barter economy based on the tribal system is to be encouraged. The Colonial Office is right in steadfastly resisting the amalgamation scheme so long as Southern Rhodesia's native policy is based on restraint of the African's rights. But its hand would be strengthened if it were equally energetic in pursuing social and economic development schemes and equally willing to spend money on them as is the Government of Sir Godfrey Huggins.

### Lord Portal's Houses

The Minister of Works has achieved the first concrete results of reconstruction policy. The first of any Ministers, he has something more than paper plans to show. The prototype of his temporary, pre-fabricated houses is actually on view in London. In external appearance it is undistinguished and very much what the word "pre-fabricated" suggests. Internally, it is very good indeed. These temporary houses are going to be not merely up to the contemporary standard in fittings and amenities, but well in advance of them. As Lord Portal said in the House of Lords, whatever else we shall accomplish by the manufacture of these houses, we shall have helped to initiate and popularise the type of fittings which should in time be incorporated in all the permanent houses in this country.

Indeed, it is in the interior of houses rather than in their external structure that pre-fabrication can render its greatest services. The prototype house includes such fittings as a complete kitchen—gas stove, refrigerator and sink—arranged back-to-back with bath, hand-basin, clothes copper and hot water tank. Another fitting serves the dual purpose of party-wall and built-in cupboards. If the planning of the state can achieve sound design and reap the economies of mass production, there should be a new and large industry, for export as well as the home market, in these units. Nor will these houses be expensive. Lord Portal said he was aiming at a price of £550, exclusive of land, but including quite £100 worth of what are usually regarded as tenants' fixtures. In view of the fact that the materials alone in an average pre-war brick-built house costing £461 have increased by £188, this price is highly reasonable. (It would nevertheless be interesting to know how much cheaper it would be if all the materials, and especially the steel, could be bought at competitive prices.) Lord Portal said that production can begin as soon after next November as the materials are available, and that within three months from the start of production it would be possible to produce from 2,000 to 2,500 a week. They will be publicly owned and licensed for a period. What the rent will be will depend on the cost of land, the rate of interest charged, the amount of subsidy offered, if any, and the decision that is taken about depreciation.

The purpose of this emergency housing programme, as Lord Portal explained once again, is

to make a substantial contribution to the interregnum period, using as little site labour as possible, to enable our labour force to build itself up for the permanent building programme.

Unquestionably, this is right. There will be a large demand for houses immediately after the war, but building is a long-period industry and nothing could be more foolish than to allow it, under the impact of a sudden demand, to expand to a size larger than there will be continuing demand to maintain. The solution is to meet part of the immediate demand by temporary houses. But they will not serve their purpose unless they are ready immediately. This Lord Portal is now well on the way to securing. He deserves the fullest credit for this achievement, not merely in the usual sense that he has been the responsible Minister, but because it is most peculiarly his achievement. It is a most refreshing thing in these days to find a Minister who really leads his Department.

### Rural Rents

Of the 3,000 rural cottages, for which plans were presented fifteen months ago, 1,000 are now ready and a further 1,300 are nearing completion. Despite the pre-war opinion of observers that the greatest demand was for cottages with three bedrooms and no parlour, the great majority of the new cottages will have parlours. This fact no doubt reflects the present prosperity of agriculture. But it means that the majority of tenants will have to pay between 11s. 6d. and 13s. in rent and rates. This figure compares with one of 4s. to 5s., which was generally accepted as the maximum sum which a farm worker could afford to pay in rent and rates before the war. Wages, though they have soared, hardly match this increase in rent, the present national minimum wage of 65s. a week comparing with an average minimum of 32s. in 1937. The rough-and-ready calculation that the farm worker can allow one-sixth of his wages for rent and rates is perhaps met in the case of the new cottages at the moment; and, clearly, higher wages may increase the proportion that can be thus afforded. But, after the war, agricultural wages will probably not rise again, and there is no guarantee of this in the case of building costs. The 1938 Housing Act met a long-felt need by providing Exchequer subsidies for new houses built to meet the general needs of the agricultural population. The new cottages, in addition to the £12 a year for 40 years from various authorities made available under this Act, have also received a special block grant of £150 per cottage from the Ministry of Agriculture to meet wartime costs of construction. It is possible that even to hold rents down to their new high level such additional subsidies may need to be continued, initially at least, for post-war rural housing. After the last war the rents of new houses rose too high for the average farm worker, who in many areas tended to be squeezed out by the overspill of urban and industrial population. It will be a tragedy if this process is repeated. There is still a very great housing shortage in rural areas, due not only to urban competition, but also to the smaller size of the family unit, caused partly by the ability of pensioners now to live on their own. Rural rents must be kept down. And the way to do this lies not only in generous subsidies, but in the reduction of building costs and in the provision of houses which, while good, are not too good for the farm worker, in his post-war circumstances, to be able to afford.

### "Slightly Purified"

After prolonged negotiations, the British and American Governments have secured an agreement with Spain. The German Consul-General is to leave Tangier and all German agents are to be expelled from Spanish Morocco and the Gibraltar zone. The Italian merchantmen which took refuge at the Armistice in Spanish ports are all to be released, save two whose ownership is in question, and the case of these vessels and of the Italian warships is to be submitted to arbitration. The Spanish Government announces that all volunteers have been withdrawn from the Russian front. Finally, the export of wolfram to Germany is to be considerably reduced; 20 tons may be sent in May and June, 40 tons in the following months—if communications between Spain and Germany have not then been cut by the next Allied advance into Europe. It was over the question of wolfram that the negotiations dragged on so long. The Americans sought a complete embargo. The British, believing that this course would end in deadlock and anxious to continue obtaining certain supplies from Spain, urged the need for a compromise in the interests of speed. It is in the next months that it is important to limit German

espionage; and one of the dangers of reaching no solution was the possibility that large stocks of wolfram stored near the Spanish frontier might all have been despatched. The State Department finally accepted the British point of view, but has made known publicly its preference for a "tougher line"—a somewhat discourteous attitude towards an Ally once an agreed policy had been worked out. Shipments of oil to Spain will now begin again, and the Allies' attention will be turned to Portugal, which is still supplying Germany with liberal amounts of wolfram, considerably more than Spain has been sending. The agreement with Spain is satisfactory up to a point. It can give the Germans no pleasure. Yet it is hard to welcome it as a major diplomatic triumph. It is something to have got the Germans out of Tangier. As Mr Eden put it, the situation there is "slightly purified." It will be better still when the Spaniards follow suit. No partial war-time agreement can alter the fact that the Allies have a long unsettled account with General Franco, and do not regard a war-time agreement based on sheer necessity as in any sense a diplomatic buttress to his unstable and unpopular regime.

### After the Mutiny

M Papandreou has embarked on the task of creating a Greek Government of national unity in a difficult hour. It is obvious from the extent of the mutiny in recent weeks that earlier Greek Governments have not enjoyed the confidence of important sections of their own military forces. It is not clear whether the objection of the resisters in North Africa and of the Committee of National Liberation in Greece is to the King of the Hellenes, whatever Government he may seek to form, or only against the constitution of his Governments hitherto. Unfortunately, it is impossible to find this out. A censorship has been imposed on all Greek news so drastic that Allied correspondents have formally protested against it. Under such conditions, comment, favourable or unfavourable, is in the dark, and the only possible conclusion must be that where such strenuous efforts are made to smother news, there must be a great deal to cover up. If it is to the King himself

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that a mass of patriotic Greeks object, then something more formal in the way of underlining his provisional status may be necessary. As Mr Churchill rightly put it in his letter of support to M Papandreou

at the earliest moment the Greek nation, free from foreign interference of all kinds, will choose the form of democratic government under which they wish to live, whether it be a monarchy, or a republic. The king is the servant of his people. I am sure he has no wish to force himself upon the Greek nation.

The difficulty in the case of Greece, as of other eastern European governments, is to ensure that the Allies back a reasonably representative government and do not find themselves committed to supporting regimes opposed strongly by the mass of the people. Again to quote Mr Churchill:

It is the Greek nation, not small bodies of soldiers, sailors and politicians resting under our shield, who will decide the future.

This argument is used in the main to prevent recognition of any group of guerillas who may pick up a rifle and claim to speak for the nation. But it applies equally to a King or a Prime Minister if they no longer command majority support. The important thing is not to allow a false picture of legitimacy to overlay the real legitimist issue—the representative and popular character of a regime. For this reason, the best status any émigré government can hope for is to be provisional, and the more its provisional character is underlined, the better its chances of being finally legitimate.

### On Trial

The fate of Regulation 1A (a) is a sad one. Against most strikers it is not applicable. Nor can it be used against Mr Aneurin Bevan. In last week's debate on the Regulation, Mr Bevan accused Mr Bevin of treachery to the trade union movement, and in a week-end speech Mr Bevin replied in kind. Indeed, the Minister of Labour went even further and all but declared that Mr Bevan, who had opposed Regulation 1A (a) on instructions from his mining association in South Wales, was guilty of treason against the state. The Labour Party then decided to have done with Mr Bevan. The proposal was to expel him. Some pretty constitutional points were raised. The federal character of the Labour Party gave Mr Bevan much justification for doing as his constituents told him. Moreover, there were 15 other supporters of his prayer against the Regulation, who were apparently to be treated as merely misguided. Mr Bevan had another card up his sleeve. He incited a strike. He announced that his companions in crime, who included Mr Grenfell, an ex-Minister and member of the Party Executive, also under instructions from his constituents, would go with him if he went. The Labour Party has failed conspicuously—and inevitably—to maintain the tightness of its Parliamentary discipline in the peculiar conditions of wartime coalition. Mr Bevan, who is confessedly a man of much irresponsibility in his utterances, may be compelled to follow Mr Brown and Sir Stafford Cripps into the wilderness. But this now seems unlikely; and, if it does happen, there is little doubt that this time the Labour Party will at last be shaken by its determined opposition to dissenters—and that Mr Bevin, who has made this issue a matter of confidence, may find that his undoubtedly strong position in the Government is based less and less upon the natural dispositions and prejudices of the working men with whom, in the discharge of his immense and invaluable official duties, he has lost touch more than he would care to admit, either in the Cabinet or in the House of Commons.

### Local Duties

In a BBC discussion on local government some time ago one good point was made. It was agreed that British practice is free from corruption; but it was agreed, no less, that there was "a good deal of wangling." This is, in effect, the conclusion of the report made by Mr Roland Burrows, KC, to the Home Secretary on

the administration by the Council of the City and County of Newcastle-upon-Tyne and its committees and officers of their functions in relation to the fire, police and civil defence services.

Mr Burrows found that the misuse of public property and personnel by certain individuals was proved; and that the delegation of responsibility to certain officers had been done without a sufficient check in the public interest.

Escape from the worst charge of graft should not hide the importance of this finding for local administration at large. No doubt the danger of personal irresponsibility is bigger in wartime when the system of local democracy, with elections and continuous control by representative assemblies, is often more or less in abeyance. But there is little doubt that such excesses, minor though they are—the Newcastle case is exceptional but not unique—are only an exaggeration of tendencies that exist in peacetime. The habit of regarding public possessions and staff as the perquisites of local office is too widespread for comfort; and it should be said, incidentally, in reply to critics of the rôle of bureaucrats in democracy, that one of the reasons why these petty failings are more evident in local government is the absence, compared with Whitehall, of a municipal civil service of proved character and tradition. The steps that were being made before the war to create such a civil service deserved every assistance. Certainly the state of affairs in which some councillors can regard the use of official property, whether it be vehicles, fuel, institutions or garden produce, as theirs to use, should be brought to a sudden end. This is the very thin end of a very sinister wedge. The best cure is publicity and criticism. There is a strong case for the reinstatement in every area of a full committee system in which the conduct of councillors and officers is reported regularly to elected representatives. Wartime is no longer an excuse for negligence in these matters. Most of all, peacetime or wartime, there is a great need for much more widespread interest by citizens in the affairs of local government, and for the fullest and most responsible possible examination of local administration by all the agencies of public opinion.

### Farm Policy Illustrated

The Tory Reform Committee has varied its workaday documents on public policy with a handsome tract on agriculture, illustrated with drawings by Thomas Derrick. ("The Husbandmen Waiteth." By Three Members of Parliament. Tory Reform Committee. Price 9d.) The more sober reader, not put off by these admirable but meretricious aids, will look first at 'the pamphlet's proposals, which are not very helpful. The price structure should be "designed to encourage a well-balanced variety of crops and livestock." Prices, "based on efficient costs," should be settled by the Government "after consultation with the industry." "The quantities of food to be produced by British farmers should be agreed upon, whenever possible, for a considerable period ahead." "The quantity and price of our principal imports of food from overseas should be negotiated and settled by the Government." But there should be "the minimum of interference with individual freedom" compatible with "a high standard of ownership and cultivation." The saving clause is "based on efficient costs." It may be that "a well-balanced variety of crops and livestock" simply means the preservation of those activities which, though not themselves economic, are indispensable to the carrying on of those that are. It may mean that British agriculture should be free and willing to implement the nutritional programme—dairy produce, fresh vegetables and fresh meat—which it is best able, economically, to do. Equally, it may not. For one thing there is no admission of the paramountcy of the consumer and the virtues and advantages of cheap food. It may mean that traditional considerations of farm technique—and farm profits—are intended to outweigh economic realities. Until the Tory Reformers give some clearer idea of the guaranteed prices they propose and of the products and quantities they propose to apply them to, there must be doubts—despite the delightful pictures.

### The Russo-Czech Agreement

Although the new agreement between the Russians and the Czechs was not concerted, officially between the Allies, the model for the treaty was the arrangements already made between the British and American Governments and the Allied nations in northern and western Europe. To this extent, it represents a joint policy, and both Britain and the United States have given their approval to the agreement. It is, in fact, a model agreement. While the Soviet Commander-in-Chief "is to have full

authority in the actual fighting zones, the Czechoslovak Government will take over the full administration of liberated territory as soon as it "ceases to be a zone of direct war operations." A Czech delegate will be attached to the Soviet High Command to create and direct the administration of liberated territory "in conformity with Czechoslovak laws," to establish Czechoslovak military forces, to give the Soviet Commander-in-Chief every possible assistance, and to issue instructions to the local authorities. A Czechoslovak Military Mission will also be appointed. The Soviet Commander-in-Chief will have jurisdiction over all Soviet soldiers on Czech soil, but Czechs, military and civilian alike, will come under Czech jurisdiction even when crimes are committed against Soviet troops. The financial arrangements are postponed for later discussion.

This agreement has a political moral. It shows that when a European government is anxious to be on good terms with Russia, ideological prejudices, past history and territorial questions are not a very great obstacle. The Prime Minister of Czechoslovakia is a Catholic priest. The Communists are unrepresented. The background of the whole Cabinet is bourgeois and traditionalist. In the recent past, although Russia did not condone Munich, it did recognise Slovak independence and the Government of Dr Tiso. Even the frontier issue could have been delicate if the Russians had chosen to raise the question of Ruthenia, the only remaining Ukrainian territory to which they have not laid claim. Why is it that obstacles which are thought to be insuperable in the case of Poland are non-existent in the case of the Czechs? The chief reason is surely that the Russians have no reason to doubt the friendly intentions of the Czechs nor their acceptance of an "eastward orientation" in their politics.

### Stalin's May Day Order

When in 1812 the Russian armies reached the river Niemen a violent dispute broke out between Kutuzov and the Czar, Alexander. Kutuzov urged that the Russian armies should not be compelled to advance any further.

As soon as the armed foe disappears from Russian soil, hostilities ought to cease. There is no reason why we should shed our blood to save Europe. Let Europe save itself by its own exertions.

Kutuzov was overridden. Alexander ordered the Russian armies to advance, and they fought on to bring the war against Napoleon to an end and to draft the peace with their British and Prussian allies. In the course of this war the Germans have regularly hinted at the possibility of a separate peace, and in particular they have made great play with it during the lull which has followed the sensational Russian advance in the Ukraine. The Germans have reminded the world that the clearing of the enemy out of Russia has hitherto been Stalin's chief war aim, and have hinted that this lull marks the end of the Red Army's contribution to Hitler's defeat. But Marshal Stalin is an Alexander, not a Kutuzov. His May Day Order to the Red Army and the nation makes it clear that victory, not liberation, is the first war aim of Russia.

Our task cannot be confined to the expulsion of enemy forces from the boundaries of our country . . . in order to eliminate the menace of enslavement from our country and the countries allied to us, it is imperative that the wounded German beast be hotly pursued, and finished off in its own lair.

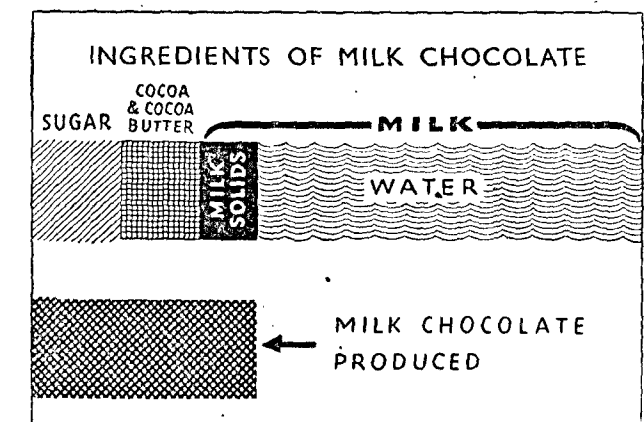
Marshal Stalin paid a warmer tribute to the co-operation of the British and Americans than in any previous Order of the Day, and the whole tone of his message suggested a real and deep appreciation of the Grand Alliance and of its value to Russia—a happy augury for the military and political tasks that lie ahead. The greatest single obstacle to full agreement between the Russians, the British and the Americans is still distrust. The more it can be dissipated in the coming months, by joint military efforts and by mutual political forbearance, the greater the chance of a commonly agreed armistice and peace.

### Building on Sand

Relations between Poles and Russians in eastern Poland are still enigmatic. Some weeks ago the Polish Government received news of cooperation between the Polish under-

ground and Russian troops. No further information about the scope of this cooperation has been available so far. On the other hand, the Polish-Soviet radio "Kosciuszko" has flatly denied the Polish reports from London and stated that friction and even fighting between the two sets of guerillas still continue. Owing to the temporary lull on the eastern Polish front, the issue has not yet become much more acute than it was when the Russians crossed the old Polish frontier early in January. The impending summer offensive is, however, likely to carry the Russians far beyond the Curzon line. The problem of a Polish administration to the west of that line will immediately come to the fore. Nothing has yet been done to prepare any workable solution. The Czechoslovak-Russian agreement on the administration of Czechoslovakia might serve as a model to be applied at least in the undisputed Polish territory. But with whom would the Russians conclude such an agreement? The Polish Government in London is no less representative than the Government of Dr Benes—but Marshal Stalin apparently does not believe it. The arrival of a delegation of American Poles to Russia can have little to do with the setting up of a pro-Soviet Government in Poland. Both delegates, Father Orlemanski and Professor Lange, are American, not Polish, citizens. Perhaps Marshal Stalin wanted to demonstrate in this way that his attitude towards Catholic Poland is not unfriendly. Significantly enough, he received Father Orlemanski at the Kremlin, but not Professor Lange, who, before he left for the USA, was one of the leading intellectual leaders of Socialist youth in Poland. But Stalin's friendly gesture towards Father Orlemanski is not at all likely to impress Catholic circles in Poland favourably. He is even less representative of Polish Catholic opinion than is, say, the Dean of Canterbury of the Church of England. Russian attempts to establish contacts with friendly Poles seem to be based on very unreliable information about the comparative importance of various groups and personalities in Polish politics. But it is not only misinformation that leads the Russians astray. Marshal Stalin clearly does not want to base his policy in Poland solely or even mainly on Communist elements. He is at the same time reluctant to deal

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## Cadbury means Quality

with the parties and groups that really count in Poland, because those parties and groups support M. Mikolajczyk's Government. What follows is a desperate and somewhat tragicomic search for "friendly" personalities in Poland's political no-man's land. But a genuine Polish administration cannot be set up on the basis of this no-man's land. If it is, it will be built on the sand of Poland's national humiliation.

### The Reproduction Rate

The number of births in England and Wales in the last quarter of 1943 showed the same improvement over the previous year as the earlier quarters. The result is that the total for the year, now released, is the highest for many years. The crude birth-rate, at 16.7 per thousand, was the highest since 1928. That this rise in natality is likely to be of short duration is shown by the slump in marriages, which were the lowest for an even longer period. In short, as has often been pointed out, the high wartime birth-rates are largely a reflection of the acceleration of marriages during the early years of the war—and therefore of first

|            | Marriages                    | Births  | Stillbirths | Deaths  |
|------------|------------------------------|---------|-------------|---------|
|            | (Numbers)                    |         |             |         |
| 1938.....  | 361,768                      | 621,204 | 24,729      | 478,996 |
| 1939.....  | 439,694                      | 619,352 | 24,309      | 499,902 |
| 1940.....  | 470,549                      | 607,029 | 22,731      | 581,537 |
| 1941.....  | 388,921                      | 587,228 | 20,902      | 535,180 |
| 1942*..... | 368,252                      | 654,039 | 22,335      | 480,137 |
| 1943*..... | 295,414                      | 682,654 | 21,279      | 501,437 |
|            | (Rates per 1,000 population) |         |             |         |
| 1938.....  | 17.6†                        | 15.1    | 0.60        | 11.6    |
| 1939.....  | 21.2†                        | 14.9    | 0.59        | 12.1    |
| 1940.....  | 22.7†                        | 14.6    | 0.55        | 14.0    |
| 1941.....  | 18.8†                        | 14.2    | 0.50        | 12.9    |
| 1942*..... | 17.8†                        | 15.8    | 0.54        | 11.6    |
| 1943*..... | 14.3†                        | 16.5    | 0.51        | 12.1    |

\* Provisional.

† Persons married.

births—which would otherwise have occurred later. The Registrar-General states that "the proportion of the marriageable population at the marrying ages" is now the lowest on record. The slump in marriages that has now begun will continue, and it will be followed by a slump in births. What is of more permanent importance is the continued improvement in the general (civilian) death-rate and in the infant mortality rate. The latter, at 49 per thousand live births, was the lowest on record. As a result of high births and low deaths, the net increase was more than double the average of 1937-41. Even so, it was only 181,000, out of a total population of over 41 millions.

For the first time, the Registrar-General has calculated a series of net reproduction rates for the population of England and Wales. The defect of the crude birth-rate is that it takes no account of the age-distribution of the population. A high birth-rate may be merely the reflection of an unusually high proportion of people in the marrying ages; it may mean much or little about the extent to which the population is reproducing itself. The net reproduction rate measures the extent to which 1,000 female children born now are likely, in the course of their life-times, to give birth to 1,000 female children of their own. A rate of unity implies an exact reproduction, a rate of .75 would imply that each generation would be three-quarters the size of its predecessor. The Registrar-General's reproduction rates are as follows:—

|           |      |            |      |
|-----------|------|------------|------|
| 1933..... | .747 | 1939.....  | .808 |
| 1934..... | .766 | 1940.....  | .772 |
| 1935..... | .764 | 1941.....  | .761 |
| 1936..... | .774 | 1942.....  | .853 |
| 1937..... | .785 | 1943*..... | .903 |
| 1938..... | .810 |            |      |

\* Provisional.

It is a great gain to have official estimates of this essential statistical instrument for discussing population policy. Unfortunately, however, the Registrar-General has seen fit to define the reproduction rate in a way of his own. Instead of basing the estimate on fertility and mortality as they were in the year in question, he has preferred to assume "a continuing improvement in survivorship conditions." That is to say, instead of giving the girl babies born in 1943 the expectation of life that existed in the year of their birth, he has given them a slightly better expectation, on

the ground that the death-rate will probably continue to fall. By this means, he assumes that slightly more of these children will live through the child-bearing ages. The difference is slight, but it is none the less regrettable, since it means that the British statistics will be on a slightly different basis from those of other countries. It is difficult to see why he should have chosen to make the calculation in this way, unless it was simply to be different from all other demographers. It is quite true that the children born in 1943 will have a mortality experience different from, and probably better than, that of 1943. But they will also, when their turn comes, give birth to children at a different rate from that of 1943—and quite possibly at a lower rate. If assumptions are to be made about the future of mortality, why not about the future of fertility also? And if future mortality is being assumed, what allowance is being made for the possibility of future wars? Clearly, once the solid ground of ascertained fact is abandoned, the whole matter becomes speculative. The Registrar-General's optimistic bias has led him into demonstrable error before this in recent years, and seems to have done so again. Is it too much to hope that he will reconsider the matter?

### Tax Troubles

Pleas were made in this week's Budget debates for special reliefs of taxation in particular cases of hardship. The two most mentioned were the plight of elderly persons in receipt of fixed incomes and, surprisingly in view of common talk, the financial difficulties of girl workers in war factories. It is hard to see how the Chancellor of the Exchequer could have given any other answer than a negative one, though there is a case, without radical innovation, for some reconsideration of the treatment of annuities for taxation purposes. But it is not possible, within the confines of a uniform and far-reaching system of direct taxation, to make special exceptions. If there are grievances to be redressed the remedy must be sought elsewhere. The problem of age, as the Beveridge Report showed, is perhaps the one of our social issues that most cries out to be settled, especially in view of the steadily increasing number of old people. Some heart can perhaps be taken by those who are anxious about the effect of income tax upon the elderly from the fact that Government spokesmen have roundly told Sir William that their proposals for old age pensions will be much more generous than his. On the other hand, it is probable that the critics had in mind, not the aged poor, but the genteel poor, whose conventional standard of living and established commitments eat away their incomes. So far, except in the case of children and their schooling, it has not been possible, democratically, to allow for committed personal expenditure in assessments for income tax. There is, however, the question of the taxation of annuities; and the other plea can probably be dismissed more easily. If girl war workers cannot make both ends meet, which is sufficiently doubtful to need more proof, then they should be paid more by their employers. The puzzle is why, if they are really paid so inadequately, they should still earn enough to be liable to income tax.

### The Unit of Local Government

Local government reformers tend to be of two sorts—a priori radicals and traditionalists. The Labour party wishes to change all the existing units. The Liberal National Committee proposes to keep them all—with the one exception of the parish meeting. It is right that the traditional structure of local government, well tried however illogical, should be kept in preference to a clean break made for merely theoretical reasons. But this does not mean that it should not be considerably adapted to new needs. Many authorities are clearly too small or unwieldy in shape. To deal with these, the Liberal National Committee proposes a permanent boundary commission, which would, in the first instance, arrange amalgamations to ensure a minimum population in any area of 10,000—population being preferred as a criterion to rateable value or acreage. This is not going far enough. Whatever the objections put forward to the idea of single all-purpose authorities centred around large towns—the most cogent being that for many functions they would be too large to be representative—

urban and rural districts need to be regrouped so as to strike a better balance between town and country, and to secure large enough units for efficient administration. The size of areas cannot, of course, be considered without reference to the division of functions. It is becoming clear that many vital services such as health, education, and town and country planning must, in practice, be dealt with, in part at least, on a regional basis. But it is probably better to erect regional authorities in an *ad hoc* manner, which can then take over all or some of the local powers, rather than to establish a new—or a rigid—regional hierarchy.

### Labour's Fuel Policy

The Labour Party's postwar coal and power policy, to be discussed at the Whitsun conference, states a number of sound and unexceptionable principles about the fuel industries. One is that Britain's future depends upon coal. Another is that the processes of extraction, processing and utilising coal should be regarded as a whole, and the various industries integrated. A third point is the importance of planned development and research. The central theme of the report is the necessity for the nationalisation of all three industries as the only means of benefiting the whole community. Nationalisation would take the form not of state administration but of a public corporation, and in this sense it is a departure from earlier Labour doctrines. The administrative structure proposed is a National Coal and Power Corporation, appointed by the Minister of Fuel and Power, on the basis of technical competence and including representatives of labour. Under the Corporation there would be separate Boards for coal and for gas and electricity. The Coal Board would be responsible for production, distribution and by-products; a marketing board would be set up to sell at home and abroad and to regulate prices and exports; the Board would appoint Regional Boards and Pit Committees, with trade union representation, to deal, at the pit level, with questions of production, dismissal and welfare. The same kind of administration is proposed for the gas and electricity industries.

There is much in this report that will repay study. The case for the nationalisation not only of the mining industry, but also of gas and electricity supply, is made out largely by historical reference and by illustration of the present

uneconomic organisation of all three industries. The gas industry, for instance, has nearly 800 owners owning 1,079 different undertakings, and there has been a lack of co-ordination of technical development. The same criticism of multiplicity of undertakings applies to the electricity supply industry. But there is little in the report which could not have been written five, ten or even twenty years ago. Remarkably little attention is paid to the wartime experience of coal "control," and not nearly enough to the means of achieving greater productivity in the industry. "A higher standard of wages" is, very properly, one of Labour's aims, but it cannot be assumed—to say the least—that this would be achieved automatically through nationalisation, and there is barely any mention of mechanisation and modernisation of the pits. The question of compensation is left in the air, as a matter to be assessed by selected Commissioners, on the basis of conditions prevailing at the time of the state's acquisition of existing undertakings. The relation of the Ministry of Fuel and Power to the Coal and Power Corporation is not defined. It is unfortunate that the opportunity should have been missed by the Labour Party to state the case for nationalisation, not only on high moral principles, but on sound technical grounds. The only case for nationalisation is that it would enable the coal industry to be more efficient than in private ownership, and this report hardly begins to argue this, let alone prove it.

### Shorter Notes

After the sensational talk of the last few months, the communiqué issued at the end of the Anglo-American oil conversations may serve to bring public opinion down to earth. The statement speaks of "abundant oil supplies" and makes it clear that there is no British opposition to the proposed American pipeline in the Middle East. One of the reports—though not the official statement—says that there is to be a permanent joint body for discussing oil problems.

The lengthy and sometimes contentious negotiations about the promised British loan of £50 million to China have been concluded, and the agreement was signed on Tuesday. The money is to be available "for the financing of goods and services required by China in the sterling area for purposes arising out of the war."

## AMERICAN SURVEY

### Green Pastures and Hot Asphalt

(From Our Washington Correspondent)

COMMENTING on a recent conversation on the future of industrial risk, in which the initial remarks all dealt with post-war opportunities abroad, a business man observed: "The side lanes leading to the possibly green fields of Russia, China, Latin America, etc., are so nicely shaded that travelling the sun-beaten highway, paved with our own domestic industrial problems, appears too mentally laborious."

The attractions of the side lanes certainly are demonstrable—even for operations not in themselves shady. When talk around Washington runs to what is rather anonymously called "an average year in the post-war decade" a gross national product of at least \$165 billion is anticipated, of which some \$25 billion or better would be used for private capital formation. Of the \$25 billion, however, only about \$2 billion are thought likely to be invested abroad. Yet in spite of this, opportunities abroad seem to be the ones which come most enthusiastically to mind when the subject of new investment is mentioned.

How much of this enthusiasm is nostalgia? Hero stories of Americans improvising their way out of tight spots in far-flung places can now be found on page 3 of any daily. The glamour of the vanished frontier is upon them. They

carry no hint of a social security registration number. Perhaps it would be possible to do business like that, again. No government forms to fill out, maybe. Take an undeveloped country and use the know-how that made the Middle West; old hands at that, aren't we?

Specific evidence of this nostalgia is the emotion which currently surrounds the word "cartel." The indictments brought by the Department of Justice against various American firms because of their relations with I. G. Farben have concentrated on cartels the popular—and largely political—antipathy which has always been available at mention of the word "monopoly." It seems reasonably clear that the inference to be drawn from some of these indictments, to the effect that a chief sin of the companies with foreign trade agreements lay in not fully informing the US Government of what they were about, leads to the further inference that in the future the US Government means to be informed and that therefore considerably increased public participation in post-war international deals is likely. But not in the public mind. The alternative to cartels is too widely assumed to be the kind of private enterprise by individuals that was the stock alternative to monopoly when that word—and the American economic world—were young. The



public is thus enjoying a period of being against something that is unlikely to exist again in its previous form, while being for something that was characteristic of an even earlier era.

Too much of this reaction is available when spokesmen for business such as Mr. Eric Johnston of the US Chamber of Commerce or Mr. John Fenelley of the Committee for Economic Development make statements like the latter's comment that "we learn that English post-war planning is largely interested in bigger and better cartels, in the establishment of quotas, and the division of world markets. . . . I only hope our understanding of this British trend is erroneous, because I am profoundly convinced that if Britain pursues this course she can only look forward to lower and lower standards of living and a progressively greater degree of state socialism. In the United States we are determined to set our course in the opposite direction in a great collective attempt to see if we cannot solve our problems through steadily increasing production under a genuinely free system of private enterprise."

Such comments are sound to this extent: it is a healthy mood when business feels itself efficient enough to go into a competitive situation without the restrictions on output, territory, and prices characteristic of cartels. The spreading impression that American business wants to, and can, go it alone, however, is poor popular preparation for actualities. Such an impression ignores the fact that the economies of the major nations will be on a war basis when hostilities cease, and that strategic considerations will not immediately go out of mind. It ignores the close connection between business and foreign policy in other nations. It leaves the general public in a mood in which no pressure will be exerted on the Government to have an economic foreign policy that is both informed and consistent, and also one in which the maximum political antagonism can be mustered against any co-ordinated business-government moves that do take place.

Various businesses are acutely aware of the present anachronisms in public thinking and of the relative absence of government thought. Oil and aviation are only two rather flamboyant instances of industries whose post-war future is very obviously going to be conditioned by Government decisions. Meanwhile, the future of these industries is turning into the present. At the same time, wide ranges of disagreement still exist within the industries themselves, while any integration of their interest with the general interest appears remote.

### Government Aid

In this situation the speech on Peace and Foreign Trade, made on February 23rd by William L. Batt, vice-chairman of WPB and member of the Combined Raw Materials Board and the Combined Production and Resources Board, is of practical interest. Mr Batt believes that increased Government assistance to business in meeting the problems of foreign trade is an inevitable development. The protection of American business against Government-assisted competitors abroad called for an equally strong organisation of American Government agencies dealing with foreign trade. It was rather far-fetched to conclude that such a policy represented the abandonment of private enterprise and the surrender to Government control.

The tradition which regarded America as a land of unlimited natural resources belonged, said Mr Batt, to the past. The economy of the country, it was true, had been built on these resources, but the conclusion was inescapable that many of them were now approaching their end. In future the country would have to look forward to a position, comparable to that of England, depending on imports for the life-blood of her existence. This situation, which might hurt the pride as it challenged the realism of the American people, had led Mr Batt to consider a recent proposal made by a few of the soundest thinkers in this field. He suggested that the precious remaining supplies should be carefully husbanded while every effort was made to import as much as possible of the critical raw materials.

Stockpiles resulting from this policy, Mr Batt suggests (in tones that sound like Mr Wallace's ever-normal granary done in metal), might be kept as strategic safeguards. The administrative details of holding these reserves was immaterial at the moment. What mattered, in Mr Batt's opinion, was that a limited production only of dwindling home resources should be continued at a level consistent with national security, irrespective of the private interests of any particular bloc. Once the American people are

shocked into a realisation that their vast natural resources are fast being dissipated, he said, it should be easy for them to accept a positive programme of exploitation of imports of these same critical materials under restrictions by which these imports can be made useful and not harmful.

The part played by the Government in such a policy need not exclude participation by private traders. Some government agency would be required to lay down certain over-all controls—the amounts to be purchased, some limitations on the price to be paid, storage and handling, and the necessary Congressional appropriations. In the interests of national defence, the Army and Navy would have to be represented on the Board. Such an arrangement, however, would hardly usurp the functions of the private trader, who would be assured a market for whatever he could produce. Whatever industrial purchasers could not absorb would be taken up by the Government agency, acting as a buyer for the national stockpiles. Certainly, Mr Batt believes, such a programme would appear to be a great stabiliser of metals prices.

There will probably be other statements like this one, from a wide range of sources. The other day Captain Rickenbacker proposed that Lend-Lease should be repaid in raw materials. They are likely to indicate that the side lanes of foreign commerce are not so different from the sun-beaten highways of our domestic industrial problems—and equally in need of being paved with something harder than the shapeless hot asphalt of good intentions.

## American Notes

### Agreement on Essentials

With General MacArthur's final renunciation of Presidential hopes, and Mr Willkie's withdrawal, it looks as though Governor Dewey were bound to be the Republican candidate, not only for his own virtues, but by the very lack of any alternative of comparable stature. His speech last week to the American Newspaper Publishers' Association shows that he has at last determined to face the fact. Governor Dewey had many sound things to say about the connection between democracy and the freedom of the Press, which were calculated to endear him to his audience of newspapermen and magnates; but it was his endorsement of Secretary Hull's foreign policy which made it a significant occasion. He insisted that in the United States today there is overwhelming agreement on three main objectives: to carry on the war to total, crushing victory; to organise in co-operation with other nations a structure of peace backed by adequate force to prevent future wars; and to establish and maintain in relations with other nations conditions calculated to promote world-wide economic stability, and raise the American standard of life. Urging that to win the peace would require at least as much determination as to win the war, and over a long period, he pointed out that no drastic initial measures against Germany and Japan would have permanent value unless they fell within the setting of a "durable cohesion" between the United States, Great Britain, Russia, and China. Admitting that co-operation with Russia involved the greatest difficulties, because of the long history of mutual distrust, Mr Dewey argued that the war had brought some improvement; and that political dissimilarities need not be a cause of friction if American representatives prove themselves as "realistic and devoted to their country" as the Russian leaders. In the attainment of world economic stability, Mr Dewey urged that the greatest contribution the United States could make was by restoring its own economy to vigour and growth. He rejected the idea that the American economy had reached a stage of static maturity—a belief he attributed by implication to the Administration; and held out the conviction that once more the United States might become a "land of opportunity."

Governor Dewey's speech has disappointed the McCormicks, the Pattersons, and others who had hoped that he would become the spear-head of a new nationalism. He has clearly decided against any controversy over the basic issues of foreign policy. This is an impressive tribute to the popular appeal of Mr Hull's recent pronouncements, for Governor Dewey, who has won the label of the "politician's politician" is an acknowledged expert at deciding

which way the wind is blowing. Outside the "Chicago set" this first intimation of his stand has been welcomed by members of both parties, by the Willkie-ite *Herald Tribune* and the Democratic (though not New Deal) *Times*. It has even received Senator Connally's blessing. One commentator, indeed, pointed out that this was only a "promissory note" and urged Governor Dewey to take up Mr Willkie's fight for the soul of the Republican party. But even if Governor Dewey declines to undertake a purge of the Old Guard—and Mr Willkie has provided vivid proof of the political unprofitability of trying to do so—it can hardly be denied that he has made a handsome first instalment. Governor Dewey was at pains to avoid another of Mr Willkie's mistakes—his too close identification with Administration policies. He has endorsed the principles of Mr Hull's foreign policies; but his fire is to fall upon their application and the "private" conduct of foreign affairs by Mr Roosevelt. The Versailles treaty failed, in his view, because those who drafted it were "tired war leaders who could not find within themselves the physical and mental strength to make the peace a living reality." Nor will Mr Dewey accept the label of idealist, which hampered Mr Willkie. His speech was shot through with references to realism, hard-headedness, and devotion to American interests; and his one mention of idealism was severely qualified by the adjective "practical." It would be both ungracious and untrue to say that Governor Dewey wants the best of both worlds—or both parties. He has come out flatly for the "responsibilities which two world wars have shown are inescapable." How successfully he would be able to weld the Willkie following with the harder-headed members of his party over a term in the White House is problematical; but he has made a skilful beginning in the opening of the campaign.

### Civilian Supply

The War Production Board recently issued an order, which appeared reasonable, if tardy, in view of manpower shortages in war production centres, freezing civilian production at existing levels in critical labour areas. Three days after Mr Truman, Chairman of the Senate War Investigating Committee, announced a study of the order, it was modified to allow expansion of civilian production, even in these critical shortage areas, in plants which have no war contracts and which employ unskilled workers. Plans for reconversion after the defeat of Germany, when it is estimated war production will be cut by 35 per cent, are going ahead, but there has been considerable difference of opinion between Administration agencies, on the one hand, and the Truman Committee, on the scope for an expansion of civilian supplies before the conclusion of the war with Germany. Mr Nelson, of the WPB has, in general, taken the line that these opportunities were slight, and that it would be dangerous to start any substantial upswing in civilian production until it is certain that the labour and plant will not be needed to fill emergency war orders. The Truman committee, on the other hand, has taken the view that there is no obstacle to very considerable increases in the production of civilian goods, although it admitted in its report in March that information on "cut-backs" was too indefinite to permit accurate forecasts of the course of war production. Assuming, however, that the amount of cancellation of contracts would be very large, as the Services complete the bulk of their initial equipment, and noting that except in the case of copper, there are sufficient basic materials to supply not only war needs, but some items for civilian use, the Committee urged that civilian production should be resumed as soon, and on as large a scale, as possible. Its argument is based, not only on the desirability of raising home-front morale, but on the need for avoiding unemployment and filling urgent civilian needs such as new farm machinery and replacement parts. The Committee was particularly concerned that after war requirements and such basic civilian needs were met, manufacturers should be given the widest possible freedom to make their own decisions as to production, in order to avoid perpetuating the wartime strait-jacket. There can be no quarrel with the contention that where real manpower and material surpluses exist they should not be allowed to go idle. It is difficult, however, to reconcile the expansion of civilian production in manpower shortage areas with the alarm recently voiced by the Services on the manpower position.

### A Post-War Military Establishment

Now that Mr Dewey has spoken and there is apparent agreement on both sides on the party fence on the need of force to implement the peace settlement, the question of the size and character of the American post-war military establishment becomes an urgent consideration. As the *New York Times* has pointed out, American military policy not only constitutes one of the essential underpinnings of the peace; it will have important effects on problems of re-employment and reconversion. The House Military Affairs Committee already has heard testimony from Secretary Stimson and other Army witnesses on the desirability of a merger after the war of the Service Departments. This week Mr Forrestal, Acting Navy Secretary, and suggested as a likely successor to Colonel Knox, showed himself less convinced. While emphasising that the voluntary unification of command which now exists should be retained, Mr Forrestal opposed the creation of a single Department of Defence, pointing out that "size is no guarantee of efficiency." His emphasis on the success of the Navy's use of air power also appeared designed to ward off the proposed consolidation of the Air Forces. Of equal if not greater importance is the question of the industrial capacity and manpower to be retained for military purposes after the conclusion of hostilities. The setting aside of certain plant facilities for military procurement appears to be a foregone conclusion. The maintenance of a two-ocean Navy in itself will require substantial industrial capacity. But the industrial price of preparedness is comparatively simple compared with the problem of peacetime conscription. It is generally accepted that the use of American forces to preserve the peace will be largely a matter for the Navy and the Air Force. But even so, there is a strong argument for universal military training. Colonel Knox, before his death, had put the case with great force, not only from the point of view of national defence, but on the grounds of the benefits it provided for the trainees. It has been supported by Major-General Hershey, the head of the Selective Service, and by Brigadier-General Palmer. But there are few signs of popular understanding that peacetime conscription may be one of the prices of a secure peace. It will hardly be paid without violent controversy, and if it is left until after the war the chances are that it will not be paid at all.

### Magna Carta in Chicago

The great mail order house of Montgomery Ward, in Chicago, is said to be planning to use a photograph of its chairman, Mr Sewell Avery, being carried out of his office by the Army, to illustrate its slogan, "We take orders from everybody." This may be true in its commercial transactions, but the company takes a different line in its labour relations. Behind the strike which started on April 12th, and in the words of the President's order, "caused delay in the delivery of farm equipment, repair parts, electrical appliances, automobile tires, and other goods essential for the economy in wartime," lay three months' refusal on the part of Montgomery Ward to recognise a CIO union and to obey an order of the War Labour Board, with the result that the firm's premises were ordered to be operated by the Secretary of Commerce, and Mr Avery discovered that the Army was willing to take extreme measures. The military have now been withdrawn, with the granting of a court injunction restraining company officials from interfering with Government operation. The company insists, however, that there has been no such violation of civil liberties since the days of King John; and anti-Administration papers have acidly contrasted the Ward case with the more diplomatic handling of last year's coal strike. Even moderate opinion, while granting Mr Avery's record of calculated obstruction, has found the episode distasteful. This may be what Mr Avery expected. Already in Congress there has been an attempt to deprive the War Labour Board of its authority to order maintenance of membership clauses as a wartime compromise between the open and the closed shop. Judged by the account given in the President's order, both the Government and the union have shown considerable patience under great aggravation, but it cannot be denied that the case, in unfriendly hands, has the makings of a campaign issue, especially in Chicago and the orbit of Colonel McCormick's *Tribune*.

# THE WORLD OVERSEAS

## Poles, Ukrainians and Jews

RECENT events in the Polish Army—the “desertions” of Jewish and Ukrainian soldiers and the courts-martial that followed—have focused attention in this country on Poland's old problem of minorities. The question of the Jews in the Polish Army has been raised in the House of Commons; the question of the Ukrainian soldiers has been taken up even more strongly by the Soviet press.

Of the two, the Ukrainian question is politically by far the more important, though the number of Polish soldiers of Ukrainian nationality is very small. The Ukrainians are Poland's strongest minority. They are also an irredentist minority, which the Jews are not and cannot possibly be. Diplomatically, the court-martialing of the Ukrainians may cause more trouble, because the Russian Government regards the Ukrainians as Soviet citizens, and consequently may treat their forcible retention in the Polish Army as a hostile act. Long before the recent Ukrainian “desertions,” it was said that the Russian Government had formally objected to the recruitment of Ukrainians in Canada for the Polish forces.

Moreover, the Polish-Ukrainian feud has taken an unfavourable turn for the Poles. Since 1939 no political group among the Ukrainians, either in Poland or in exile, has spoken in favour of co-operation with the Poles. Both the pro-Soviet Ukrainians and the anti-Soviet Ukrainian nationalists are opposed to the continuation of Polish rule in Ukrainian lands; and not a single Ukrainian representative has adhered to the Polish Government or to the Polish National Council in London. In such conditions the forcible retention of Ukrainians in the Polish Army in exile is politically useless, no matter how strong the legal ground.

The issue is much wider than the “desertions” of a few soldiers. It is part of the general and still unsettled problem of Poland's eastern lands. While the Ukrainian “desertions” foreshadow a wider conflict that has not yet reached its climax, the “desertions” of Jews from the Polish Army are the sad echo of an antagonism that belongs largely to the past. The so-called “Jewish question” in Poland has been irrevocably and tragically settled in Nazi slaughter-houses. The Jews formed more than 10 per cent of Poland's pre-war population; they numbered about three and a half million. It is a highly optimistic assumption that after the war they may number between 1 and 2 per cent, that is between three and six hundred thousand people, most of them human wrecks. Many of the Jews in Poland who have escaped the slaughter-houses have found refuge among the guerrillas who fight under Soviet direction; some have been saved by the Polish underground organisations.

### Anti-Semitism

Viewed against this grim background the continued existence of anti-Semitism in the Polish Army in exile must appear as an extraordinary instance of moral and political perversity. Its existence cannot be denied. True, its violence has been exaggerated. It is not true to say, for instance, that the attitude towards Jews in some Polish units in Scotland recalls the practices of an SS detachment. Brutal treatment of Jews has been the exception rather than the rule. But discrimination in milder though hardly less harmful forms has been fairly systematic. Chances of promotion for soldiers of Jewish descent are extremely poor. No responsible jobs in the Polish Army, even when promotion is not involved, are given to Jews. The “Aryan paragraph” is more decisive than the skill or conduct of the soldier. More important still, soldiers of Jewish descent are surrounded by an atmosphere of distrust and hostility that pervades their daily life in barracks. It is the anti-Semitic state of mind rather than anti-Jewish excesses that form the background of the “desertions.”

Clearly, a state of mind cannot be cured by stern disciplinary measures. It could probably be gradually dispelled by good example, enlightenment and educational work. In this the Polish military authorities have strikingly failed. True, now and then the pressure of Allied opinion has caused the Polish Command to issue formal orders against

racial discrimination. But such orders have invariably been conveyed to the rank and file in a way that encouraged rather than discouraged anti-Semitic feeling. The “explanation” has almost always been added that on foreign soil anti-Semitic feelings ought to be kept under control, and that the time for Poles to behave as they would like has not yet come.

### The Polish Army

Most of the trouble has been due to the peculiar composition of the Polish Army in exile. This is not a normal army drawn from various sections of the population. Its rank and file consist largely of the former bureaucracy, the only element that was able to escape from Poland after the defeat of September, 1939. The Polish people in the mass has never been really influenced by anti-Semitic propaganda. The zealous efforts of the corrupt and inefficient Rydz-Smigly and Beck administration to make the Jews scapegoats for their own failures met with remarkably little response. Apart from a section of the Polish lower middle class, for which Jew baiting was an auxiliary weapon in commercial competition, anti-Semitism in pre-war Poland was a bureaucratic concern rather than a popular movement. But this is precisely the reason why it is relatively so strong in the Polish Army in exile.

Even so, it is a policy of very dubious wisdom for the Jews to ask for wholesale transfer to the British forces. So far such demands have been made only by a section, probably a minority, of soldiers of Jewish faith. In the course of four years, only sporadic and individual transfers had taken place. This was so in spite of the propaganda for a separate Jewish army made by Jewish nationalists some time ago. The overwhelming majority of Jews saw plainly their place in the ranks of the Polish Army. The awareness of the common fate of Jews and non-Jews in Poland was the strongest link that tied them to their Polish comrades in arms, irrespective of political differences. However, this link has now been largely severed. The Jewish community in Poland has been annihilated; and the Polish Jew abroad asks himself in the name of what ought he to go on serving in an inimical environment.

The position has been made worse since General Sosnkowski took over the supreme command after the death of General Sikorski. General Sosnkowski himself was responsible for setting up the first concentration camp for Polish Jews as far back as in 1920, at a time when such practices were still unknown to the rest of Europe. This clearly creates for many a Polish soldier of Jewish descent a painful conflict of allegiances. In addition, a certain number of Volksdeutsche taken as prisoners from Rommel's Afrika Corps have recently been enrolled in the Polish Army. The wisdom and expediency of that enrolment is, to say the least, doubtful. Among the Volksdeutsche, there are certainly some good Poles; but there are also some of a much more doubtful national and political complexion. Their enrolment was undoubtedly due to the anxiety of the Polish Command to strengthen an army which is greatly overstuffed with officers and understaffed with men. The new arrivals have clearly caused new friction and more brutal incidents.

Under the Allied Forces Act of 1940 the Polish military authorities have, of course, the right to try their soldiers in accordance with Polish military law. Yet the whole question has been utterly mishandled by the British as well as the Polish authorities. At first, 200 soldiers were smoothly transferred to the British Forces. Then dozens of soldiers have been court-martialled and convicted for an attempt to do what their colleagues had just done, without any punishment. An act that was first legalised, by implication, suddenly became a crime. The convicted soldiers might easily say that, in a sense, they had been induced to seek a transfer. It is difficult to see what the Polish Command gains through insisting on its formal right to convict the alleged deserters. It is much easier to say what the Polish Government loses. The affair has clearly been used for a purpose that has nothing to do with the Polish-Jewish issue, that is for undermining the position of the Polish Government.

## Germany at War

### Food Tactics

HERBERT BACKE, who replaced Walther Darré, Nazi Germany's first Minister for Agriculture, as acting Minister some twenty months ago, was recently made Minister. Backe's term of office was a period of contraction in supplies of foodstuffs and increasing control over their production and consumption. The retreat from the Ukraine and Bessarabia has noticeably lessened Germany's sources of food supply and the feeding of both civilians and soldiers depends more than ever on current production in Greater Germany itself.

There were two alternatives. Either the Minister could reduce the rations of cereals, potatoes and other root crops with the object of keeping up the number of pigs, Germany's main source of meat. Or he could maintain cereal and potato consumption, which would mean that the number of pigs would have to be drastically reduced. Backe has taken the second course. Compared with 1939 the number of pigs in the summer of 1943 had been reduced by nearly half. A total of about 15 million pigs could have been maintained if the potato harvest had been normal. The harvest was a failure, and during autumn and winter of 1943-44 the heavy slaughter of pigs had to be continued in order to leave potato supplies for the towns. The fact that the potato ration was recently generally reduced from 3.5 kilogrammes (7.7 lb.) per week to 2.5 kilogrammes (5½ lb.) shows that the potato crop was very small. The good cereal harvest, however, made it possible to compensate this with an increase in the bread and flour ration.

So far it has always been possible in German agriculture to shift the emphasis in production from one crop to another. The record level of production was reached in 1939. After a failure of the cereal harvests, production was concentrated on potatoes. Now, after the failure of the potato crop, the emphasis is being shifted to sugar beet, swedes and other root crops for feeding purposes. There has been a steady expansion of the acreage under oilseeds, largely to the disadvantage of the acreage under cereals. It all adds up to the most completely vicious circle that can be imagined. Every year these shifts have taken place, always with a considerable increase in costs of production.

Before the war Nazi agriculturists had a curious obsession. They firmly believed that a prodigious use of fertilisers would increase yields accordingly. Actually, while the use of fertilisers per hectare doubled between 1932 and 1939, average yields hardly changed. The present consumption of fertilisers is roughly equivalent to that of 1932, and this is sufficient to produce normal yields. Only the supply of phosphates is far below normal.

The picture of Germany's agriculture now is very different from 1914-18, though naturally the main deficiency is again fats and meat. It has so far been possible to maintain dairy herds, although the total number of cattle has been growing noticeably smaller recently. In 1943-44 the first real supply difficulties became apparent because of the bad potato and vegetable crops. The available stocks from last year's harvest, including imports from the Balkan countries, Denmark, Bohemia and Moravia, and France, will be just about sufficient to supply the population with the present rations until the new

harvest. But there are no more reserves to fall back on. Where is the food to come from for next year?

A big effort is being made to fill the gap. Hundreds of so-called agricultural leaders who were administering production in the Russian provinces have now been transferred to Italy and France, to act as advisers and controllers. Particularly in France, large tracts of agricultural land have been cultivated under German supervision. The so-called Warthegau and the “General Government” of Poland have been producing considerable surpluses—on the basis of exceedingly small rations for the Poles. Machinery and whole factory installations have been transferred from Russia to German provinces, and the cattle herds evacuated by the German armies were slaughtered to build up new stocks of tinned meat. But the main compensation for narrowing food supplies must be sought in Greater Germany itself.

Perhaps the most interesting point is that the number of agricultural workers in many parts of Germany has been increased by evacuees from bombed towns. The evacuated women will receive the special rations of agricultural workers if they actually work on the land. But these “elastic” tactics do no more than replace workers called up for military service. The main fact is that it has to be recognised that any actual expansion or intensification of agriculture is not possible.

### Backyard Poultry and Rabbits

There is absolute control over Germany's agricultural industry. This does not mean that peasants and people in towns find no ways of evading the decrees. For many years people have been encouraged to keep poultry and rabbits, which are classified as “Kleintiere” (small animals). The meagre fat, meat, and egg rations were encouragement enough in themselves for a prodigious increase mainly in rabbits. Official statistics state that the number of rabbits has increased during the war from 8 to 34 millions. This breeding of small animals by townspeople as well as small-holders seems to have created something like a black market in foodstuffs, particularly grain, potatoes and vegetables. In other words these foodstuffs, supplied for human consumption, have found their way, perhaps in considerable quantities, to the backyards, where the poultry and the rabbits are being kept. Last autumn Minister Backe, hard pressed to maintain supplies of food and feeding-stuffs, opened a campaign against this “misuse” of foodstuffs. But this did not stop it, and now a number of decrees have been issued which severely restrict the breeding of poultry and rabbits.

Apart from the influence of weather conditions Germany's agricultural overall production has been comparatively stable during this war. But the costs of production have been extremely high, in terms of the labour and material used for cultivation and stock-breeding. Moreover, the general decline in the nutritional value of the food produced has been only partly compensated by the complex system of differentiation in rations and by the use of all kinds of synthetic vitamins, supplied mainly to soldiers, heavy workers and children. If there are no catastrophic crop failures the present narrowed agricultural “Lebensraum” may still be just sufficient for the production and supply of a minimum diet.

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# Letters to the Editor

## Irish Neutrality

TO THE EDITOR OF THE ECONOMIST

SIR,—I cannot help thinking that the long absence of Mr Frank Pakenham from Ireland has made him unfamiliar with recent events, otherwise he would certainly not have written to you as he did on April 15th criticising the statements in your article of March 18th with regard to the treatment, at the present time, of Protestants in Southern Ireland.

He has probably not seen the pamphlet published by Professor W. D. Stanford, M.A., Litt.D., a Fellow of Trinity College, Dublin, entitled "A Recognised Church." The title is based on words in the Eire Constitution of 1937 which says:

The state also recognises the Church of Ireland, the Presbyterian Church in Ireland, etc., etc.

Professor Stanford complains of the pressure brought to bear against the Church of Ireland, which, he says, began soon after the Treaty. He describes the two forms which it has assumed—the politico-economic and the religious. In the first kind of pressure the desired results have been achieved by excluding Irish Churchmen from public and private appointments; by obstructing purchase of sites, houses, land, shops; by preventing Irish Churchmen (or, indeed, any Protestants, if possible) from sharing in the control of public works and charitable organisations; by emphasising their social fewness and loneliness; by arguing that to be a true Irishman one must be a Roman Catholic; by banning practically all literature which criticises the Roman Church, and encouraging that which criticises any form of Protestantism.

Further, I wonder whether Mr. Pakenham has seen the statement by the Executive Committee of the County

Monaghan Protestant Association, recently published. Monaghan is one of the Ulster Counties included in Eire and, with the exception of County Dublin, has the largest percentage of Protestants of any county in Southern Ireland. The following is the unanimous declaration of the Committee:

Although the Protestants in this county represent roughly one-sixth of the total population and have proved themselves to be law-abiding citizens, making a valuable contribution in many directions to the well-being of the state, and do not engage in subversive activities, not a single position of any importance has been given to a Protestant.

Every position of importance in the country, legal public bodies, medical services, public institutions, and all public offices, without exception, whether the appointment was made by the Government or local public bodies, has been given to Roman Catholics.

I have received numerous letters from all parts of Eire, sent to me here at Westminster, from loyal Protestants, complaining of unfair treatment. They ask me to raise these questions in Parliament; I am obliged to inform them that it is quite impossible for me to do this, as they would be ruled out of order on the ground that there is no Minister responsible in this country for what takes place in Eire.

I have received pitiful replies, in one of which my correspondent said: "We pray every Sunday in our Protestant churches for the King, and can the King do nothing to help us?"

I feel certain that Mr Pakenham, as a distinguished historian will, before coming to conclusions, like to hear the other side of the case and when he does so, perhaps he may regret the somewhat hasty letter which he wrote in your columns.—I am, etc.,

D. L. SAVORY.

House of Commons.

## Depreciation Allowances

TO THE EDITOR OF THE ECONOMIST

SIR,—I notice that in your current issue (April 29th, page 515) you underwrite the Chancellor of the Exchequer's view that the present fiscal treatment of depreciation of equipment may be a contributory factor to the slow rate of replacement in a number of British industries.

Even after your endorsement, however, I remain entirely unconvinced. Is there any system better designed to speed up re-equipment than one in which the bulk of allowances is being made conditional upon the actual scrapping of the old machine? What better inducement could there be for scrapping?

Take the marginal case of a firm replacing all its equipment within the same income-tax year in which it was installed. Such a firm would be allowed the full write-off straight away. What more could one want?

Or is it suggested that with the present practice of self-financing and the enormous growth of business deposits, firms are lacking the temporary finance required to bridge the gap between the expenditure on the new machine and the income-tax set-off? Or that they would have been unable to secure this temporary accommodation from the banks, at a time when the banks were crying out for genuine industrial business?

No, Sir, this won't do. The causes of out-of-dateness of equipment must be sought elsewhere. Could *The Economist* give us some second thoughts on the subject?—Yours, etc.,

University of Manchester.

H. W. SINGER.

[Mr Singer's point is partly taken in an article on page 617 of this issue.—EDITOR.]

## Books Received

*Social Security in New Zealand.* By A. M. Finlay. (Christchurch) Whitcombe and Tombs. 71 pages. 2s. 6d. net.  
*China's Struggle for Railroad Development.* By Chang Kia-ngau. (New York) The John Day Co. 340 pages. \$5.00 net.  
*National Socialism vs. International Capitalism.* By E. Tenenbaum. (London) H. Milford. 127 pages. 6s. 6d. net.

# THE NATIONAL FINANCES

The purpose of this special section is to provide a conspectus of the statistical material that is available on the national finances. It is divided into four parts:—

1. The National Economy.—A commentary on the facts revealed by the figures. This is based on official sources, but includes a number of estimates by THE ECONOMIST.

2. The National Income.—A complete reprint of the estimates of national income and expenditure appearing in the Budget White Paper. ("An Analysis of the Sources of War Finance and Estimates of the National Income and Expenditure in the years 1938 to 1943"—Cmd. 6520.)

3. War Finance.—A digest of the remainder of the Budget White Paper, containing all but one of the tables and a summary of the text.

4. The Budget.—A collection of tables relating to the revenue and expenditure of the Exchequer and to the National Debt. This replaces the Budget Supplement that has been published for many years. All the figures are derived from official sources.

## I The National Economy

(NOTE.—In order to distinguish figures taken from official sources from those which contain an element of THE ECONOMIST'S own estimation, the latter are placed in brackets.)

The Budget White Paper which, in four years, has become the indispensable foundation of any discussion of the British national finances, concerns itself with two subjects—the sources of war finance and the national income and expenditure. The two subjects are connected and it is hardly possible to discuss one without reference to the other. Nevertheless, they are distinct subjects and can be treated separately.

The national income is, of course, the more all-embracing topic. By means of the estimates of its size, it is possible to answer such questions as how large is the annual production of wealth of the British community?; how has it increased since before the war?; how is this income earned?; how does the community spend its income of wealth—in particular, how is expenditure divided between that which is directed by the Government and that which is at the free disposal of individuals? The answers to these questions can only be given in the form of sums of money. But in all national income matters, money serves only as a measuring device. National income calculations are concerned with real magnitudes, they attempt to show the physical volume of the community's earnings and expenditure.

The other subject of the White Paper, the sources of war finance, as its title implies, is a financial inquiry. From the estimates of national income and expenditure, it is possible to get an idea of the physical volume of the goods and services used up by the Government. As will appear shortly, this physical volume, measured by pounds of 1938 purchasing value, increased from £837 million in 1938 to probably about (£3,840 million) in 1943. This is a statement of what has happened. The financial inquiry attempts to elucidate how it has happened. For physical resources are not transferred from the public to the Government solely by physical requisition. They have to be paid for in money, and the Government has to possess itself, by one means or another, of the money to effect the purchases.

In this commentary, the first attempt will be to set out the official estimates of the national income and expenditure in the various possible definitions of the terms. Next there will be a discussion of the problems involved in adjusting the estimates for changes in prices. After that the discussion will turn back to the financial problem of where

the money has come from. And finally, there will be some discussion on the shares of the national income accruing to personal incomes of different kinds and sizes.

### Expenditure and Income

The goods and services expended by the British community in 1938 and in the last two years have been as follows:—

| (£ million)                                                                                        | 1938  | 1942  | 1943   |
|----------------------------------------------------------------------------------------------------|-------|-------|--------|
| Personal expenditure on consumption:                                                               |       |       |        |
| Food, drink and tobacco.....                                                                       | 1,640 | 2,126 | 2,317  |
| Rent, rates, water, fuel and light.                                                                | 694   | 753   | 750    |
| Clothing and other household goods                                                                 | 721   | 701   | 631    |
| Travel .....                                                                                       | 289   | 217   | 227    |
| Other services.....                                                                                | 490   | 512   | 520    |
| Other goods.....                                                                                   | 238   | 448   | 536    |
| Total personal expenditure on consumption at market prices                                         | 4,072 | 4,857 | 4,981  |
| Personal expenditure involved in the acquisition and transfer of property and life assurance ..... | 66    | 68    | 68     |
| Total private expenditure.....                                                                     | 4,138 | 4,925 | 5,049  |
| Government expenditure on goods and services.....                                                  | 837   | 4,594 | 5,187  |
| Total expenditure.....                                                                             | 4,975 | 9,519 | 10,236 |

Where did these goods and services come from? The obvious, and almost complete, answer is that they came out of the current output of the British community. Expenditure, in other words, came out of income. The income of the community can best be ascertained by aggregating the sums that were paid out to the various factors of production in the course of generating the output. This was as follows:—

| (£ million)                                                               | 1938  | 1942  | 1943  |
|---------------------------------------------------------------------------|-------|-------|-------|
| Rent of land and buildings.....                                           | 380   | 384   | 384   |
| Interest and profits, including farming profits and professional earnings | 1,317 | 2,321 | 2,427 |
| Salaries .....                                                            | 1,099 | 1,337 | 1,366 |
| Wages .....                                                               | 1,728 | 2,701 | 2,909 |
| Pay and allowances (in cash and kind) of H.M. Forces.....                 | 80    | 861   | 1,086 |
| Net national income at factor cost..                                      | 4,604 | 7,604 | 8,172 |

This "factor cost" total cannot, however, be directly

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compared with figures of expenditure at market prices. For example, if a bottle of whisky is produced and consumed, it will figure in the first of the above two tables at its full price including duty, for this is what has been spent on it, but it will be entered in the second table at the rent, interest, profits, salaries and wages that went to make it—that is, at its selling price less duty. It is therefore necessary to convert the national income figures from a "factor cost" to a "market price" basis by adding in indirect taxation and by deducting subsidies:—

| (£ million)                                       | 1938         | 1942         | 1943         |
|---------------------------------------------------|--------------|--------------|--------------|
| Net national income at factor cost, as above..... | 4,604        | 7,604        | 8,172        |
| Add Indirect taxation.....                        | 636          | 1,376        | 1,473        |
|                                                   | 5,240        | 8,980        | 9,645        |
| Less Subsidies.....                               | 15           | 175          | 190          |
| <b>Net national income at market prices</b>       | <b>5,225</b> | <b>8,805</b> | <b>9,455</b> |

These totals, it will be noticed, do not exactly tally with the totals of expenditure. Nor is there any reason why they should. With a community, as with an individual, the difference between income and current expenditure represents additions to or drafts upon capital. The reconciliation is shown below:—

| (£ million)                                                                   | 1938  | 1942  | 1943   |
|-------------------------------------------------------------------------------|-------|-------|--------|
| Total expenditure.....                                                        | 4,975 | 9,519 | 10,236 |
| Private* net investment (+) or disinvestment (—) at home:                     |       |       |        |
| Increase in work in progress on government account held under private finance | +100  |       | +75    |
| Expenditure incurred in making good war damage to buildings.....              | +61   |       | +49    |
| Other private net investment at home.....                                     | —240  |       | —250   |
| Private and government net investment (+) or disinvestment (—) abroad....     | —55   | —635  | —655   |
| Net national income at market price.....                                      | 5,225 | 8,805 | 9,455  |

\* Government capital expenditure at home cannot be separated from the total of Government expenditure at home.

In this table, drafts on capital (disinvestment) have been shown as a deduction from expenditure to arrive at income. They could equally well, of course, be shown as additions to income to arrive at a total of "available resources," which would equal expenditure.\*

#### Income in Real Terms

All the above calculations are in current terms—that is, they ignore the inflating effect of the rise in prices that has taken place since 1938. For a proper understanding of what has been happening to the national income during the war, it is essential to have at least an approximate notion of the adjustment that ought to be made on this

\* The whole of the above discussion has been based on the net national income. For some purposes, the use of the gross national income is the more enlightening. Net income is calculated on the assumption that any resources devoted to the maintenance and replacement of existing capital should be excluded. This is in line with the ordinary practice of individuals, when depreciation allowances are set aside before income is struck. Gross income (or, to avoid a confusing use of the word 'income,' gross product) includes the whole flow of goods and services available for consumption, for government use, and for the maintenance, replacement and increase of capital. The advantage of using the gross concept is that, although existing capital must be maintained before any long-term comparisons of income can be made, these resources are available in any one year, and especially in a wartime year, for current consumption or for government purposes. Moreover, the actual goods in question are indistinguishable—i.e., a machine that replaces an existing machine is identical with one that is a net addition to capital. The great obstacle to using the gross product is that one of the constituents—the total of depreciation, etc., allowances—is known only for the single year of 1938. For later years a *pro forma* estimate of gross product can be made only by the artificial assumption that these allowances remained constant. On this assumption, the net tables in the text would have to be modified, as follows:—

score. Unfortunately, this cannot be done on the basis of official estimates. The White Paper, it is true, estimates the price rise that has taken place in the sphere of consumption, but there is also an express warning that these estimates of price changes "should not be used for other purposes such as the reduction of the net national income or the expenditure of public authorities on goods and services to terms of constant prices." Indeed, it is clear that the rise in the level of prices paid by the Government for the goods and services it buys has not been nearly as large as the 54 per cent rise in the average market price of consumption goods and services. Any outside estimate of the rise in these prices can only be a guess. Nevertheless, the advantages for a clear understanding of the real economic effects of war to be derived from a series of constant-value figures is so great that some approximations are here given. It has been assumed that the rise in prices, applicable to the Government sphere, over the level of the same prices in 1938, was 6 per cent on the average of 1939, 15 per cent in 1940, 25 per cent in 1941, 30 per cent in 1942 and 35 per cent in 1943. The same ratios have been applied to investment items. It should be emphasised that the resulting figures, though probably of the right order of magnitude, are no more than approximations:—

#### NATIONAL EXPENDITURE IN 1938 POUNDS

| (£ million)                                  | 1938         | 1939           | 1940           | 1941           | 1942           | 1943           |
|----------------------------------------------|--------------|----------------|----------------|----------------|----------------|----------------|
| Government expenditure*                      | 837          | (1,195)        | (2,660)        | (3,365)        | (3,530)        | (3,840)        |
| Private expenditure on consumption†          | 4,138        | 4,138          | 3,640          | 3,390          | 3,350          | 3,270          |
| Private net investment at home.....          | 305          | (342)          | (95)           | (—42)          | (—60)          | (—95)          |
| Private and government net investment abroad | —55          | (—217)         | (—655)         | (—638)         | (—490)         | (—485)         |
| <b>Net national income at market price</b>   | <b>5,225</b> | <b>(5,458)</b> | <b>(5,740)</b> | <b>(6,075)</b> | <b>(6,330)</b> | <b>(6,530)</b> |

\* Including government investment at home. † Including the small item of "personal expenditure involved in the acquisition and transfer of property and life assurance," to which it has been assumed that the consumption price ratios apply.

As was stated at the beginning of this commentary, money figures are used in national income calculations only as a measure of real resources. This being so, it sometimes assists clarity to put the figures on a simple proportional basis. In the following table this has been done, the basis selected being the net national income of 1938:—

#### NATIONAL EXPENDITURE IN REAL TERMS (N.N.I. of 1938=100)

|                                              | 1938       | 1939         | 1940         | 1941         | 1942         | 1943         |
|----------------------------------------------|------------|--------------|--------------|--------------|--------------|--------------|
| Government expenditure*                      | 16         | (23)         | (51)         | (64)         | (67½)        | (73½)        |
| Private expenditure on consumption†          | 79         | 79           | 69½          | 65           | 64           | 62½          |
| Private net investment at home.....          | 6          | (6½)         | (2)          | (—3½)        | (—1½)        | (—1½)        |
| Private and government net investment abroad | —1         | (—4½)        | (—12½)       | (—12½)       | (—9½)        | (—9½)        |
| <b>Net national income</b>                   | <b>100</b> | <b>(104)</b> | <b>(110)</b> | <b>(116)</b> | <b>(121)</b> | <b>(125)</b> |

\*† See footnotes to previous table.

| (£ million)                                                                                                                                                         | 1938  | 1942    | 1943     |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|---------|----------|
| Net national income at market price (as above).....                                                                                                                 | 5,225 | 8,805   | 9,455    |
| Depreciation, etc., allowances.....                                                                                                                                 | 340   | (340)   | (340)    |
| Gross national product at market price.....                                                                                                                         | 5,565 | (9,145) | (9,795)  |
| Total expenditure, as above.....                                                                                                                                    | 4,975 | (9,519) | (10,236) |
| Private expenditure at home on maintenance, replacement and increase of capital (i.e., depreciation allowances plus net investment or minus net disinvestment)..... | 645   | (261)   | (214)    |
| Total gross expenditure.....                                                                                                                                        | 5,620 | (9,780) | (10,450) |
| Less overseas disinvestment.....                                                                                                                                    | —55   | —635    | —655     |
| Balance (=Gross product).....                                                                                                                                       | 5,565 | (9,145) | (9,795)  |

This is, of course, only an alternative way of saying the same thing. It can be said that in 1943 either there was net domestic disinvestment of £126 million after providing (£340 million) for depreciation, etc., or that (£214 million) was spent on the maintenance, replacement and increase of capital which fell £126 million short of meeting the depreciation requirement.

#### Cost of the War

From these last two tables it is possible to show the sources from which, in real terms, the cost of the war in 1943 was met—on the reasonable assumption that the increase in Government expenditure since 1938 can be regarded as the cost of the war:—

|                                                     | In £ million at 1938 Purchasing Power (3,003) | In % of 1938 net National Income (57½) |
|-----------------------------------------------------|-----------------------------------------------|----------------------------------------|
| Cost of War (=inc. in govt. expenditure)            | (3,003)                                       | (57½)                                  |
| Sources from which derived—                         |                                               |                                        |
| Increased effort (=inc. in nat. inc.)...            | (1,305)                                       | (25)                                   |
| Reduced consumption.....                            | 868                                           | 16½                                    |
| Reduced provision for domestic private capital..... | (400)                                         | (7½)                                   |
| Increased drafts on overseas capital..              | (430)                                         | (8½)                                   |
| <b>Total</b>                                        | <b>(3,003)</b>                                | <b>(57½)</b>                           |

It is, finally, of interest to show the changing incidence of the burden of the war as it has developed. In the following table, each year is compared in turn with 1938:—

| (N.N.I. of 1938=100)                                     | 1939       | 1940        | 1941        | 1942         | 1943         |
|----------------------------------------------------------|------------|-------------|-------------|--------------|--------------|
| Increase in national income (since 1938).....            | (4)        | (10)        | (16)        | (21)         | (25)         |
| Reduction in consumption.....                            | (0)        | (9½)        | (14)        | (15)         | (16½)        |
| Reduction in provision for domestic private capital..... | (—½)       | (4)         | (6½)        | (7½)         | (7½)         |
| Increase in drafts on overseas capital                   | (3½)       | (11½)       | (11½)       | (8½)         | (8½)         |
| <b>Cost of war</b>                                       | <b>(7)</b> | <b>(35)</b> | <b>(48)</b> | <b>(51½)</b> | <b>(57½)</b> |

It will be seen how the country was served in the early phases of the war by being able to make immediate drafts on overseas capital, thus leaving time both for total output to be expanded and for the tightening of the consumer's belt to be imposed gradually. It should be remembered that that part of the reduction in overseas disinvestment from 1941 onwards is due to the operation of Lend-Lease.\*

#### Sources of War Finance

Government expenditure on goods and services was given in the first table of this commentary as £4,594 million in 1942 and £5,187 million in 1943. These figures differ, however, from the expenditure of the Exchequer as it appears in the financial accounts. For one thing, they include the expenditure of the local authorities. Moreover, there are some items of expenditure—for example, the interest on the national debt, pensions and social insurance benefits—which are not purchases of goods or services and are therefore excluded from the national income calculations.

For the financial exposition, therefore, it is necessary to begin with a new set of figures, from which the revenue (nearly all of it taxation) is deducted to give the amount of the deficit:—

| (£ million)                       | 1941         | 1942         | 1943         |
|-----------------------------------|--------------|--------------|--------------|
| Central Government Expenditure... | 4,626        | 5,110        | 5,782        |
| Central Government Revenue.....   | 1,836        | 2,344        | 2,876        |
| <b>Deficit</b>                    | <b>2,790</b> | <b>2,766</b> | <b>2,906</b> |

This deficit is, of course, covered by borrowing. The

\* The last four tables are all calculated on a net basis. As before, it may be convenient to translate the figures on to a gross basis.

| (£ million of 1938 purchasing power)                                                 | 1938  | 1939    | 1940    | 1941    | 1942    | 1943    |
|--------------------------------------------------------------------------------------|-------|---------|---------|---------|---------|---------|
| GROSS NATIONAL EXPENDITURE                                                           |       |         |         |         |         |         |
| Government expenditure                                                               | 837   | (1,195) | (2,660) | (3,365) | (3,530) | (3,840) |
| Private expenditure on consumption.....                                              | 4,138 | 4,138   | 3,640   | 3,390   | 3,350   | 3,270   |
| Private expenditure on maintenance, replacement and increase of capital at home..... | 645   | (660)   | (390)   | (230)   | (200)   | (160)   |
| Private and government net investment abroad                                         | —55   | (—217)  | (—655)  | (—638)  | (—490)  | (—485)  |
| Gross National Product                                                               | 5,565 | (5,776) | (6,035) | (6,347) | (6,590) | (6,785) |

problem is to know where the money that is borrowed comes from. Two answers are possible—the first by showing the channels through which the money reached the Exchequer, the other by showing its economic origins. The channels of receipt were as follows:—

| (£ million)                                                                                    | 1941         | 1942         | 1943         |
|------------------------------------------------------------------------------------------------|--------------|--------------|--------------|
| Borrowing from Government agencies: Unemployment, National Health, Local Loans funds, etc..... | 153          | 38           | —62          |
| Canadian Government interest-free loan and Reconstruction Finance Corporation loan.....        | 87           | 161          | —11          |
| Miscellaneous, less sinking funds..                                                            | 8            | 1            | 16           |
| Borrowing from private sources:                                                                |              |              |              |
| Small savers*.....                                                                             | 602          | 600          | 719          |
| Large savers*.....                                                                             | 1,020        | 1,037        | 1,050        |
| Banks and money market*.....                                                                   | 903          | 476          | 1,017        |
| Tax reserve certificates.....                                                                  | 17           | 453          | 177          |
| <b>Total Borrowing</b>                                                                         | <b>2,790</b> | <b>2,766</b> | <b>2,906</b> |

\* These divisions are somewhat arbitrary.

This, however, is less revealing than a division of the total by its economic origins:—

| (£ million)                                                                                              | 1941         | 1942         | 1943         |
|----------------------------------------------------------------------------------------------------------|--------------|--------------|--------------|
| Personal Savings—to meet accrued taxation.....                                                           | 37           | 196          | 83           |
| Other.....                                                                                               | 950          | 1,073        | 1,407        |
| Business Savings—to meet accrued taxation.....                                                           | 290          | 145          | 49           |
| Other.....                                                                                               | 195          | 200          | 210          |
| <b>Total of private savings</b>                                                                          | <b>1,472</b> | <b>1,614</b> | <b>1,749</b> |
| Extra-budgetary funds and local authority surpluses ("Governmental savings").....                        | 220          | 223          | 191          |
| War risk insurance and war damage claims paid, but not expended, and therefore available for re-lending  | 219          | 154          | 136          |
| Funds arising from net private disinvestment at home, after providing for increase in work in progress.. | 82           | 140          | 175          |
| Funds arising from net disinvestment abroad.....                                                         | 797          | 635          | 655          |
| <b>Total (=total borrowing)</b>                                                                          | <b>2,790</b> | <b>2,766</b> | <b>2,906</b> |

In his Budget speech, the Chancellor gave estimates of how he expected to cover the deficit in the financial year 1944-45. The figures are as follows, with a comparison with the last calendar year:—

|                                           | Calendar Year 1943 | Financial Year 1944-45 |
|-------------------------------------------|--------------------|------------------------|
|                                           | £ mn. %            | £ mn. %                |
| Revenue.....                              | 2,876 50           | 3,102 52               |
| Extra-budgetary funds and war claims..... | 327 5½             | 300 5                  |
| Personal savings.....                     | 1,490 26           | 1,550 26               |
| Business savings.....                     | 259 4½             | 225 4                  |
| Domestic disinvestment.....               | 175 3              | 110 2                  |
| Overseas disinvestment.....               | 655 11             | 650 11                 |
| <b>Total expenditure</b>                  | <b>5,782 100</b>   | <b>5,937 100</b>       |

The Chancellor described his estimate of personal saving as conservative, which it would certainly seem to be in view of the fact that he has allowed for an increase of only £60 million in fifteen months, while the previous twelve monthly increases have been more than double that figure. It may therefore be that there will be no net private disinvestment at home this year.

| (G.N.P. of 1938=100)                                                                 | 1938 | 1939  | 1940  | 1941   | 1942  | 1943  |
|--------------------------------------------------------------------------------------|------|-------|-------|--------|-------|-------|
| Government expenditure                                                               | 15   | (21½) | (48)  | (60½)  | (63½) | (69)  |
| Private expenditure on consumption.....                                              | 74½  | 74½   | 65½   | 61     | 60½   | 59    |
| Private expenditure on maintenance, replacement and increase of capital at home..... | 11½  | (12)  | (7)   | (4½)   | (3½)  | (3)   |
| Private and government net investment abroad                                         | —1   | (—4)  | (—12) | (—11½) | (—8½) | (—8½) |
| Gross National Product                                                               | 100  | 104   | 108½  | 114½   | 118½  | 122½  |
| COST OF THE WAR                                                                      |      |       |       |        |       |       |
| Increase in gross product                                                            | ...  | (4)   | (8½)  | (14½)  | (18½) | (22½) |
| Reduction in consumption                                                             | ...  | 0     | 9     | 13½    | 14½   | 15½   |
| Reduction in provision for private domestic capital                                  | ...  | (—½)  | (4½)  | (7½)   | (8)   | (8½)  |
| Increase in drafts on overseas capital.....                                          | ...  | (3)   | (11)  | (10½)  | (7½)  | (7½)  |
| <b>Cost of war</b>                                                                   | ...  | (6½)  | (33)  | (45½)  | (48½) | (54)  |



## Personal Incomes

Personal incomes can be differentiated according to either their nature or their size. A division of the total according to nature is shown in the following table. A final column has been added in which the 1943 figures are adjusted by the rise in the market prices of consumption (55 per cent), which gives a first approximation to the changes in real values of the different classes of income. All these figures are of incomes before taxation:—

|                                                           | 1938  | 1943  | 1943<br>in 1938<br>Pounds |
|-----------------------------------------------------------|-------|-------|---------------------------|
| Property income (rent, profits and interest).....         | 1,594 | 2,059 | (1,330)                   |
| Salaries.....                                             | 1,099 | 1,366 | (880)                     |
| Wages.....                                                | 1,728 | 2,909 | (1,880)                   |
| Pay and Allowances (in cash and kind) of H.M. Forces..... | 80    | 1,086 | (700)                     |
| Transfer incomes (pensions, insurance benefit, etc.)..... | 278   | 288   | (186)                     |
| Total personal incomes.....                               | 4,779 | 7,708 | (4,976)                   |

It will be noticed that, in spite of the growth in the Forces and of the high figure taken to represent the rise in prices, the real value of wages is almost (10) per cent higher than in 1938. In 1938, wages were 37 per cent, before tax, of the total of all personal incomes other than the pay and allowances of the Forces. By 1943, the figure had risen to 44 per cent. If it were possible to give a division of incomes after tax, the rise would be still greater.

What can be done, with the aid of some new tables in the White Paper, is to show the changes between 1938 and 1942 in incomes, before and after tax, by sizes of income. These figures still suffer from one defect—namely, that while an estimate is given of the total of income contained in incomes of less than £250 a year, no figure of the number of such incomes is given. But since the number of all other incomes has increased from 2,545,000 in 1938 to 7,015,000 in 1942, it is obvious that the number of under-£250 incomes has fallen. (Husband and wife are counted as one income.) Nevertheless, the total of income going to this lowest category has increased from £2,681 million to £3,356 million.

Moreover, the figures of the £250-£500 group are equally remarkable. The number of incomes in this group has increased from 1,745,000 to 5,500,000. In spite of this very large influx, most of it presumably from below, the average gross income in the group has fallen only from £340 to £337. The average net income has fallen from £330 to £289. The numbers in the £500-£1,000 group have more than doubled, and those in the £1,000-£2,000 group have increased by 50 per cent. It is clear that there

has been a very large and widespread upward movement in individual incomes. The following table gives the aggregate income in each class:—

| AGGREGATE INCOME AFTER INCOME TAX AND SURTAX |       |     |       |      |  |
|----------------------------------------------|-------|-----|-------|------|--|
|                                              | 1938  |     |       | 1942 |  |
|                                              | £ mn. | %   | £ mn. | %    |  |
| Under 250.....                               | 2,676 | 65  | 3,254 | 56   |  |
| 250-500.....                                 | 578   | 11  | 1,584 | 27   |  |
| 500-1,000.....                               | 311   | 7½  | 533   | 9    |  |
| 1,000-2,000.....                             | 224   | 5½  | 253   | 4½   |  |
| 2,000-10,000.....                            | 256   | 6   | 176   | 3    |  |
| Over 10,000.....                             | 84    | 2   | 35    | ½    |  |
| Total*.....                                  | 4,129 | 100 | 5,835 | 100  |  |

\* Excluding private income unallocated to sizes.

If the classes are reduced to three—the working class up to £500, the middle class from £500 to £2,000, and the upper class above £2,000—some interesting generalisations emerge. The working class has probably increased from about (23½) to (25½) million incomes, and its share of the total personal incomes after tax has risen from 79 to 83 per cent. The number of middle class incomes has increased from 695,000 to 1,405,000, and their share in the total of net incomes has remained almost exactly stationary. The upper class is the most static of the three; in 1938 there were 105,000 such incomes with £530 million of income before taxation; in 1942 there were 110,000 incomes with £536 million of gross income. But their share of the total of net incomes has fallen from 8 per cent to 3½ per cent. This is due much more to the steep rise in taxation than to the fact that the increase in personal incomes has been in the smaller ranges. If the distribution of gross incomes remained as at present, but taxation returned to 1938-39 rates, the readjustment would be as follows:—

|                  | Share of Total of Private Incomes after Tax |      |                           |
|------------------|---------------------------------------------|------|---------------------------|
|                  | 1938                                        | 1942 | 1942 at 1938 Rates of Tax |
|                  | %                                           | %    | %                         |
| Under £500.....  | 79                                          | 83   | 79                        |
| £500-£2,000..... | 13                                          | 13½  | 15½                       |
| Over £2,000..... | 8                                           | 3½   | 5½                        |

This suggests the reflection that the final effect of the war on the redistribution of incomes may be different from what it appears to be at the moment. During the war, the working class is the largest beneficiary. But it may be that the final effect will be to leave the middle class the gainer—not by an enrichment of the individuals in it but by a large increase in its size. The effect of economic upheavals, in other words, is not to make the rich richer and the poor poorer, but to drive both of them towards the middle.

## 2 The National Income

## I.—NET NATIONAL INCOME AND EXPENDITURE (£ million)

|                                                                                                       | 1938  | 1939  | 1940  | 1941   | 1942   | 1943   |
|-------------------------------------------------------------------------------------------------------|-------|-------|-------|--------|--------|--------|
| 1. Rent of land and buildings.....                                                                    | 380   | 388   | 388   | 385    | 384    | 384    |
| 2. Interest and profits, including farming profits and professional earnings.....                     | 1,317 | 1,486 | 1,846 | 2,126  | 2,321  | 2,427  |
| 3. Salaries.....                                                                                      | 1,099 | 1,141 | 1,216 | 1,309  | 1,337  | 1,366  |
| 4. Wages.....                                                                                         | 1,728 | 1,826 | 2,107 | 2,412  | 2,701  | 2,909  |
| 5. Pay and allowances (in cash and kind) of members of H.M. Forces and Auxiliary Services.....        | 80    | 127   | 388   | 653    | 861    | 1,086  |
| 6. Net national income.....                                                                           | 4,604 | 4,968 | 5,945 | 6,885  | 7,604  | 8,172  |
| 7. Personal expenditure on consumption at market prices.....                                          | 4,072 | 4,178 | 4,310 | 4,557  | 4,857  | 4,981  |
| 8. Personal expenditure involved in the acquisition and transfer of property and life assurance.....  | 66    | 66    | 66    | 67     | 68     | 68     |
| 9. Expenditure at home and abroad, by public authorities, on goods and services at market prices..... | 837   | 1,279 | 3,061 | 4,203  | 4,594  | 5,187  |
| 10. Increase in work in progress on government account held under private finance.....                | 305   | (362) | 200   | 100    | 100    | 75     |
| 11. Private net investment at home and other war losses made good.....                                | ...   | ...   | (-91) | (-182) | (-240) | (-250) |
| 12. Expenditure incurred in making good war damage to buildings.....                                  | ...   | ...   | ...   | 29     | 61     | 49     |
| 13. Private and government net investment abroad.....                                                 | -55   | -230  | -756  | -797   | -635   | -655   |
| 14. Subsidies.....                                                                                    | 15    | 20    | 70    | 140    | 175    | 190    |
| 15. Indirect taxes and rates specifically on consumption.....                                         | -439  | -489  | -588  | -777   | -939   | -1,073 |
| 16. Other indirect taxes, rates, etc.....                                                             | -197  | -204  | -203  | -216   | -238   | -248   |
| 17. War risks insurance premiums.....                                                                 | ...   | 14    | -124  | -239   | -199   | -192   |
| 18. Net national expenditure.....                                                                     | 4,604 | 4,968 | 5,945 | 6,885  | 7,604  | 8,172  |

## II.—PRIVATE INCOME AND OUTLAY (£ million)

|                                                                                                                                                                       | 1938  | 1939  | 1940  | 1941  | 1942    | 1943    |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|-------|-------|---------|---------|
| 9. Rent of land and buildings, interest (including National Debt interest and interest accrued on National Savings Certificates) and profits received by persons..... | 1,594 | 1,668 | 1,784 | 1,763 | 1,926   | 2,059   |
| 10. Wages and salaries.....                                                                                                                                           | 2,827 | 2,967 | 3,323 | 3,721 | 4,038   | 4,275   |
| 11. Pay and allowances (in cash and kind), of members of H.M. Forces and Auxiliary Services.....                                                                      | 80    | 127   | 388   | 653   | 861     | 1,086   |
| 2. Pension payments.....                                                                                                                                              | 131   | 133   | 151   | 178   | 201     | 221     |
| 3. Payments in respect of unemployment and the relief of poverty.....                                                                                                 | 113   | 97    | 64    | 30    | 20      | 17      |
| 4. Health payments.....                                                                                                                                               | 34    | 35    | 35    | 33    | 40      | 44      |
| 5. Other transfer payments.....                                                                                                                                       | ...   | 6     | 15    | 29    | 11      | 6       |
| 6. Personal income before tax.....                                                                                                                                    | 4,779 | 5,033 | 5,760 | 6,407 | 7,097   | 7,708   |
| 6. Impersonal income before tax.....                                                                                                                                  | 259   | 369   | 615   | 919   | 962     | 995     |
| 7. Impersonal income before tax.....                                                                                                                                  | 259   | 369   | 615   | 919   | 962     | 995     |
| 13. Private income before tax (sum of items 26 and 37).....                                                                                                           | 5,038 | 5,402 | 6,375 | 7,326 | 8,059   | 8,703   |
| 27. Personal expenditure on consumption, less 29.....                                                                                                                 | 3,648 | 3,709 | 3,792 | 3,920 | 4,093   | 4,098   |
| 28. Personal expenditure involved in the acquisition and transfer of property and life assurance.....                                                                 | 66    | 66    | 66    | 67    | 68      | 68      |
| 29. Excess of indirect taxes and rates specifically on consumption over subsidies.....                                                                                | 424   | 469   | 518   | 637   | 764     | 883     |
| 30. Direct tax payments, less 31 and 32.....                                                                                                                          | 382   | 409   | 526   | 692   | 678     | 895     |
| 31. Income tax payments due for repayment after the war.....                                                                                                          | ...   | ...   | ...   | 10    | 125     | 170     |
| 32. Death duties and stamps on the transfer of property.....                                                                                                          | 90    | 87    | 85    | 94    | 100     | 104     |
| 33. Excess of direct tax liabilities on personal income over payments.....                                                                                            | 11    | 32    | 46    | 37    | 196     | 83      |
| 34. Net personal saving after setting aside 33.....                                                                                                                   | (158) | (261) | (727) | (950) | (1,073) | (1,407) |
| 35. Personal outlay.....                                                                                                                                              | 4,779 | 5,033 | 5,760 | 6,407 | 7,097   | 7,708   |
| 38. N.D.C. and E.P.T.....                                                                                                                                             | 15    | 28    | 68    | 231   | 348     | 483     |
| 39. Other direct tax payments.....                                                                                                                                    | 62    | 75    | 110   | 203   | 269     | 253     |
| 40. Excess of direct tax liabilities on impersonal income over payments.....                                                                                          | 12    | 86    | 247   | 290   | 145     | 49      |
| 41. Net impersonal saving after setting aside 40.....                                                                                                                 | 170   | 180   | 190   | 195   | 200     | 210     |
| 42. Impersonal outlay.....                                                                                                                                            | 259   | 369   | 615   | 919   | 962     | 995     |
| 44. Private outlay (sum of items 35 and 42).....                                                                                                                      | 5,038 | 5,402 | 6,375 | 7,326 | 8,059   | 8,703   |

## II.—CENTRAL GOVERNMENT EXPENDITURE AND THE SOURCES FROM WHICH IT WAS FINANCED

| (£ million)                                                                                     |       |       |       |       |       |       |                                                                                                  |       |       |       |       |       |       |
|-------------------------------------------------------------------------------------------------|-------|-------|-------|-------|-------|-------|--------------------------------------------------------------------------------------------------|-------|-------|-------|-------|-------|-------|
| 15. Central government revenue .....                                                            | 883   | 975   | 1,258 | 1,836 | 2,344 | 2,876 | 56. Central government revenue .....                                                             | 883   | 975   | 1,258 | 1,836 | 2,344 | 2,876 |
| 46. Net private saving after setting aside 47 .....                                             | 328   | 441   | 917   | 1,145 | 1,273 | 1,617 | 57. Unemployment Fund .....                                                                      | -1    | 7     | 24    | 64    | 74    | 74    |
| 47. Excess of direct tax liabilities on private income over payments .....                      | 23    | 118   | 293   | 327   | 341   | 132   | 58. National Health Funds .....                                                                  | ...   | ...   | 9     | 8     | 12    | 9     |
| 48. Surplus on extra-budgetary funds .....                                                      | 22    | 54    | 148   | 154   | 152   | 120   | 59. Local Loans Fund .....                                                                       | -2    | 1     | 5     | 9     | 10    | 10    |
| 49. Local authority surplus .....                                                               | 7     | 18    | 41    | 66    | 71    | 71    | 60. Other extra-budgetary receipts .....                                                         | 257   | 186   | 516   | 72    | -58   | -155  |
| 50. Compensation received under war risks insurance schemes, etc. ....                          | ...   | ...   | 36    | 219   | 154   | 136   | 61. Reconstruction Finance Corporation loan .....                                                | ...   | ...   | ...   | 87    | 4     | -7    |
| Less .....                                                                                      |       |       |       |       |       |       | 62. Canadian Government interest-free loan .....                                                 | ...   | ...   | ...   | ...   | 157   | -4    |
| 51. Increase in work in progress on government account held under private finance .....         | -305  | -362  | -200  | -100  | -100  | -75   | 63. Receipts from capital transactions .....                                                     | 5     | 9     | 12    | 12    | 15    | 16    |
| 52. Private net investment (or plus disinvestment) at home and other war losses made good ..... |       |       | 91    | 182   | 240   | 250   | 64. Sinking funds (deduct) .....                                                                 | -11   | -14   | -12   | -17   | -13   | -15   |
| 53. Private and government net investment (or plus disinvestment) abroad .....                  | 55    | 230   | 756   | 797   | 635   | 655   | 65. Other expenditure (net) .....                                                                | 4     | -21   | -8    | 13    | -1    | 15    |
| 54. Central government deficit .....                                                            | 130   | 499   | 2,082 | 2,790 | 2,766 | 2,906 | 66. Finance through government agencies .....                                                    | 252   | 168   | 546   | 248   | 200   | -57   |
| 55. Central government expenditure .....                                                        | 1,013 | 1,474 | 3,340 | 4,628 | 5,110 | 5,782 | 67. Post Office and Trustee Savings Banks .....                                                  | 1     | 19    | 119   | 214   | 234   | 301   |
|                                                                                                 |       |       |       |       |       |       | 68. National Savings Certificates, including increase in accrued interest .....                  | 3     | 21    | 167   | 214   | 232   | 297   |
|                                                                                                 |       |       |       |       |       |       | 69. Defence Bonds .....                                                                          | ...   | 22    | 180   | 174   | 134   | 121   |
|                                                                                                 |       |       |       |       |       |       | 70. Other public issues (net) .....                                                              | 53    | -11   | 553   | 1,020 | 1,037 | 1,050 |
|                                                                                                 |       |       |       |       |       |       | 71. Increase in fiduciary issue .....                                                            | 10    | -30   | 50    | 150   | 170   | 150   |
|                                                                                                 |       |       |       |       |       |       | 72. Increase in Treasury bills held outside government departments and Bank Ways and Means ..... | -189  | 310   | 129   | 279   | 151   | 433   |
|                                                                                                 |       |       |       |       |       |       | 73. Treasury deposit receipts .....                                                              | ...   | ...   | 338   | 474   | 155   | 434   |
|                                                                                                 |       |       |       |       |       |       | 74. Tax reserve certificates .....                                                               | ...   | ...   | ...   | 17    | 453   | 177   |
|                                                                                                 |       |       |       |       |       |       | 75. Public borrowing at home .....                                                               | -122  | 331   | 1,536 | 2,542 | 2,566 | 2,963 |
|                                                                                                 |       |       |       |       |       |       | 76. Central government expenditure .....                                                         | 1,013 | 1,474 | 3,340 | 4,626 | 5,110 | 5,782 |

## IV.—THE INCOME, DEFICIT AND EXPENDITURE OF PUBLIC AUTHORITIES (£ million)

|                                 | 1938  | 1939  | 1940  | 1941  | 1942  | 1943  |
|---------------------------------|-------|-------|-------|-------|-------|-------|
| 77. Central government.....     | 494   | 544   | 729   | 1,088 | 1,383 | 1,781 |
| 78. Extra-budgetary funds.....  | 55    | 55    | 60    | 142   | 137   | 124   |
| 79. Local authorities.....      | ...   | ...   | ...   | ...   | ...   | ...   |
| 80. Total.....                  | 549   | 599   | 789   | 1,230 | 1,520 | 1,905 |
| 81. Central government.....     | 371   | 415   | 505   | 707   | 885   | 1,026 |
| 82. Extra-budgetary funds.....  | 54    | 69    | 182   | 304   | 271   | 224   |
| 83. Local authorities.....      | 211   | 223   | 228   | 221   | 220   | 223   |
| 84. Total.....                  | 636   | 707   | 915   | 1,232 | 1,376 | 1,473 |
| 85. Central government.....     | 18    | 16    | 24    | 41    | 76    | 69    |
| 86. Extra-budgetary funds.....  | ...   | ...   | ...   | ...   | ...   | ...   |
| 87. Local authorities.....      | 26    | 25    | 25    | 27    | 28    | 28    |
| 88. Total.....                  | 44    | 41    | 49    | 68    | 104   | 97    |
| 89. Central government.....     | 130   | 499   | 2,082 | 2,790 | 2,766 | 2,906 |
| 90. Extra-budgetary funds.....  | -22   | -54   | -148  | -154  | -152  | -120  |
| 91. Local authorities.....      | -7    | -18   | -41   | -66   | -71   | -71   |
| 92. Total.....                  | 101   | 427   | 1,893 | 2,570 | 2,543 | 2,715 |
| 93. Central government.....     | 1,013 | 1,474 | 3,340 | 4,626 | 5,110 | 5,782 |
| 94. Extra-budgetary funds.....  | 87    | 70    | 94    | 292   | 256   | 228   |
| 95. Local authorities.....      | 250   | 230   | 212   | 182   | 177   | 180   |
| 96. Total.....                  | 1,330 | 1,774 | 3,646 | 5,100 | 5,543 | 6,190 |
| 97. Central government.....     | 15    | 20    | 70    | 140   | 175   | 190   |
| 98. Extra-budgetary funds.....  | ...   | ...   | ...   | ...   | ...   | ...   |
| 99. Local authorities.....      | ...   | ...   | ...   | ...   | ...   | ...   |
| 100. Total.....                 | 15    | 20    | 70    | 140   | 175   | 190   |
| 101. Central government.....    | ...   | ...   | 36    | 248   | 215   | 185   |
| 102. Extra-budgetary funds..... | ...   | ...   | ...   | ...   | ...   | ...   |
| 103. Local authorities.....     | ...   | ...   | ...   | ...   | ...   | ...   |
| 104. Total.....                 | ...   | ...   | 36    | 248   | 215   | 185   |
| 105. Central government.....    | 319   | 325   | 343   | 394   | 442   | 509   |
| 106. Extra-budgetary funds..... | 136   | 127   | 117   | 101   | 105   | 108   |
| 107. Local authorities.....     | 23    | 23    | 19    | 14    | 12    | 11    |
| 108. Total.....                 | 478   | 475   | 479   | 508   | 559   | 628   |
| 109. Central government.....    | 447   | 861   | 2,601 | 3,742 | 4,140 | 4,735 |
| 110. Extra-budgetary funds..... | 14    | 13    | 13    | 13    | 14    | 13    |
| 111. Local authorities.....     | 376   | 404   | 447   | 448   | 440   | 439   |
| 112. Total.....                 | 837   | 1,279 | 3,061 | 4,203 | 4,594 | 5,187 |
| 113. Central government.....    | 781   | 1,206 | 3,014 | 4,276 | 4,757 | 5,434 |
| 114. Extra-budgetary funds..... | 150   | 141   | 166   | 362   | 334   | 306   |
| 115. Local authorities.....     | 399   | 427   | 466   | 462   | 452   | 450   |
| 116. Total.....                 | 1,330 | 1,774 | 3,646 | 5,100 | 5,543 | 6,190 |

(For Notes on the above tables, see pages 26 to 31 of the White Paper.)

### 3 The Sources of War Finance

The sources of war finance in the last four calendar years are given in Table A. The residue shown in the final line is the amount of net domestic disinvestment. It is made up of (a) sales to public authorities of fixed capital assets; (b) depletion of stocks and work in progress; (c) additions to depreciation, obsolescence, etc., funds; less (d) new investment out of private funds; (e) replacements, renewals, etc., charged to depreciation funds; and (f) replacements of war losses other than those for which compensation is paid under Part I of the War Damage Act. It is pointed out that this residue, being a balancing item, is a very precarious figure.

Table B continues the figures for personal expenditure on consumption first given last year. The totals for earlier years have been revised upwards, the chief increases being in other services and other goods. In general, these figures relate to expenditure met out of personal income, including that of charities and other non-profit-making bodies as well as of individuals. The figures include purchases by civilians and by members of the Forces out of their pay and cash allowances. Expenditure on consumers' goods and services by businesses and public authorities is, as far as possible, excluded.

Tables C.1 and C.2 correct the figures of consumption expenditure for changes in taxation, subsidies and prices. The first stage (Table C.1) is to remove the effect of indirect taxes and subsidies, thus converting a rise of £909 million in consumption expenditure into one of £450 million. The second stage is to estimate the rise in prices. The method was to take the average of the change between 1938 and 1943 in the cost at market prices of buying the collection of goods and services entering into personal expenditure on consumption in 1938 and 1943 respectively. It is stated that the two components of the final average do not differ widely. The results are shown

in Table C.2. There was a fall of 21 per cent in five years in the real volume of personal consumption; in terms of 1938 pounds, the total fell from £4,072 million to £3,217 million. It should be noted that the final line of Table C.2 represents retail prices after the effect of indirect taxes and subsidies has been removed. Indices of retail prices are usually calculated on a gross basis—i.e., line (1), not line (2), divided by line (3). On this basis, the figures would be 100, 103, 120½, 136½, 147, 154½. Neither price series should be confused with the cost of living, as usually defined. It is also stated that price movements in other sections of the economy have been very different from those applicable to consumers' expenditures.

Table D is wholly new, and its value resides not only in the fact that it is the first attempt to make a direct estimate of net investment by private persons and institutions at home, but also in the estimates that are given, also for the first time, of allowances for maintenance, depreciation, etc. The figures include the capital outlays of the Post Office and of the housing and trading services of local authorities, but all other capital expenditure by public authorities is excluded. The total of depreciation allowances is surprisingly low. This is partly accounted for by the fact that it excludes, except in the case of buildings, the greater part of outlays for current repair work. It is also, presumably, partly due to the fact that only the Inland Revenue allowances have been counted.

Table E assembles the estimates of personal and impersonal saving. ("Impersonal" means by business firms and the like.) The estimates have been revised upwards, for reasons stated later in connection with Table H. Net personal savings in 1942 were given at £891 million last year, and are now estimated, on fuller information, at £1,073 million. The increase in gross personal savings

(The figures in square brackets in the following tables refer to the tables on pages 608 and 609.)

#### A.—SOURCES OF WAR FINANCE

|                                                                                                                                      | 1940  | 1941  | 1942   | 1943  |
|--------------------------------------------------------------------------------------------------------------------------------------|-------|-------|--------|-------|
| 1. Central government expenditure [93]....                                                                                           | 3,340 | 4,626 | 5,110* | 5,782 |
| 2. Less Overseas disinvestment [13].....                                                                                             | 756   | 797   | 635    | 655   |
| 3. Expenditure requiring domestic finance..                                                                                          | 2,584 | 3,829 | 4,475  | 5,127 |
| 4. Less Central government revenue [77+81+85].....                                                                                   | 1,258 | 1,836 | 2,344  | 2,876 |
| 5. Less Surpluses of extra-budgetary funds and local authorities† [48+49].....                                                       | 1,326 | 1,993 | 2,131  | 2,251 |
| 6. Less Compensation received under war risks insurance schemes, etc.....                                                            | 189   | 220   | 223    | 191   |
| 7. Less Private saving, including reserves against taxation [46+47].....                                                             | 1,137 | 1,773 | 1,908  | 2,060 |
| 8. Residue of central government expenditure not covered by the above sources of finance [10+11].....                                | 36    | 219   | 154    | 136   |
| 9. Less Private saving, including reserves against taxation [46+47].....                                                             | 1,101 | 1,554 | 1,754  | 1,924 |
| 10. Residue of central government expenditure not covered by the above sources of finance [10+11].....                               | 1,210 | 1,472 | 1,614  | 1,749 |
| 11. Excluding expenditure equivalent to the Canadian contribution of £225,000,000. This sum is also excluded from lines (2) and (4). | 109   | 82    | 140    | 175   |

\* Excluding expenditure equivalent to the Canadian contribution of £225,000,000. This sum is also excluded from lines (2) and (4).  
† Excluding the Exchange Equalisation Account, changes in which are already included in overseas disinvestment.

#### B.—PERSONAL EXPENDITURE ON CONSUMPTION

|                                                                                               | 1938  | 1939  | 1940  | 1941  | 1942  | 1943  |
|-----------------------------------------------------------------------------------------------|-------|-------|-------|-------|-------|-------|
| 1. Food.....                                                                                  | 1,198 | 1,340 | 1,235 | 1,260 | 1,320 | 1,264 |
| 2. Drink and tobacco.....                                                                     | 442   | 490   | 512   | 750   | 906   | 1,053 |
| 3. Rent, rates, and water charges.....                                                        | 491   | 510   | 515   | 512   | 511   | 510   |
| 4. Fuel and light.....                                                                        | 203   | 204   | 210   | 231   | 242   | 240   |
| 5. Other household goods.....                                                                 | 274   | 265   | 257   | 244   | 216   | 184   |
| 6. Clothing.....                                                                              | 447   | 460   | 497   | 453   | 485   | 447   |
| 7. Travel, including privately-owned vehicles and their running expenses.....                 | 289   | 264   | 179   | 202   | 217   | 227   |
| 8. Other services.....                                                                        | 490   | 489   | 488   | 502   | 512   | 520   |
| 9. Other goods including the income issued in kind to H.M. Forces and Auxiliary Services..... | 238   | 256   | 317   | 403   | 448   | 536   |
| 10. Personal expenditure on consumption at market prices [7].....                             | 4,072 | 4,178 | 4,310 | 4,557 | 4,857 | 4,981 |

#### C.—PERSONAL EXPENDITURE ON CONSUMPTION AT CURRENT AND CONSTANT PRICES

##### C.1.—PERSONAL EXPENDITURE ON CONSUMPTION AT CURRENT PRICES

|                                                                  | 1938  | 1939  | 1940  | 1941  | 1942  | 1943  |
|------------------------------------------------------------------|-------|-------|-------|-------|-------|-------|
| 1. Personal expenditure on consumption at market prices [7]..... | 4,072 | 4,178 | 4,310 | 4,557 | 4,857 | 4,981 |
| 2. Plus Subsidies [14].....                                      | 15    | 20    | 70    | 140   | 175   | 190   |
| 3. Less Indirect taxes specifically on consumption [15].....     | 4,087 | 4,198 | 4,380 | 4,697 | 5,032 | 5,171 |
| 4. Personal expenditure on consumption thus adjusted [27].....   | 439   | 489   | 588   | 777   | 939   | 1,073 |

##### C.2.—EFFECT OF PRICE MOVEMENTS (1938=100)

|                                                                                                                | 1938 | 1939 | 1940 | 1941 | 1942 | 1943 |
|----------------------------------------------------------------------------------------------------------------|------|------|------|------|------|------|
| 1. Personal expenditure on consumption at market prices, including indirect taxes and excluding subsidies..... | 100  | 103  | 106  | 112  | 119  | 122  |
| 2. Personal expenditure on consumption, excluding specific indirect taxes and increased by subsidies.....      | 100  | 102  | 104  | 107  | 112  | 112  |
| 3. Personal expenditure on consumption in terms of constant prices.....                                        | 100  | 100  | 88   | 82   | 81   | 79   |
| 4. Retail prices, excluding specific indirect taxes and increased by subsidies.....                            | 100  | 102  | 118  | 131  | 138  | 141  |

#### D.—PRIVATE INVESTMENT AT HOME IN 1938

|                                                                                                     | Gross Investment | Allowances for Maintenance, Depreciation, etc. | Net Investment |
|-----------------------------------------------------------------------------------------------------|------------------|------------------------------------------------|----------------|
| 1. Fixed capital, work, etc.:<br>(a) Public utilities.....                                          | 145              | 80                                             | 65             |
| (b) Other branches of activity, including housebuilding:<br>(i) Buildings.....                      | 360              | 105                                            | 255            |
| (ii) Plant and machinery.....                                                                       | 120              | 100                                            | 20             |
| (iii) Other fixed capital, etc.....                                                                 | 65               | 55                                             | 10             |
| 2. Change in the value of stocks and work in progress as implied in the calculation of profits..... | (-45)            | —                                              | (-45)          |
| 3. Private investment at home.....                                                                  | 645              | 340                                            | 305            |

in the war period has been truly phenomenal; over the five years the increase is six-fold, and nearly nine-fold in the net figure after provision for taxation.

Table F shows the true burden of taxation on private income, which has increased by slightly more than half since 1938. The percentages in the bottom line are somewhat lower than in last year's White Paper (where, for example, the 1942 figure was given as 38 per cent). This reduction is due partly to the adjustment of line (5) as a result of "pay-as-you-earn" (see below in connection with Table H) and partly to the upward revision of private income in line (1).

Table G gives a comparison of the distribution of private income received in 1938 and in 1942. There have been enormous changes in the numbers of incomes in the different groups. This makes it difficult to compare what has happened to identical blocks of income in the two years. The incomes of husband and wife are reckoned as one income.

Table H compares, in proportionate form, some of the more important series as given in last year's and in this year's White Papers. The differences are small. The principal changes that have been made in the light of fuller knowledge are as follows:—

#### E.—PRIVATE SAVING

|                                                                                    | 1938 | 1939 | 1940 | 1941  | 1942  | 1943  |
|------------------------------------------------------------------------------------|------|------|------|-------|-------|-------|
| 1. Gross personal saving, including allowance for accrued taxation [32+33+34]..... | 259  | 380  | 858  | 1,081 | 1,369 | 1,594 |
| 2. Less Death duties, etc. [32].....                                               | -90  | -87  | -85  | -94   | -100  | -104  |
| 3. Gross personal saving after allowance for death duties, etc. [33+34].....       | 169  | 293  | 773  | 987   | 1,269 | 1,490 |
| 4. Less Increase in allowance to meet accrued taxation* [33].....                  | -11  | -32  | -46  | -37   | -196  | -83   |
| 5. Net personal saving after allowance for accrued taxation [34].....              | 158  | 261  | 727  | 950   | 1,073 | 1,407 |
| 6. Gross impersonal saving, including allowance for accrued taxation [40+41].....  | 182  | 266  | 437  | 485   | 345   | 259   |
| 7. Increase in allowance to meet accrued taxation* [40].....                       | -12  | -86  | -247 | -290  | -145  | -49   |
| 8. Net impersonal saving after allowance for accrued taxation [41].....            | 170  | 180  | 190  | 195   | 200   | 210   |

#### NET PRIVATE SAVING (PERSONAL AND IMPERSONAL)

|                                                                                 | 1938 | 1939 | 1940 | 1941  | 1942  | 1943  |
|---------------------------------------------------------------------------------|------|------|------|-------|-------|-------|
| 9. Net personal saving after allowance for accrued taxation [54].....           | 158  | 261  | 727  | 950   | 1,073 | 1,407 |
| 10. Net impersonal saving after allowance for accrued taxation [41].....        | 170  | 180  | 190  | 195   | 200   | 210   |
| 11. Aggregate net private saving after allowance for accrued taxation [46]..... | 328  | 441  | 917  | 1,145 | 1,273 | 1,617 |

\* This item shows the excess of the liability for direct taxes accruing on current incomes at current rates of taxation over current direct tax payments.

#### F.—PROPORTION OF PRIVATE INCOME DEVOTED TO TAXATION

|                                                                                                                                                    | 1938  | 1939  | 1940  | 1941  | 1942  | 1943  |
|----------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|-------|-------|-------|-------|
| 1. Private income [43].....                                                                                                                        | 5,038 | 5,402 | 6,375 | 7,326 | 8,059 | 8,703 |
| 2. Direct taxes, social insurance contributions of employees, War Damage Act contributions and premiums, etc., met out of private income [80]..... | 549   | 599   | 789   | 1,230 | 1,520 | 1,905 |
| 3. Indirect taxes and rates specifically on consumption less subsidies [29].....                                                                   | 424   | 469   | 518   | 637   | 764   | 883   |
| 4. Other indirect taxes, etc., met out of private income.....                                                                                      | 165   | 170   | 190   | 230   | 240   | 180   |
| 5. Excess of tax liabilities over payments [33+40].....                                                                                            | 25    | 118   | 293   | 327   | 341   | 132   |
| 6. Total tax liabilities in respect of private income, i.e., (2)+(3)+(4)+(5).....                                                                  | 1,123 | 1,356 | 1,790 | 2,424 | 2,835 | 3,100 |
| 7. Line (6) as a percentage of line (1).....                                                                                                       | 23    | 25    | 28    | 33    | 35    | 36    |

(i) An upward revision of the figures for profits and salaries. This is partly due to an increased allowance for income received in kind.

(ii) Personal expenditures involved in the acquisition and transfer of property and life assurance have been directly estimated for the first time.

(iii) The estimate of private net investment at home in 1938 has been increased.

(iv) Work in progress on Government account held under private finance is now estimated separately.

(v) The introduction of "Pay-as-you-earn" involves a reduction in the amount that has to be set aside to meet accrued income tax on Schedule E. If strict logic were followed, this would result in a large increase in net personal saving in 1943. In order to avoid the discontinuity that this would introduce into the figures, the excess of income tax liabilities over payments in respect of Schedule E has been removed from the "tax accruals" item in each year and transferred to "net personal saving."

The general effects of the revisions are to increase the estimates of savings and to diminish those of domestic disinvestment. They therefore show the position to have been more favourable than was originally supposed.

#### G.—DISTRIBUTION OF PRIVATE INCOME, 1938 and 1942

| 1938                                                                                      |                   |                                   |                                                  |               |                                                                       |               |
|-------------------------------------------------------------------------------------------|-------------------|-----------------------------------|--------------------------------------------------|---------------|-----------------------------------------------------------------------|---------------|
| Range of Income Before Tax                                                                | Number of Incomes | Aggregate Income Before Tax, 1938 | Aggregate Income After Income Tax and Surtax at— |               | Proportion of Income Before Tax Retained After Deduction of Taxes at— |               |
|                                                                                           |                   |                                   | 1938-39 Rates*                                   | 1942-43 Rates | 1938-39 Rates                                                         | 1942-43 Rates |
| £                                                                                         | 000's             | £m.                               | £m.                                              | £m.           | %                                                                     | %             |
| Private income at the disposal of individuals which can be allocated to different ranges— |                   |                                   |                                                  |               |                                                                       |               |
| Under £250.....                                                                           |                   | 2,681                             | 2,676                                            | 2,616         | 99.8                                                                  | 97.6          |
| 250-500.....                                                                              | 1,745             | 595                               | 578                                              | 499           | 97.1                                                                  | 83.9          |
| 500-1,000.....                                                                            | 500               | 350                               | 311                                              | 244           | 88.9                                                                  | 69.7          |
| 1,000-2,000.....                                                                          | 195               | 270                               | 224                                              | 160           | 83.0                                                                  | 59.3          |
| 2,000-10,000.....                                                                         | 97                | 360                               | 256                                              | 170           | 71.1                                                                  | 47.2          |
| 10,000 and over.....                                                                      | 8                 | 170                               | 84                                               | 35            | 49.4                                                                  | 20.6          |
| Other private income.....                                                                 | ...               | 612†                              | 506                                              | ...           | 82.7                                                                  | ...           |
| Total private income...                                                                   | ...               | 5,038                             | 4,635                                            | ...           | 92.0                                                                  | ...           |

| 1942                                                                                      |                         |                                            |                                                              |                  |                                                                                   |                  |
|-------------------------------------------------------------------------------------------|-------------------------|--------------------------------------------|--------------------------------------------------------------|------------------|-----------------------------------------------------------------------------------|------------------|
| Range of Income<br>Before Tax                                                             | Number<br>of<br>Incomes | Aggregate<br>Income<br>Before<br>Tax, 1942 | Aggregate<br>Income After<br>Income Tax<br>and Surtax<br>at— |                  | Proportion of<br>Income Before<br>Tax Retained<br>After Deduction<br>of Taxes at— |                  |
|                                                                                           |                         |                                            | 1938-39<br>Rates*                                            | 1942-43<br>Rates | 1938-39<br>Rates                                                                  | 1942-43<br>Rates |
| £                                                                                         | 000's                   | £m.                                        | £m.                                                          | £m.              | %                                                                                 | %                |
| Private income at the disposal of individuals which can be allocated to different ranges— |                         |                                            |                                                              |                  |                                                                                   |                  |
| Under 250.....                                                                            |                         | 3,356                                      | 3,348                                                        | 3,254            | 99.8                                                                              | 97.0             |
| 250-500.....                                                                              | 5,500                   | 1,854                                      | 1,803                                                        | 1,584            | 97.3                                                                              | 85.4             |
| 500-1,000.....                                                                            | 1,110                   | 740                                        | 664                                                          | 533              | 89.7                                                                              | 72.0             |
| 1,000-2,000.....                                                                          | 295                     | 413                                        | 343                                                          | 253              | 83.1                                                                              | 61.3             |
| 2,000-10,000.....                                                                         | 102                     | 366                                        | 263                                                          | 176              | 71.9                                                                              | 48.1             |
| 10,000 and over....                                                                       | 8                       | 170                                        | 84                                                           | 35               | 49.4                                                                              | 20.6             |
| Other private income..                                                                    | ...                     | 1,160†                                     | ...                                                          | 508              | ...                                                                               | 43.8             |
| Total private income..                                                                    | ...                     | 8,059                                      | ...                                                          | 6,343            | ...                                                                               | 78.7             |

\* All rates used in this table are the rates current in the fiscal years 1938-39 and 1942-43.

† Including all liabilities for National Defence Contribution and Excess Profits Tax, which are deducted together with income tax in arriving at retained income.

#### H.—COMPARISON WITH LAST YEAR'S WHITE PAPER

|                                                                      | 1938 | 1939 | 1940 | 1941 | 1942 | 1943 |
|----------------------------------------------------------------------|------|------|------|------|------|------|
| Net national income at factor cost [5]..                             | 100  | 108  | 129  | 150  | 165  | 177  |
| as given in Cmd. 6438.....                                           | 100  | ...  | 128  | 147  | 164  | ...  |
| Personal expenditure on consumption at market prices [7].....        | 100  | 103  | 106  | 112  | 119  | 122  |
| as given in Cmd. 6438.....                                           | 100  | ...  | 106  | 112  | 119  | ...  |
| Private saving including allowance for accrued taxation [46+47]..... | 100  | 159  | 345  | 419  | 460  | 498  |
| as given in Cmd. 6438.....                                           | 100  | ...  | 324  | 397  | 453  | ...  |



# 4 The Budget

## Revenue

### CUSTOMS AND EXCISE DUTIES—NET RECEIPTS.

Details of the yield of customs and excise duties in recent years are given in the following table.

| (£ thousands)                         | 1913-14 | 1929-30 | 1940-41 | 1941-42 | 1942-43 | 1943-44*  |
|---------------------------------------|---------|---------|---------|---------|---------|-----------|
| Spirits .....                         | 23,976  | 42,599  | 45,552  | 46,742  | 67,627  | 76,834    |
| Beer .....                            | 13,655  | 77,151  | 139,054 | 164,562 | 217,602 | 269,605   |
| Wine .....                            | 1,152   | 4,881   | 7,831   | 3,801   | 2,444   | 2,347     |
| Tea .....                             | 6,499   | 43      | 13,432  | 12,895  | 7,630   | 10,395    |
| Cocoa .....                           | 341     | 689     | 1,706   | 2,183   | 1,257   | 2,256     |
| Sugar, etc. ....                      | 3,329   | 13,549  | 31,494  | 31,273  | 26,081  | 31,899    |
| Tobacco .....                         | 18,284  | 62,794  | 172,796 | 220,975 | 330,777 | 388,170   |
| Matches and mechanical lighters ..... | 4,170   | 5,961   | 5,482   | 5,451   | 5,913   | 5,913     |
| Hydrocarbon oils, etc. ....           | 841*    | 15,042  | 47,639  | 54,733  | 55,868  | 83,872    |
| Entertainment duty .....              | 6,696   | 8,996   | 15,941  | 31,273  | 43,373  | 43,373    |
| Liquor licences, etc. ....            | 4,517   | 4,587   | 4,645   | 4,690   | 4,600   | 4,681     |
| Other revenue duties .....            | 2,633   | 3,210   | 3,855   | 3,885   | 3,207   | 4,666     |
| Purchase tax .....                    | ...     | ...     | 26,261  | 98,668  | 110,605 | 91,737    |
| Total revenue duties .....            | 75,227  | 235,411 | 509,222 | 665,830 | 864,422 | 1,015,748 |
| Silk and artificial silk .....        | ...     | 6,243   | 2,240   | 1,023   | 1,031   | 1,745     |
| "McKenna" duties .....                | ...     | 3,692   | ...     | ...     | ...     | ...       |
| Other protective duties .....         | ...     | 2,637   | 4,521   | 7,759   | 5,981   | 6,067     |
| Import Duties Act, 1932 .....         | ...     | ...     | 14,462  | 26,328  | 12,390  | 16,944    |
| Ottawa duties .....                   | ...     | ...     | 1,816   | 2,763   | 2,870   | 3,748     |
| Duties on fibre goods .....           | ...     | ...     | ...     | ...     | ...     | ...       |
| Total protective duties .....         | ...     | 12,572  | 25,039  | 37,873  | 22,272  | 28,502    |
| Grand total .....                     | 75,227  | 247,983 | 534,261 | 703,703 | 886,694 | 1,044,250 |

\* Motor spirit duty, repealed 1921. † Including British wine, table waters, cider and perry, coffee and chicory, dried or preserved fruits, railway passenger duty, patent medicines, other licences, and miscellaneous. ‡ Safeguarding, abnormal importations, hops, and (1936-37) onwards beef and veal. § Included in duties under the Imports Duties Act. ¶ Provisional figures for payments into Exchequer. Actual receipts are lower by £1,218 thousand.

### DIRECT AND INDIRECT TAXES.

|               | Direct<br>£ million | % of Total | Indirect<br>£ million | % of Total |
|---------------|---------------------|------------|-----------------------|------------|
| 1913-14 ..... | 78.0                | 47.8       | 85.0                  | 52.2       |
| 1929-30 ..... | 376.9               | 55.6       | 300.0                 | 44.4       |
| 1937-38 ..... | 447.1               | 53.2       | 394.1                 | 46.8       |
| 1938-39 ..... | 499.3               | 55.6       | 397.1                 | 44.4       |
| 1939-40 ..... | 565.8               | 55.6       | 451.2                 | 44.4       |
| 1940-41 ..... | 778.0               | 57.3       | 580.7                 | 42.7       |
| 1941-42 ..... | 1,205.5             | 61.4       | 756.5                 | 38.6       |
| 1942-43 ..... | 1,554.0             | 62.6       | 928.6                 | 37.4       |
| 1943-44 ..... | 1,860.2             | 63.1       | 1,088.0               | 36.9       |

The above table shows how the contribution of direct taxes (i.e., income tax, surtax, estate duties, National Defence Contribution, Excess Profits Tax, and other inland revenue) to total tax revenue has been rising steadily in the last few

years at the expense of indirect taxes (i.e., customs and excise, stamps, and motor duties).

### INCOME TAX RATE AND ALLOWANCES.

|                                                                   | 1938            | 1939            | 1940            | 1941             | 1942-45         |
|-------------------------------------------------------------------|-----------------|-----------------|-----------------|------------------|-----------------|
| Standard rate in £ ...                                            | 5s. 6d.         | 5s. 6d.         | 7s. 6d.*        | 8s. 6d.*         | 10s. 6d.        |
| Personal allowance:—                                              |                 |                 |                 |                  |                 |
| Single .....                                                      | £100            | £100            | £100            | £100             | £80             |
| Married .....                                                     | £180            | £180            | £180            | £170             | £140†           |
| Each child .....                                                  | £60             | £60             | £60             | £50              | £50             |
| Earned income allowance:—                                         |                 |                 |                 |                  |                 |
| Proportion .....                                                  | 1/5th           | 1/5th           | 1/5th           | 1/6th            | 1/10th‡         |
| Maximum allowance .....                                           | £300            | £300            | £300            | £250             | £150            |
| Fraction of standard rate charged on first part of taxable income | 1s. 8d. on £135 | 1s. 8d. on £135 | 2s. 4d. on £135 | 5s. 0d.† on £165 | 6s. 6d. on £165 |

\* In September, 1939, standard rate raised from 5s. 6d. to 7s. for 1939-40 and to 7s. 6d. for 1940-41; in July, 1940, standard rate raised to 8s. 6d. for 1940-41. † In September, 1939, the reduced rate of tax raised from one-third to one-half of standard rate for 1940-41; in July, 1940, the reduced rate raised to 5s.; in April, 1941, reduced rate raised to 6s. 6d. ‡ Post-war credits are given of £30 for the married allowance and of the difference between one-sixth and one-tenth in the earned income allowance.

## Expenditure

### FINANCING EXPENDITURE.

The following table summarises the Exchequer returns for the last four financial years and shows the respective shares of

| £000                               | Total ordinary expenditure | Total ordinary revenue |
|------------------------------------|----------------------------|------------------------|
| 20,054,529                         | 9,341,323                  |                        |
| New Sinking Funds .....            | 59,029                     |                        |
| Loans raised:—                     |                            |                        |
| 3% War Loan .....                  | 203,234                    |                        |
| 3% Def. Loan, 1954-58 .....        | 245,456                    |                        |
| 3% Def. Bonds (net) .....          | 591,628                    |                        |
| 3% Savings Bonds, 1955-65 .....    | 712,747                    |                        |
| 3% Savings Bonds 1960-70 .....     | 810,055                    |                        |
| 3% Funding Loan 1959-69 .....      | 242,475                    |                        |
| 3% Temp. Annuity .....             | 337,084                    |                        |
| 2½% Nat. War Bds. 1945-47 .....    | 444,412                    |                        |
| 2½% Nat. War Bds. 1946-48 .....    | 493,326                    |                        |
| 2½% Nat. War Bds. 1949-51 .....    | 714,185                    |                        |
| 2½% Nat. War Bds. 1951-53 .....    | 522,303                    |                        |
| 2½% Nat. War Bds. 1952-54 .....    | 348,695                    |                        |
| Nat. Sav. Certs. (net) .....       | 859,350                    |                        |
| Tax Reserve Certs. (net) .....     | 561,675                    |                        |
| "Other debt" (net) .....           | 374,008                    |                        |
| Floating debt (net):—              |                            |                        |
| Treasury Bills .....               | 1,726,093                  |                        |
| Public Dept. Advances .....        | 332,985                    |                        |
| Treasury Deposits .....            | 1,389,500                  |                        |
| Miscellaneous Receipts (net) ..... | 51,083                     |                        |
| Total .....                        | £20,321,617                | £20,321,617            |

### REVENUE (EXCHEQUER RECEIPTS).

| (£ millions)                              | 1913-14 | 1929-30 | 1936-37 | 1937-38 | 1938-39 | 1939-40 | 1940-41 | 1941-42 | 1942-43 | 1943-44 | 1944-45 (est.) |
|-------------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|----------------|
| Income Tax .....                          | 43.9    | 237.4   | 257.2   | 298.0   | 335.9   | 390.1   | 523.9   | 769.7   | 1,006.8 | 1,183.6 | 1,300.0        |
| Surtax .....                              | 3.3     | 56.6    | 53.6    | 57.0    | 62.5    | 69.8    | 76.1    | 74.9    | 75.4    | 76.0    | 80.0           |
| Estate, etc., Duties .....                | 27.4    | 79.8    | 88.0    | 89.0    | 77.4    | 77.7    | 80.8    | 90.9    | 93.3    | 99.5    | 100.0          |
| Stamps .....                              | 10.0    | 25.7    | 29.1    | 24.2    | 21.0    | 17.1    | 13.7    | 14.1    | 15.3    | 17.7    | 19.0           |
| National Defence Contribution .....       | ...     | ...     | ...     | 1.4     | 21.9    | 26.9    | 24.1    | 21.9    | 30.6    | 33.4    | 500.0          |
| Excess Profits Tax .....                  | 3.4     | 3.2     | 1.7     | 1.7     | 1.6     | 1.3     | 1.0     | 0.9     | 0.9     | 1.0     | 1.0            |
| Other Inland Revenue .....                | ...     | ...     | ...     | ...     | ...     | ...     | ...     | ...     | ...     | ...     | ...            |
| Total Inland Revenue .....                | 88.0    | 402.7   | 429.6   | 471.3   | 520.3   | 582.9   | 791.7   | 1,219.5 | 1,569.3 | 1,877.9 | 2,003.0        |
| Customs .....                             | 35.5    | 119.9   | 211.3   | 221.6   | 226.3   | 262.1   | 304.9   | 378.4   | 459.5   | 560.8   | 564.9          |
| Excise .....                              | 39.5    | 127.5   | 109.5   | 113.7   | 114.2   | 137.9   | 224.1   | 325.6   | 425.3   | 492.2   | 472.9          |
| Total .....                               | 75.0    | 247.4   | 320.8   | 335.3   | 340.5   | 400.0   | 529.0   | 704.0   | 884.8   | 1,045.0 | 1,037.8        |
| Motor Vehicle Duties† .....               | ...     | 26.8    | 32.7    | 34.6    | 35.6    | 34.1    | 38.0    | 38.4    | 28.5    | 27.3    | 27.0           |
| Total Tax Revenue .....                   | 163.0   | 677.0   | 783.1   | 841.2   | 896.4   | 1,017.0 | 1,358.7 | 1,961.9 | 2,482.6 | 2,942.8 | 3,064.8        |
| Canadian Government Contribution .....    | ...     | ...     | ...     | ...     | ...     | ...     | ...     | ...     | ...     | ...     | ...            |
| Crown Lands .....                         | 0.5     | 1.3     | 1.3     | 1.3     | 1.3     | 1.3     | 1.1     | 1.0     | 1.0     | 1.1     | 0.8            |
| Sundry Loans .....                        | 1.6     | 32.6    | 4.6     | 5.2     | 5.7     | 4.9     | 2.6     | 5.2     | 4.1     | 6.5     | 7.4            |
| Miscellaneous .....                       | 2.3     | 36.4    | 24.6    | 13.5    | 12.9    | 20.4    | 31.2    | 92.2    | 90.5    | 77.7    | 24.0           |
| Post Office, Net Receipts, and Fund ..... | 6.2     | 9.0     | 11.1    | 11.3    | 10.9    | 5.6     | 15.3    | 13.7    | 12.4    | 0.4     | 4.9            |
| Wireless Licences‡ .....                  | ...     | ...     | ...     | ...     | ...     | ...     | ...     | ...     | ...     | ...     | ...            |
| Non-Tax Revenue .....                     | 10.6    | 79.3    | 41.6    | 31.3    | 30.8    | 32.2    | 50.2    | 112.1   | 337.3   | 90.4    | 37.0           |
| Total Ordinary Revenue .....              | 173.6   | 756.3   | 824.7   | 872.5   | 927.2   | 1,049.2 | 1,408.9 | 2,074.1 | 2,819.9 | 3,038.5 | 3,101.8        |
| Self-balancing Revenue:—                  |         |         |         |         |         |         |         |         |         |         |                |
| Post Office and Broadcasting .....        | 24.6    | 58.9    | 71.9    | 76.1    | 79.0    | 83.1    | 86.4    | 100.6   | 102.5   | 110.6   | 112.4          |

\* £40,000.

† Including Road Fund revenue self-balancing until 1936-37 inclusive.

‡ Included in self-balancing until 1942-1943.

revenue and borrowing in meeting wartime expenditure:— It will be noted that the difference, amounting to £10,980 million, between ordinary revenue on the one hand, and total expenditure (including sinking funds and debt repayments) on the other, was met as to £3,447 million by borrowing from the money market (i.e., by additions to the floating debt); £1,451 million by small savings (3 per cent defence bonds and national savings certificates); £6,030 million by other borrowing; and £51 million by miscellaneous receipts, in which is included contributions received under the War Damage Act. The items shown as net are given after allowing for repayments and receipts.

### CIVIL AND REVENUE DEPARTMENTS NET EXPENDITURE† EXCLUDING CIVIL DEFENCE.

| (£ thousands)                                           | 1941-42        | 1942-43        | 1943-44 Est.   | 1944-45 Est.   |
|---------------------------------------------------------|----------------|----------------|----------------|----------------|
| <b>I.—Central Government and Finance .....</b>          | <b>3,330</b>   | <b>3,692</b>   | <b>3,223</b>   | <b>3,484</b>   |
| <b>II.—Foreign and Imperial .....</b>                   | <b>12,627</b>  | <b>23,336</b>  | <b>18,230</b>  | <b>18,050</b>  |
| of which: P.O., Diplom., and Consular .....             | 3,720          | 5,212          | 8,222          | 8,903          |
| Colonial and Middle-Eastern .....                       | 5,621          | 14,592         | 4,831          | 4,844          |
| Development and Welfare (Colonies, etc.) .....          | 2,259          | 512            | 2,029          | 2,012          |
| India and Burma .....                                   | 2,212          | 2,226          | 2,255          | 2,243          |
| <b>III.—Home Dept., Law and Justice .....</b>           | <b>22,034</b>  | <b>22,889</b>  | <b>20,617</b>  | <b>20,078</b>  |
| of which: Police and Prisons .....                      | 18,055         | 18,295         | 16,268         | 15,591         |
| <b>IV.—Education, Museums, etc. (exc. B.B.C.) .....</b> | <b>65,264</b>  | <b>68,567</b>  | <b>72,028</b>  | <b>77,507</b>  |
| of which: Board and Dept. of Education .....            | 62,432         | 65,740         | 69,098         | 74,517         |
| Universities and Colleges .....                         | 2,149          | 2,149          | 2,149          | 2,149          |
| <b>V.—Health, Labour and Insurance .....</b>            | <b>175,128</b> | <b>187,941</b> | <b>202,226</b> | <b>211,481</b> |
| of which: Housing Grants .....                          | 18,832         | 18,436         | 18,582         | 18,156         |
| Health Insurance and Misc. .....                        | 11,327         | 13,000         | 13,233         | 14,759         |
| Total Health and Insurance, etc. ....                   | 30,159         | 31,436         | 31,815         | 32,915         |
| Ministry of Labour .....                                | 33,474         | 35,702         | 37,330         | 37,210         |
| Unemployment Assistance .....                           | 8,970          | 5,804          | 6,455          | 5,580          |
| Special Areas, and other labour items .....             | 3,266          | 2,752          | 2,751          | 2,521          |
| Total Labour .....                                      | 45,710         | 44,258         | 46,536         | 45,111         |
| Old Age Pensions .....                                  | 50,354         | 52,197         | 55,100         | 56,000         |
| Contributory Old Age, etc., Pensions .....              | 21,525         | 22,525         | 22,525         | 22,525         |
| Supplementary Pensions .....                            | 27,380         | 37,523         | 46,250         | 54,930         |
| Total Pensions .....                                    | 99,260         | 112,245        | 123,875        | 133,455        |
| <b>VI.—Trade and Industry .....</b>                     | <b>25,174</b>  | <b>29,355</b>  | <b>17,870</b>  | <b>21,427</b>  |
| of which: Agriculture, Livestock, Fisheries .....       | 6,104          | 5,404          | 4,905          | 5,316          |
| Roads .....                                             | 12,363         | 16,155         | 5,853          | 8,325          |
| <b>VII.—Common Services (Works, etc.) .....</b>         | <b>55,975</b>  | <b>31,628</b>  | <b>14,547</b>  | <b>15,615</b>  |
| of which: Public Buildings, Great Britain .....         | 30,936         | ...            | ...            | ...            |
| <b>VIII.—War Pensions, Superannuation, etc. ....</b>    | <b>46,543</b>  | <b>50,240</b>  | <b>39,289</b>  | <b>39,495</b>  |
| of which: Ministry of Pensions .....                    | 42,580         | 46,062         | 35,327         | 35,561         |
| <b>IX.—Block Grants to Local Authorities .....</b>      | <b>52,788</b>  | <b>52,772</b>  | <b>52,773</b>  | <b>52,773</b>  |
| <b>Total, Civil Departments (exc. B.B.C.) .....</b>     | <b>458,863</b> | <b>470,400</b> | <b>440,783</b> | <b>460,910</b> |
| Inland Revenue .....                                    | 11,348         | 12,215         | 13,214         | 14,044         |
| Customs and Excise .....                                | 6,284          | 5,883          | 6,244          | 6,439          |
| <b>Total Civil and Revenue .....</b>                    | <b>476,495</b> | <b>488,498</b> | <b>460,241</b> | <b>481,393</b> |
| Post Office .....                                       | 102,806        | 110,989        | 110,832        | 123,370        |
| Broadcasting .....                                      | 6,700          | 8,400          | 10,000         | 9,000          |

\* Provided out of Vote of Credit.

† From Appropriation Accounts, 1941-42 and 1942-43: latest estimates, 1943-44 Budget estimates, 1944-45.

This table gives estimates of purely civil expenditure for 1943-44 and 1944-45, compared with the amounts actually spent in the two previous years. The pensions items continue to increase, particularly the estimate for supplementary pensions, which are becoming a more and more important part of the pensions system. Details of the amounts actually spent in 1943-44 are not available.

### THE COST OF SOCIAL SERVICES.

The latest available figure for expenditure on public social services by central and local authorities appeared in *Hansard* of December 16, 1943, from which the following table has been compiled. The expenditure figures include payments out of taxes and rates, and also contributions by the persons benefiting in the case of the contributory schemes. Many persons shown in the last two columns as receiving benefits do so under two or more of the Acts mentioned in the first column, and are, therefore, accounted for more than once.

| Service                                         | Great Britain |         | Total Number of Persons<br>directly benefiting from<br>the Expenditure |               |
|-------------------------------------------------|---------------|---------|------------------------------------------------------------------------|---------------|
|                                                 | 1940-41       | 1941-42 | 1940-41                                                                | 1941-42       |
| Unemployment Insurance and<br>Assistance Acts:— | £000          | £000    |                                                                        |               |
| Unemployment Benefit (a) . . .                  | 26,244        | 9,064   | Not available                                                          | Not available |
| Unemployment Allowances (b) . . .               | 15,389        | 5,657   | Not available                                                          | Not available |
| National Health Insurance Acts . . .            | 38,081†       | 46,132† | 22,282,000*                                                            | 23,017,000*   |
| Old Age Pensions Acts (c) . . . . .             | 122,743       | 140,190 | 4,763,000                                                              | 4,882,000     |
| War Pensions Acts, &c. (d) . . . . .            | 41,451        | 49,041  | 1,039,580                                                              | 1,284,330     |
| Education Acts . . . . .                        | 122,826       | 129,267 | Not available                                                          | Not available |
| Public Health Acts (e) . . . . .                | 27,353        | 27,621  | Not available                                                          | Not available |
| Housing Acts . . . . .                          | 54,217        | 54,561  | 1,289,392                                                              | 1,263,262     |
| Relief of the Poor Acts . . . . .               | 49,141        | 48,745  | Not available                                                          | Not available |
| Other (f) . . . . .                             | 10,305        | 10,581  | Not available                                                          | Not available |
|                                                 | 507,756       | 520,859 |                                                                        |               |

\* Numbers given are of insured persons. † Calendar years 1941 and 1942 respectively. (a) Including agricultural scheme. (b) Including prevention and relief of distress. (c) Including Contributory Pensions Acts and the Supplementary Pensions Act of 1940. (d) Including Personal Injuries (Emergency Provisions) Act, 1939. (e) Relating to hospitals and to treatment of diseases, and to maternity and child welfare work and midwives. (f) i.e., Physical Training and Recreation Act, Approved Schools Acts, and Lunacy and Mental Deficiency Acts.

### EDUCATION IN ENGLAND AND WALES.

|  | Board's Net Estimates | Total Expenditure by L.E.A.s.† | Cost per Elementary Pupil |
|--|-----------------------|--------------------------------|---------------------------|
|--|-----------------------|--------------------------------|---------------------------|

## National Debt

NOMINAL VALUE OF NATIONAL DEBT AT MARCH 31ST.

(£ million)

|                                                            | 1923           | 1941            | 1942            | 1943            | 1944†           |
|------------------------------------------------------------|----------------|-----------------|-----------------|-----------------|-----------------|
| <b>INTERNAL DEBT</b>                                       |                |                 |                 |                 |                 |
| <b>FUNDED DEBT:</b>                                        |                |                 |                 |                 |                 |
| Pre-1914 Funded Debt*                                      | 314.2          | 313.2           | 313.2           | 313.2           | 313.2           |
| 3½% Conversion Loan                                        | 683.6          | 739.3           | 739.3           | 739.3           | 739.3           |
| 4% Consolidated Loan                                       | ...            | 400.7           | 400.7           | 400.7           | 400.7           |
| 3½% War Loan                                               | ...            | 1,911.1         | 1,911.0         | 1,911.0         | 1,911.0         |
| <b>Total Funded Debt</b>                                   | <b>997.8</b>   | <b>3,364.3</b>  | <b>3,364.2</b>  | <b>3,364.2</b>  | <b>3,364.2</b>  |
| <b>TERMINABLE ANNUITIES</b>                                | <b>13.7</b>    | <b>14.8</b>     | <b>14.4</b>     | <b>14.2</b>     | <b>13.9</b>     |
| <b>INTERNAL UNFUNDED DEBT:</b>                             |                |                 |                 |                 |                 |
| <b>(a) Other than Floating Debt:</b>                       |                |                 |                 |                 |                 |
| 2% Conversion Loan                                         | ...            | 245.4           | 245.3           | 245.3           | 245.3           |
| 2½% Conversion Loan                                        | ...            | 206.5           | 206.5           | 206.5           | 206.5           |
| 3% Conversion Loan                                         | ...            | 301.8           | 301.8           | 301.8           | 301.8           |
| Old War Loans, Bonds, etc.                                 | 3,274.2        | ...             | ...             | ...             | ...             |
| 2½% Funding Loan                                           | ...            | 200.2           | 200.2           | 200.2           | 200.2           |
| 2½% Funding Loan                                           | ...            | 100.6           | 100.6           | 100.6           | 100.6           |
| 3% Funding Loan                                            | ...            | 137.9           | 256.0           | 372.1           | 367.8           |
| 4% Funding Loan                                            | 400.4          | 337.3           | 332.9           | 328.5           | 323.9           |
| 4½% Conversion Loan                                        | ...            | 321.5           | 320.1           | 316.7           | 317.5           |
| 5% Conversion Loan                                         | ...            | 302.1           | 298.0           | 293.7           | 289.3           |
| 4% Victory Bonds                                           | 353.9          | 100.2           | 100.2           | 100.2           | 100.2           |
| 2½% Nat. Defence Bonds                                     | ...            | 156.2           | 201.2           | 321.2           | 321.2           |
| 3% Nat. Defence Loan                                       | ...            | 302.5           | 302.5           | 302.5           | 302.5           |
| 3% War Loan                                                | ...            | 250.4           | 433.8           | 542.4           | 651.4           |
| 3% Defence Bonds                                           | ...            | ...             | ...             | ...             | ...             |
| Treasury Bonds                                             | 411.0          | ...             | ...             | ...             | ...             |
| Savings Certificates                                       | 353.8          | 1,606.7         | 1,832.3         | 1,233.8         | 1,289.8         |
| 2½% Nat. War Bonds, 1945-47                                | ...            | 443.9           | 444.4           | 444.4           | 444.4           |
| 2½% Nat. War Bonds, 1946-48                                | ...            | 148.3           | 493.3           | 493.3           | 493.3           |
| 2½% Nat. War Bonds, 1949-51                                | ...            | ...             | 378.8           | 714.2           | 714.2           |
| 2½% Nat. War Bonds, 1951-53                                | ...            | ...             | ...             | 199.4           | 522.3           |
| 2½% Nat. War Bonds, 1952-54                                | ...            | ...             | ...             | 348.7           | ...             |
| 3% Terminable Annuities                                    | ...            | ...             | ...             | 337.1           | ...             |
| 3% Savings Bonds, 1955-65...                               | ...            | 88.6            | 666.4           | 712.7           | 712.7           |
| 3% Savings Bonds, 1960-70...                               | ...            | ...             | ...             | 410.2           | 810.1           |
| Tax Reserve Certs.                                         | ...            | ...             | 191.5           | 443.1           | 561.7           |
| <b>Total of (a) (plus "other debt")†</b>                   | <b>4,795.3</b> | <b>4,285.2</b>  | <b>6,352.6</b>  | <b>8,194.6</b>  | <b>10,101.2</b> |
| <b>(b) Floating Debt:</b>                                  |                |                 |                 |                 |                 |
| Treasury Bills                                             | 616.0          | 2,211.7         | 2,620.6         | 2,838.9         | 3,149.2         |
| Treasury deposits                                          | ...            | 429.5           | 496.5           | 989.0           | 1,389.5         |
| Ways and Means Advances:                                   | ...            | ...             | ...             | ...             | ...             |
| By Public Depts.                                           | 193.9          | 172.3           | 195.1           | 282.5           | 394.5           |
| By Bank of England                                         | ...            | ...             | ...             | 6.5             | ...             |
| <b>Total Floating Debt</b>                                 | <b>809.9</b>   | <b>2,813.5</b>  | <b>3,312.2</b>  | <b>4,096.9</b>  | <b>4,933.2</b>  |
| <b>Total Internal Unfunded Debt</b>                        | <b>5,605.2</b> | <b>7,098.7</b>  | <b>9,664.8</b>  | <b>12,291.7</b> | <b>15,034.4</b> |
| <b>TOTAL INTERNAL DEBT</b>                                 | <b>6,616.7</b> | <b>10,477.8</b> | <b>13,043.4</b> | <b>15,670.1</b> | <b>18,412.5</b> |
| <b>EXTERNAL DEBT</b>                                       | <b>1,155.7</b> | <b>1,034.7</b>  | <b>1,142.3</b>  | <b>1,295.5</b>  | <b>1,289.1</b>  |
| <b>TOTAL DEAD-WEIGHT DEBT</b>                              | <b>7,772.4</b> | <b>11,512.5</b> | <b>14,185.7</b> | <b>16,965.5</b> | <b>19,701.6</b> |
| Funding Loan and Vic. Bds. held by Nat. Debt Commissioners | 30.2           | 113.7           | 112.2           | 110.5           | 109.0           |
| <b>NET TOTAL DEAD-WEIGHT DEBT...</b>                       | <b>7,742.2</b> | <b>11,398.8</b> | <b>14,073.5</b> | <b>16,855.0</b> | <b>19,592.6</b> |

\* 2½% Consols, 2½% and 2½% Annuities, and Debts to Banks.  
† Includes National Savings Bonds (about £3.3 millions until 1942, when reduced to £823,000; paid off in 1942-43).  
‡ "Other debt" now includes interest-free loans.  
§ Includes loans made by colonial governments to the United Kingdom.  
|| Approximate totals.

## NET INDEBTEDNESS OF THE STATE (£ million)

|                                             | March 31, 1940 | March 31, 1941 | March 31, 1942 | March 31, 1943 |
|---------------------------------------------|----------------|----------------|----------------|----------------|
| Net total deadweight (as opp.)              | 8,931.6        | 11,398.8       | 14,073.5       | 16,855.0       |
| Deduct external debt                        | 1,032.4        | 1,034.7        | 1,142.3        | 1,295.5        |
| Add accrued interest on saving certificates | 7,899.2        | 10,364.1       | 12,931.2       | 15,559.5       |
| Deduct estimated assets                     | 8,042.4        | 10,518.4       | 13,102.8       | 15,753.0       |
| Deduct Exchequer balances                   | 7,372.8        | 9,840.9        | 12,432.5       | 15,087.2       |
| Net total                                   | 7,370.4        | 9,838.3        | 12,430.1       | 15,084.3       |

Table 12 gives the net total of the internal debt after allowing for the accrued interest on national savings certificates, which is not included in the figure of principal given in the previous table, and after deducting Exchequer balances at the Banks of England and Ireland at the end of the financial year, and the state's estimated assets. The largest single item of the latter total is the £575 million of the Exchange Equalisation Account; it also includes the

Suez Canal shares (£32 million); India and Burma—outstanding liability of 5 per cent War Loan (£16.7 million); Land Settlement loans outstanding (£12.5 million); issues to Czechoslovakia (£6.3 million); and issues under the Overseas Trade Guarantees Act, 1939 (£8.6 million).

## COST OF THE NATIONAL DEBT.

(£ million)

| Financial Year | Net nominal total of Deadweight Debt outstanding at end of Financial Year | Interest, Management, etc. | Col. (2) as % of col. (1) |
|----------------|---------------------------------------------------------------------------|----------------------------|---------------------------|
| 1913-14        | 649.8*                                                                    | 19.3                       | 2.97                      |
| 1938-39        | 8,163.2                                                                   | 216.8                      | 2.66                      |
| 1939-40        | 8,931.6                                                                   | 222.8                      | 2.50                      |
| 1940-41        | 11,398.8                                                                  | 213.0                      | 1.87                      |
| 1941-42        | 14,073.5                                                                  | 257.2                      | 1.83                      |
| 1942-43        | 16,855.0                                                                  | 310.8                      | 1.84                      |
| 1943-44        | 19,592.6†                                                                 | 364.7                      | 1.86                      |

\* Debt at beginning of year. † Provisional estimate including reduction in debt effected by sinking funds.

## Local Finance

## LOCAL GOVERNMENT EXPENDITURE

(£ million)

| Purpose            | 1936-39         |                 |       | 1939-40         |                 |      |
|--------------------|-----------------|-----------------|-------|-----------------|-----------------|------|
|                    | Revenue Account | Capital Account |       | Revenue Account | Capital Account |      |
|                    | Total           | Loan Charges†   |       | Total           | Loan Charges†   |      |
| Rate fund services | 392.9           | 70.9            | 121.3 | 438.2           | 73.5            | 93.1 |
| Of which:—         |                 |                 |       |                 |                 |      |
| Education          | 100.4           | 6.9             | 15.7  | 98.6            | 7.6             | 15.5 |
| Public health      | 79.7            | 12.5            | 19.4  | 64.0            | 11.9            | 12.3 |
| Housing schemes    | 44.3            | 34.5            | 55.3  | 47.2            | 36.1            | 29.4 |
| Poor relief        | 35.3            | 0.6             | 1.7   | 35.3            | 0.6             | 1.1  |
| Police             | 26.1            | 0.4             | 1.4   | 31.0            | 0.5             | 1.3  |
| Streets            | 50.4            | 9.3             | 14.4  | 44.7            | 9.3             | 10.8 |
| Civil defence      | 4.6             | ...             | 0.9   | 52.4            | ...             | 11.8 |
| Trading Services‡  | 148.4           | 37.9            | 37.9  | 153.3           | 39.2            | 32.2 |
| Special Funds      | 30.2            | ...             | ...   | 28.7            | ...             | ...  |
| Of which:—         |                 |                 |       |                 |                 |      |
| Sinking funds      | 17.9            | ...             | ...   | 15.4            | ...             | ...  |

† Loan charges, included in total on Revenue Account. ‡ Plus general corporation estates.

## LOCAL AUTHORITIES FINANCE.

(£ million)

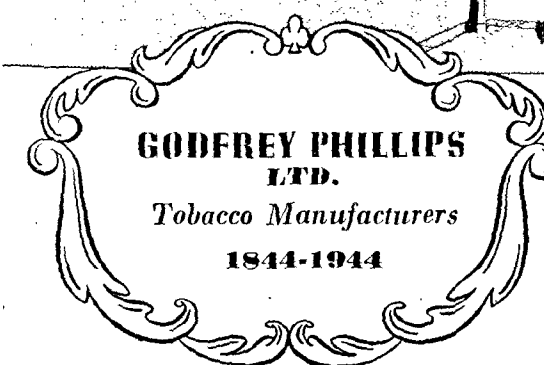
|                           | England and Wales | 1936-37 | 1937-38 | 1938-39 | 1939-40 |
|---------------------------|-------------------|---------|---------|---------|---------|
| <b>INCOME*</b>            |                   |         |         |         |         |
| Total on Revenue Account* | 503.1             | 517.7   | 543.9   | 601.9   |         |
| Of which rates            | 172.8             | 177.3   | 191.4   | 201.3   |         |
| grants                    | 135.6             | 136.1   | 140.2   | 181.9   |         |
| Receipts from loans       | 101.1             | 122.7   | 129.8   | 89.4    |         |
| <b>EXPENDITURE*</b>       |                   |         |         |         |         |
| Total on Revenue Account  | 484.6             | 505.6   | 532.8   | 678.8   |         |
| Of which loan charges     | 100.7             | 103.7   | 109.4   | 113.3   |         |
| Total on Capital Account  | 116.8             | 142.1   | 150.8   | 117.0   |         |
| Of which sinking funds†   | 11.1              | 12.1    | 9.1     | 6.7     |         |
| Rateable value at start   | 298.5             | 304.0   | 310.8   | 318.8   |         |
| Gross loan debt at end    | 1,481.0           | 1,521.0 | 1,594.7 | 1,631.4 |         |
| Of which education        | 74.5              | 82.2    | 93.0    | 101.0   |         |
| Police, etc.              | 79.3              | 82.3    | 84.7    | 86.0    |         |
| Trading services          | 568.9             | 600.9   | 635.9   | 648.9   |         |
| Sinking funds, etc.       | 81.4              | 54.6    | 55.8    | 60.2    |         |

\* Including Trading Services.

† Including Repayments.

## SOURCES OF THE TABLES

A great many of the official sources of material relating to the national finances are now no longer published. Among those which still appear are the Finance Accounts of the United Kingdom, the Civil Appropriation Accounts, the Revenue Departments Appropriation Accounts and the Civil Estimates.



There are two methods open to a firm which achieves its centenary: it can dilate with understandable pride on the superiority of its products or it can say 'Thank you'.

This is Godfrey Phillips' one-hundredth year: and it is 'Thank you' they wish to say to their host of friends and customers in the Trade the world over.

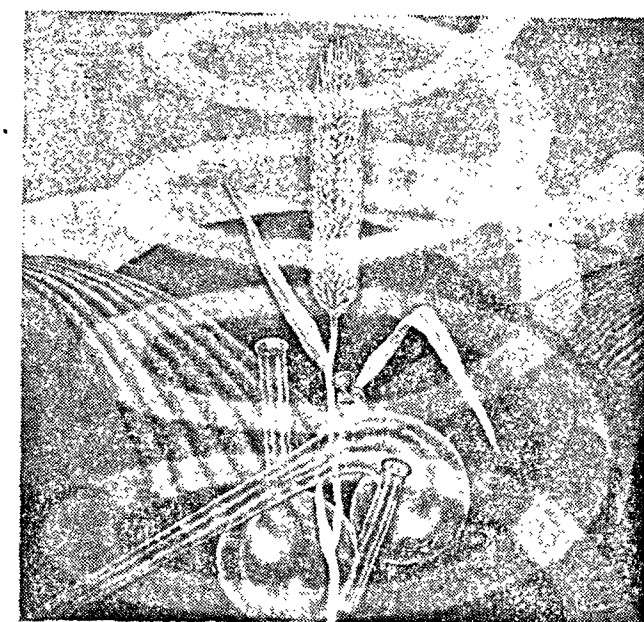
## LEADING BRANDS

| CIGARETTES      | TOBACCO     |
|-----------------|-------------|
| ABDULLA         | AFRIKANDER  |
| BLACK AND WHITE | B.D.V.      |
| DE RUSZKE       | SWEET CUT   |
| FIFTH AVENUE    | GRAND CUT   |
| GREYS           | LUNTING     |
| CIGARS          | ROYAL SEAL  |
| BURLINGTON      | VIRGIN GOLD |

Factories at

London, Edinburgh, Melbourne, Wellington, Calcutta

## FERTILITY



AGRICULTURE today recognises that though fertility—the power of the land to produce abundant and healthy crops—is the result of many factors, it is inseparable from chemistry and the work of the research chemist. Fertility depends on light and air; on methods of cultivation; and on the presence in the soil of water; organic matter (humus); of bacteria; of nitrogen, potash, phosphates and calcium; and of small quantities of what are known as the minor elements. All these factors are inter-related so that all must be maintained at the right level if fertility is not to suffer. Nitrogen particularly is essential for all vigorous plant growth, and except for such special districts as the Fens, the soil of Britain is nitrogen-starved. It is important to note that nitrogen is released by the decomposition or disintegration of organic matter. In the past all sorts of methods were used to obtain it. It was extracted directly from waste products, or recovered in the form of sulphate of ammonia as a by-product of coal. Then came the great chemical discovery of how to combine the nitrogen released to the air with hydrogen from water to form ammonia. Nitrogen applied to the land as an inorganic fertilizer enables heavier crops to be grown and therefore more vegetable matter to be ploughed back. Heavier crops make it possible to feed more stock, which means more dung. In other words the element released from organic matter is applied inorganically, but then passes back again to the soil through plant or beast as organic matter. The "fertilizer" of this season supplies more dung or humus next year. Fertility is a cycle in which the products and processes of Nature and the skill of the farmer are inseparable from chemical research and the products of the chemical industry.





## HOW TO MAKE IMMEDIATE SAVINGS in the use of Gas and Electricity in Industry

Economy in the use of fuel in all factories is now a matter of *first* consideration. Managements are seeking every opportunity to reduce fuel consumption. The following suggestions will be helpful.

### FACTORY GAS

Any of the following will show an immediate saving of Gas:

Plan the work so that furnaces and such-like are run only when fully loaded; avoid lighting them for odd jobs; don't put more into use than are absolutely essential;

Insist that every single burner must be turned off when not actually needed for work;

Furnace doors should not be left open a moment too long—be adamant on this point;

Moving parts which work freely stand a better chance of being handled properly; see that all controls can be adjusted easily;

Mark the air shutters on natural draught furnaces and the control valves on furnaces using high pressure air so that the plant can be worked at the most economical settings;

Insist that lids of liquor tanks and salt baths are kept on as much as possible.

### FACTORY ELECTRICITY

Any of the following will show an immediate saving of Electricity:

Be ruthless in cutting out idle running;

Plan the work so that plant operated is fully loaded;

Check the lagging of ovens, tanks and other plant; repair at once broken or faulty lagging;

Make a spot check for electric furnace doors left open; give strict instructions that they are not to be open a second longer than is necessary;

If you have bigish transformers, see that they are never left on to supply negligible load;

See that *every* electric appliance is switched off when not actually in use (read the riot act to all offenders).

Factory managements will find many more practical suggestions for quick savings in their Fuel Efficiency Bulletins. Look them up straight away. You need Bulletins Nos. 5 and 14 for gas savings, and No. 13 for electricity savings.

**MOST IMPORTANT**—make every effort to strengthen your Fuel Watching System. Keyed up it will make possible astonishing savings of gas and electricity. Study afresh your Fuel Efficiency Bulletin No. 7.



ISSUED BY THE MINISTRY OF FUEL AND POWER

REPAYMENT OF  
5% CONVERSION LOAN  
ON MAY 1st. 1944



*hurry!*

Salute them now

by re-investing

your money

in War Savings!

2½% NATIONAL WAR BONDS · 3% SAVINGS BONDS

3% DEFENCE BONDS

NATIONAL SAVINGS CERTIFICATES

Issued by the National Savings Committee

## THE BUSINESS WORLD

### The Taxation of Industry

THE aim of Sir John Anderson's proposals for the reform of industrial taxation is to accelerate the rate of increase in the productivity of industry, or, in his words, to put Britain "more on a level with other industrial nations in regard to this important matter of the modernisation of plant and buildings." The growth of productivity depends, first, on the rate of technological progress and, secondly, on the speed with which new ideas and inventions are translated into new tools and commercial practice. The invention of better instruments of production and the discovery of new and more economical processes is largely a matter of—often expensive—research and experiment. Their speedy adoption in commercial practice involves the replacement of existing plant, not merely when it is beyond repair—that is, when it is physically obsolete—but also when it is economically obsolete or, in technical language, when the prime costs of existing equipment begin to exceed the prime cost plus the fixed charges on new equipment. New inventions and discoveries may render obsolete not merely individual machines and processes—as riveting in shipbuilding—but whole plants—as in the manufacture of tin plate—or even whole industries—as the coach-building trade.

During the inter-war years Great Britain tended to lose ground in industrial research as well as in the speed of its translation into commercial practice. The reasons were inertia, monopolistic practices, and lack of finance. The Chancellor's proposals are designed to remove some of the financial obstacles in so far as they are due to the present method of taxing profits. By relieving from taxation all expenditure on research—from fundamental research to the full-scale development of the product—he intends to give a fillip to technological progress; by granting additional relief from taxation in respect of plant and equipment, he intends to assist industry to accumulate funds for speedier replacement and modernisation; and, finally, by granting the tax-free obsolescence allowance unconditionally to a "continuing business," he hopes to facilitate the change-over from obsolete to new processes of manufacture requiring different equipment.

The ability of a concern to carry out adequate research, and to keep its plant and processes in line with technological progress, is conditioned by its ability to set aside adequate funds. This depends in the first place on the earning of profits. And in the second place it depends on the extent to which gross profits are paid away to shareholders or to the Inland Revenue when they ought to be used to accumulate funds for the replacement of capital. The necessity for an adequate definition of amortisation for tax purposes is very much greater when income-tax is levied at 10s. in the £ than it would be at lower rates. This follows from the fact that, in many industries, the allocations for depreciation can be the greater part of the gross profits. This can be illustrated by the following hypothetical examples. In the first, tax is levied after full allowance for the reduction in the capital value of all assets; in the second, only a partial allowance is made, and in the third none at all.

|                                                | A          |             | B          |             | C          |             |
|------------------------------------------------|------------|-------------|------------|-------------|------------|-------------|
|                                                | £          |             | £          |             | £          |             |
| Capital cost of equipment and buildings        | 1,000,000  |             | 1,000,000  |             | 1,000,000  |             |
| Profit before amortisation                     | 250,000    |             | 250,000    |             | 250,000    |             |
| Estimated depreciation of assets               | 150,000    |             | 150,000    |             | 150,000    |             |
| True profit                                    | 100,000    |             | 100,000    |             | 100,000    |             |
|                                                | Tax at 5s. | Tax at 10s. | Tax at 5s. | Tax at 10s. | Tax at 5s. | Tax at 10s. |
| Assessed for income tax                        | 100,000    | 100,000     | 200,000    | 200,000     | 250,000    | 250,000     |
| Tax payable                                    | 25,000     | 50,000      | 50,000     | 100,000     | 62,500     | 125,000     |
| Available for amortisation and dividends       | 225,000    | 200,000     | 200,000    | 150,000     | 187,500    | 125,000     |
| Available for dividends or additional reserves | 75,000     | 50,000      | 50,000     | Nil         | 37,500     | -25,000     |

The middle case is the most characteristic—that is, the case in which the Inland Revenue's allowance is less than the

directors provide. When tax is at 5s. in the £, the dividend is smaller than it should be—it is 5 per cent free of tax, or 6½ per cent gross, where it should be 10 per cent gross—but there is still a dividend. With tax at 10s. in the £ this company could not prudently pay any dividend, although it was earning true profits of 10 per cent.

The Chancellor has attempted to meet this case, at least in theory. He has propounded the doctrine that "tax should be charged on true profits reasonably measured, but not more." The difficulty arises when it comes to translating this admirable principle into practice. For many years past the Inland Revenue have followed what might be called the accounting principle. If a company has been allowed to make tax-free deductions from profits which add up to the original cost of a piece of equipment by the time that piece of equipment is in fact scrapped, then, according to the accounting theory, all is well. The existing scheme purports to do this. An allowance is made year by year of a given percentage of the written down original cost. The funds thus accumulated will never amount to the full original cost since they get smaller year by year as the original cost is written off. But when the plant is scrapped—provided it is, in fact, replaced—an obsolescence allowance is made equal to the balance of the original cost. Thus, under the existing system, taxpayers do get the full allowance in time, though most of it comes in a large instalment at the end of the asset's life, and is dependent on its being replaced. The case against this system has been that companies cannot accumulate

## More NEWS of WHITE HORSE

### When distillation ceased

You can make bricks without straw, but you cannot make Scotch Whisky without barley. Since the war began the fruits of each golden harvest have been called up for National Service. No more whisky is being made: distillation has ceased.

Yet in this fifth year of war you can still, with good fortune, obtain White Horse. This is because stocks have always been laid down many years ahead of the time when they will be released for your pleasure. White Horse was growing old when this war was young. It is therefore in your own interest that supplies should be very carefully regulated so that in the years to come you may still be able to enjoy White Horse, fine as a fine liqueur.

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

as fixed by The Scotch Whisky Association.

funds rapidly enough, and that the final obsolescence allowance may be useless, since it is, after all, only a permitted deduction from profits, and if the profits are not there it cannot be enjoyed. Moreover, the requirement that the scrapped plant must be replaced may be impossible of fulfilment if technical methods have changed.

The Chancellor has attempted to meet these objections in four ways. First, he has given a special initial allowance of 20 per cent of the cost of new plant and machinery. This is entirely additional to the existing allowances, which are not affected by it. Thus (with certain exceptions where different allowances or the "renewals" system apply) the iron and steel industry—to take one example—would be allowed, in the first year of an asset's life, to make deductions from profits, before tax is charged, of 20 per cent plus the "agreed normal rate" of 9 per cent—this 9 per cent being calculated, it is understood, on the full original cost, not on the original cost *minus* the 20 per cent allowance. The "agreed normal rates" range as high as 24 per cent for some types of equipment, so that the effect of this provision is to allow the tax-free writing off in the first year of between 25 and 44 per cent of the cost of plant and equipment. The effect of this, it will be noticed, is not to increase the allowances that can be claimed over the whole life of an asset, but to permit industry to claim them earlier—and, in some cases, where profits are low, this may mean a larger total allowance.

Secondly, to a "continuing business," the obsolescence allowance is to be granted unconditionally. This will permit a definition of "replacement" more in accordance with economic realities. Thirdly, buildings are for the first time brought within the scope of wear-and-tear allowances. There is to be an initial allowance of 10 per cent, and thereafter an annual allowance of 2 per cent. These figures seem to be too low, since the useful life of many industrial buildings is no longer than that of the plant they are designed to house. Finally, all expenditure on industrial research is exempted from taxation—capital expenditure can be written off within five years or less if the life of the assets is shorter.

Within the bounds set by the accounting principle, these amendments of the law go a very long way towards meeting the criticisms that have been made. It will be an exceptional firm that fails to recover the full original cost of an

asset over its useful life. But the Chancellor has not in the least met the criticisms of the accounting principle itself. There are, in the main, two such criticisms. The first is that a company should not merely be able to recover the original cost of its plant before paying tax, but should be enabled to expend such sums as are necessary to maintain its plant in the most modern state. Technical progress involves a steady increase in the amount of plant required to perform a given operation; this is the mechanism by which the productivity of the national economy advances, and the state should encourage it rather than tax the process. An oven to bake a certain quantity of bread per day will naturally cost more each time it has to be replaced, and the baker should be allowed, during the economic life of his oven, to accumulate tax-free funds sufficient, not merely to recover the cost of that oven, but to buy a better one.

This is the argument, and it has a great deal of force. The answer would presumably be that the replacement of one piece of plant by a better piece of plant is not a replacement of capital, but an increase of capital, and that the generation of capital out of income in this way should no more be free of tax than in other ways. And the rejoinder to that would presumably be that there is no form of capital generation more deserving of lenient treatment by the state. The second form of the objection to the accounting principle has even more force. It relates to rises in the cost of replacing plant by completely identical plant—leaving aside all questions of replacement—owing to changes in the value of money. For example, to a firm operating in France during the inflation of 1914-26 it would be very cold comfort to be able to accumulate the original cost of plant bought in 1914. To apply the Inland Revenue system, even with Sir John Anderson's amendments, to such a firm would be to compel it to pay tax on the consumption of four-fifths or nine-tenths of its capital. To this objection the defenders of the accounting system have no reply. But reply or not, the point to be observed at the moment is that the Chancellor of the Exchequer has not begun to meet, has not even mentioned, these objections. He has made some very welcome modifications within the framework of the existing system. He has not acknowledged any possibility of an amendment of the existing system. On this issue the controversy will doubtless continue.

## Business Notes

### Speculation or Investment

The price rise, set in motion by the Chancellor's tax reliefs and his assurance about the certainty of the EPT refund, has exceeded expectations, and has brought a substantial recovery in activity. Last Monday's total of bargains received in the industrial and commercial list was the highest since early August, 1943, and the total for all sections the largest since the previous January. The equity price index of *The Financial News* has climbed to a new high level for recent years of 107.9 against 105.5 on the eve of the Budget speech, and the new yield index is, at 3.87 per cent, the lowest for the war period with the exception of some days in last September. In addition, there have been a number of market rises, for instance, in home railways and insurance shares, which are not reflected in this index. At first glance these movements look like an unexpectedly early response to important stimuli to industry, and it may be that they are just that. That explanation is not, however, generally accepted in Stock Exchange circles. The rise is too rapid, and the buying of the wrong quality, to create confidence that the improvement will be maintained. Their explanation is that the speculator has been held back from buying only by fear that temporary bad news, following the opening of the second front, would cause a fall in prices. The force of this factor has worn thin with the lapse of time, and the speculator has seen the price of ordinary shares rising gradually. As shown by *The Actuaries' Investment Index*, of which some details are given on page 628, the aggregate price index had crept up to a new high on the eve of the Budget. But this rise was due to larger dividend payments and the yield was far from being at a new low. The indications suggest that institutional investors have been selling, rather than buying, in recent months. It may well be that the Budget provisions have prevented their unloading on this occasion, but they seem to be waiting for more light on the military situation and the Government's intentions before buying.

### Motor Taxation

The subject of the taxation of private cars has three aspects. These are the problems of the total taxation levied on private motoring; of the proportions in which it is to be levied in the form of a licence duty on the vehicle and a tax on petrol; and of the form in which the licence duty is to be levied. In his Budget speech on April 25th, Sir John Anderson expressed himself against any change in either the total taxation on private motoring—"it is almost impossible for me to sacrifice revenue"—or its distribution between the vehicle and petrol duties—"I have reached the conclusion that the balance of argument against this course is formidable." On the third aspect, that is, on the form in which the licence duty on cars is to be levied, the Chancellor said that he had "an open mind," and that he would be "ready to listen sympathetically to representations." Sir John Anderson, in fact, has left the initiative to the industry. But, as he confessed in winding up the Budget Debate, on April 27th, "there is an embarrassing conflict of expert opinion as to how any changes that may be desirable should be carried out." From the statements made by Sir Miles Thomas, chairman of the public relations committee of the Society of Motor Manufacturers and Traders, and vice-chairman of the Nuffield organisation, it would appear that the industry is in favour of substituting a tax on the cubic capacity of the engine for the tax on the diameter of the bore of the engine. This change would remove at least one defect of the present horse-power tax in that it would enable the industry to produce more efficient engines. But it would not remove the anomaly whereby the present duty weighs most heavily on the cheapest cars, and, what is crucial from the point of view of exports, it would still concentrate home demand on the small car. The industry is faced with the alternatives of being content with an assured home market with a relatively small export trade in little cars and luxury cars, and of utilising the enormous world demand for cars

immediately after the war to establish itself as one of the major car exporting industries. If it adopts the first alternative, it may be content with the substitution of a tax on the volume of the engine for the duty on its diameter; if it is willing to take the plunge and raise its sights, it might ask for the substitution of a licence duty on the original cost of the car, at a rate declining with its age, for the tax on horse-power. The higher aim inevitably would involve a risk—though the industry's home market would still enjoy the protection of a substantial import duty—but there is no progress without risk. The choice cannot be delayed if the opportunity is not to be missed. Whatever it will be, it will vitally affect the industry's future.

### Oil-Based Chemicals

During his Budget speech on April 25th, Sir John Anderson emphasised the importance of the new oil-based chemical industry. He recognised that there was "a vast field to be opened up" and he regarded it "as of the first importance that this country should play a large part in these developments." He felt that it should be possible to make sure that the tariff offers no obstacle to the chemical industry in obtaining the necessary raw materials from oil. Sir John Anderson was not in a position to make specific proposals to clear the path for the growth of an oil-based chemical industry in this country, but the facts on which recommendations can be based are to be ascertained by an inquiry which he and the Minister of Fuel and Power are to arrange "shortly." Much, of course, will depend on the personnel and terms of reference of the committee conducting such an inquiry. As the Chancellor of the Exchequer pointed out on April 27th, the inquiry is to be comprehensive and he will be

perfectly ready to consider such questions as, for example, subjects on which the Government might undertake research or small-scale experimental development in such matters as the production of mineral oil from coal by new processes.

### Conversion Fives Repaid

Conversion Five Per Cent Loan, the last remnant, among Government securities, of the abnormally dear money period, disappeared from the scene at the beginning of this week. The £318 million which remained outstanding was repaid in cash. Even for these days of exceptionally large monetary turnover this operation was one which had to be carefully prepared by the authorities. The main part of that preparation was the persistent buying of the maturing loan by the Government broker over many months past. This tempted all the loan held by banks and other financial institutions out of its lair and only left the stock frozen in certain trusts and private holdings to be dealt with. It is probable that the amount which had actually to be disbursed to the market on May 1st, when the loan was repaid, was between one-quarter and one-third of the total loan outstanding. The impact of this payment of between £80 million and £100 million on the money market was hardly perceptible. A good deal of the money was immediately reinvested in one of the Government's tap loans. The banks, for their part, anticipating a substantial inflow of cash at the beginning of the week, had arranged to make large Treasury Deposit Receipt payments. The discount market, moreover, has this week taken up a large amount of Treasury bills, of which £110 million were issued at the last tender, against current maturities of only £90 million. So well did the counter measures come into operation that by Tuesday of this week the credit position was becoming stringent and open market assistance had to be given to the market by the authorities. With the repayment of Five Per Cent Conversion Loan, the most expensive items in the national debt are now three four per cent loans. They are the four per cent Consolidated loan (£400,703,000) repayable on or after February 1, 1957, four per cent Funding loan 1960-90 (£326,498,000) and four per cent Victory bonds redeemable by drawings (£289,277,000), a total of £1,016,478,000.

### Gold Redemption in South Africa

A new Reserve Bank Bill was introduced in the South African House of Assembly last week. Its most interesting clause reimposes on the Reserve Bank the obligation to

redeem its notes in gold. This does not imply an immediate return of the Union of South Africa to the gold standard. The Bill provides that this obligation to redeem notes may be suspended by the Governor-General, and the Finance Minister, Mr Hofmeyr, introducing the Bill, promised that such suspension would be decreed immediately after the passage of the Bill. The present obligations of the Reserve Bank are governed and defined by the Currency and Exchanges Act of 1933, which relieved the Reserve Bank of the obligation to redeem its notes in gold. The decision of the South African authorities to fill the dangerous void caused by this negative measure can hardly cause surprise. The new clause, though it will not operate immediately, will do good service in advertising South Africa's main product, and its introduction at the present time is no doubt *pour encourager les autres*. The new Bill also extends the Reserve Bank's sole right of note issue for another 25 years beyond 1945, the date set by the original Currency and Banking Act of 1920 as marking the end of the bank's monopoly of note issue in the Union. A third amendment proposed by the new Bill concerns the allocation of the Reserve Bank's profits. By the original Act, 10 per cent of the profits had to be allocated each year to the reserve fund until it equalled the amount of the paid-up capital, namely £1,000,000. That ceiling was reached some years ago, and since then the Bank has been unable to plough back profits except through building up hidden reserves. The new Bill removes the ceiling on the published reserve fund, which in future will again regularly receive 10 per cent of the declared profits. After payment of a 10 per cent dividend the balance of profits will, as before, go to the Government. The restriction of votes on holdings of Reserve Bank shares has been tightened. At present voting rights are restricted to individual holdings of £10,000 of capital. Shares in excess of this figure, in single holding, carry no voting rights. This restriction is to be made to apply to holdings by companies with interlocking directorates, which, for this purpose, will be treated as one and the same shareholder.

### Mexican Hopes

Mexican bankers have recently been meeting in a national convention at Monterey, and have passed some far-reaching resolutions. One of them, proposing a ban on exports and imports of gold, except those handled by the Bank of Mexico, has already been accepted by the Government, and an embargo on such gold operations was decreed at the end of last week. The decree states that the ban will prevent the Axis countries selling confiscated gold in Mexico. The move must, however, be viewed in a somewhat wider context. As originally propounded by the Mexican bankers at the Monterey convention, the control of gold movements was a mere subsidiary to a wider resolution suggesting that gold be ousted from its dominant position in the world's monetary system and supplanted by silver. Mexico's reasons for fathering this revolutionary scheme need not be too closely investigated. Unfortunately for that country, it will need more than a Presidential decree to implement that proposal.

### The Patents Committee

The announcement last week of the appointment of a Committee to look into various aspects of the Patent legislation and its operation is a welcome step. *The Economist* has more than once expressed the view that very substantial reform is necessary if a check is to be placed upon the growing elements of monopoly which are permeating many sections of British industry, and has advocated, as a solution

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in some cases, the Licence of Right. The terms of reference of the Committee are:—

To consider and report whether any, and if so what, changes are desirable in the Patents and Designs Acts, and in the practice of the Patents Office and the Courts in relation to matters arising thereunder. In particular, the Committee is requested to give early consideration to, and to submit an interim report or reports on—

(a) the initiation, conduct and determination of legal proceedings arising under or out of the Patents and Designs Acts including the constitution of the appropriate tribunals; and

(b) the provisions of these Acts for the prevention of the abuse of monopoly rights; and to suggest any amendments of the statutory provisions or of the procedure thereunder which, in their opinion, would facilitate the expeditious settlement and the reduction of the costs of legal proceedings in Patent cases and would encourage the use of inventions and the progress of industry and trade.

These terms are sufficiently wide to enable the Committee to make the fullest inquiry and the specific points mentioned cover most of those commonly raised by critics of the existing law and practice, with the significant omission of any mention of the practice of pooling. They fail, however, to give any indication of policy. What the critics find most objectionable is the assistance given to monopoly. What they would like to see is a definite instruction to discover whether some alternative could not be found which would ensure the widest use of inventions without conferring monopoly rights. In the absence of any such recommendation there is considerable danger that any Committee, consisting, as it must, largely of experts in the details of the existing law and practice, will lose sight of the wider issues which amendment is, or ought to be, designed to serve.

### Taxing Overseas Enterprise

The decision of the Government to grant additional reliefs of taxation on sums used for the amortisation of industrial equipment was bound to raise hopes of similar treatment for profits earned overseas which had already paid tax in the country of origin. The present position is, broadly, that the UK Government taxes at the full standard rate all net profits earned overseas after payment of overseas taxes, provided that the owners are UK residents. There are three major exceptions to this rule: special arrangements relating to profits from shipping, air transport and certain types of agency business; Dominion income tax relief; and the provision that, when the control of a company established overseas is merely shareholders' control, only the profits remitted to this country are subject to UK tax. The last of these means that, when effective control of operations passes into the hands of local residents, the company receives more favourable treatment than it would if domiciled at home and operating either at home or abroad. While this may fit very well with the desires of foreign Governments, it is a question, to be decided in each case, whether overseas operation, combined with foreign management, should confer advantages not possessed by British-run concerns, wherever they operate. As to Empire relief, this is by no means general between this country and the Dominions—although it prevails with most colonies. Even where the Dominion adopts the prin-

ciple, its effect is often restricted by the imposition of taxes such as EPT and corporation taxes which are outside the scope of relief and reduce the remaining income on which relief is given. In view of these facts, there has been continuous pressure for a change of policy, and in this the British National Committee of the International Chamber of Commerce has played a prominent part. It has seized upon the conjunction of a visit of US financial representatives here with the more lenient attitude of the Chancellor and his statement that exports are a matter of life and death to present a memorandum to him on the subject. Briefly, this asks that profits earned and taxed overseas shall be relieved of further UK taxation, except insofar as the profits are distributed, and that on distributed profits the total tax paid at home and abroad shall not exceed the UK standard rate or the overseas rate, whichever is higher.

### Criteria for Relief

The proposal of the National Committee amounts to asking the British Treasury to bear the whole burden of relief for British residents, and it claims that this is the only hopeful line of approach, since many other countries have been working towards this type of solution, whereas progress by means of sharing the relief between the country of origin and that of ownership has, in their view, been negative. A rough estimate, made by them in 1937 on the basis of a standard rate of 5s. in the £, suggested an initial cost of £6 million for relief on all overseas profits, including Dominion and Colonial. They believe that the figure would not be very greatly different now, and they maintain that, even from the narrow viewpoint of revenue, the loss would quickly be made good by the encouragement given to the establishment of overseas enterprise. It may be said at once that, so far as selling goods and rendering services overseas is concerned, there is a very strong case for putting the British-owned concern on an equal footing with that in local ownership, provided that there is some reciprocal arrangement which prevents the local Government from imposing differential taxation on foreign-owned undertakings. If no such arrangement can be reached, it is a matter of grave doubt how far the British Government should grant what is in effect a subsidy to enable Britain to maintain trading interests in areas where their presence is not actively desired. This argument applies with greater force in the case of manufacturing concerns, since it is certainly not desirable to encourage manufacture overseas if the goods could be made at home and exported. Certainly, instances of tax differentials being the determinant in the siting of industry making for export are rare compared with those where tariffs are the cause and the principle of giving the overseas company an advantage has already been established in the case of exception three above. Evidently, there is a strong case for the removal of the disabilities from which British overseas enterprise suffers. This is a matter which, like depreciation allowances, can best be treated by adopting a company tax, divorced from income-tax. But, apart from the method, just what the relief should be is a question which cannot be determined in isolation from the action of other Governments or the future policy of this country with regard to the export—and import—of capital.

### Primitiva Gas Expropriation

After a very substantial delay, considerable light has been shed on the intentions of the Argentine Government with regard to the expropriation of the Primitiva Gas Company of Buenos Ayres. Detailed information is not available, but it appears that the company at no time received a concession from the Argentine Government, but operated under an agreement with the BA Municipality. This agreement was extended to July, 1945, and the capital upon which payment was to be based was to be subject to negotiation. No agreement has been reached, and the Municipality has granted to the State Oilfields Monopoly the sole right to supply gas to the town of BA. In these circumstances the Argentine Government proposes to pay only some £230,000 to the company in complete compensation, the figure being based on the value of installations less the cost of removing them. The company objects to the valuation and rejects the suggestion that they should bear the cost of removal. They claim that much, if not all, of the installations can be used, and have refused to accept the offered price. On April 27th the Argentine Embassy in London issued a statement that the expropriation was necessary to ensure that the new

arrangement will be working by January 15, 1945; that the company was guaranteed by the intervention of the judicial authorities, and that it would be able to appeal to the Supreme Court, the High Court of Appeal, with which the final decision rests. Two days later Primitiva Holdings—which owns 99 per cent of the Gas Company's capital—stated that the Argentine Minister of Agriculture had given the local representative an assurance that expropriation was chosen so that impartial judges should determine the definite value of the assets to be expropriated, and that the company will be given every opportunity to state and defend its case. Finally, on Tuesday last the Secretary of State for Foreign Affairs stated in reply to a question in the House of Commons, *inter alia*, that

His Majesty's Government are watching the development of this case with particular reference to the question whether the amount of compensation to be paid to the company will, as provided by Argentine law, be either mutually agreed or determined by the Supreme Court on the basis of a valuation of experts appointed by both parties.

The operative phrase is that in italics. It is impossible to believe that there is no part of the Primitiva organisation, which has been built up over a period of some 23 years, which will not be of material value to the new supplier.

### Distribution of Bank Deposits

The estimates of the distribution of bank deposits which were given for the first time in last year's White Paper on the sources of war finance have been brought up to date in the latest issue of this publication (Cmd. 6520). The movements since the end of 1941 have been as follows:—

|                         | DEPOSITS HELD BY THE CLEARING BANKS |               |               |               |               |
|-------------------------|-------------------------------------|---------------|---------------|---------------|---------------|
|                         | (£ million)                         |               |               |               |               |
|                         | Dec. 31, 1941                       | June 30, 1942 | Dec. 31, 1942 | June 30, 1943 | Dec. 31, 1943 |
| Total deposits . . . .  | 3,329                               | 3,263         | 3,629         | 3,630         | 4,032         |
| Less advances . . . .   | 807                                 | 800           | 773           | 744           | 743           |
| Net deposits . . . . .  | 2,522                               | 2,463         | 2,856         | 2,886         | 3,289         |
| Personal deposits . . . | 692                                 | 704           | 820           | 859           | 972           |
| Other deposits . . . .  | 1,830                               | 1,759         | 2,036         | 2,027         | 2,317         |

No attempt has been made, in arriving at these figures, to allow for the amount of bank accommodation obtained by the discounting of bills of exchange. Personal deposits exclude the accounts of businesses, financial institutions, public authorities, and also those of individual traders, shopkeepers, farmers and professional men where the accounts are known to be used for the purpose of business. Non-resident and sundry accounts are also excluded. The growth in business deposits has slackened in comparison with that of private deposits. The expansion in each item since the end of 1941 was 40 per cent and 27 per cent respectively. Yet if the period of comparison is taken from June 30, 1941, when the estimates were begun, the corresponding figures are 58 per cent and 161 per cent. This disparity suggests that inadequate sampling, or some change in classification, occurred soon after the series of estimates was begun.

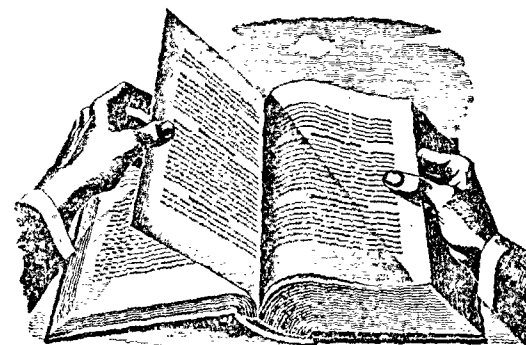
### Essential Work Orders

The principle of the Essential Work Order has now been in force for nearly three years, and between eight and nine million workers are covered by such Orders. It is universally recognised that the Orders have been an indispensable part of wartime legislation and that without them the manpower situation might have been chaotic. Their purpose is "to prevent loss of production owing to unnecessary turnover of labour, absenteeism or indiscipline." In spite of many features which have been criticised both by managements and workers, the Orders have many positive advantages. The guaranteed working week, especially in casual industries, the right of appeal against dismissal, and the provision of the "fair wages and conditions" clause, are among the benefits conferred. Because of the importance of its implications both for war and peace, a conference held by the Labour Research Department last week-end was timely, and indicated some of the points about which there has been most criticism. The main grievance seems to be the alleged different treatment meted out in the Courts to employers and workers. The relatively trivial fines imposed on Messrs A. V. Roe in May, 1942, and Messrs Desoutter Brothers in February this year, in both

cases for refusing to obey the National Service Officer's direction to reinstate a dismissed worker, were compared with the sentences of imprisonment passed on workers on many occasions. Another demand is for an interpretation of the term "serious misconduct," for which an employee can be summarily dismissed. There is no definition of the term in the Orders. A legal authority gives as examples "wanton injury to the master's property; making false entries; indecent or profane behaviour; gross insubordination or refusal to do work within the meaning of the contract." But workers have been dismissed, and their dismissals upheld, for far less serious offences. Another abuse, it has been alleged, is in connection with the employer's right of suspension without pay on disciplinary grounds for up to three days. Most difficulties, perhaps, occur in connection with reinstatement. An employer is obliged to reinstate a man in his old job, at the same rate of pay and under the same conditions, if directed to do so by the National Service Officer. Employers have sometimes argued that the old job is non-existent, or have paid the man his wages without providing the work. A further point at issue is that wages and conditions must not be less favourable than the "recognised terms and conditions" provided for in the Conditions of Employment and Arbitration Order, 1940, before a firm can be scheduled. This clause, it has been said, is often insufficiently enforced. Most of these points are under constant consideration by the Trades Union Congress, and if some form of EWO is to be continued after the war it seems essential that the questions of doubt should be clarified.

### Export Finance

Mr Olaf Hambro has some hopeful things to say about the revival of the international acceptance business in his statement to shareholders of Hambro's Bank. He points out that the London acceptance was mainly utilised for financing the transport of goods, not only by way of imports into the United Kingdom, but throughout the world. He is confident that this type of credit can also be utilised to finance British exports. Mr Hambro argues that to in-



## IODINE: mystery story

It may seem strange to some of us to call iodine a mystery when so much is already known. Isn't iodine an element, vital to life and health? Isn't it true that no organism can live without it? It is the best known germicide, and for some purposes the only effective one. It is a counter-irritant, an aid in arthritis and rheumatism, a specific in the prevention of goitre. Lack of it will kill animals as well as men. Its importance is recognized and growing. Where is the mystery?

The mystery lies in what is yet to be discovered. Biochemists, veterinary surgeons, industrial scientists, working on a hundred facets of the subject, are finding in iodine one of the most fascinating problems of research. Consider some of iodine's recent applications: "Thermometer" Paints, which reveal in colour changing temperatures; Polaroid, which makes possible such diverse magic as non-glare headlights, stereoscopic films and visible representation of changing strains in plastic materials; and infra-red photography which makes hitherto invisible things visible.

So many new facts have been brought to light in the last hundred years that it has been necessary to set up an organization to disseminate this knowledge. This organization is the IODINE EDUCATIONAL BUREAU. It was formed in 1938. The services of this bureau are available free to any industrial or commercial undertaking with an iodine problem.

### Iodine Educational Bureau

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crease British exports by the required amount it will be necessary to export to poor countries where credit to the buyer will be essential to enable him to turn over his goods. Two types of credit risk will have to be covered. The first is the commercial risk based on the buyer's personal credit-worthiness. The second is the more general transfer risk applying to all credits granted to the buyer's country. Mr Hambro suggested that while the first type of risk should fall to the lending bank, the second type of risk would be more difficult to assess on the part of private institutions. The machinery for covering this second type of risk was already operated before the war through the Export Credits Department. It will no doubt be available in perfected form after the war.

### Coal Supplies and Output

Even though production has been fully resumed throughout the coalfields, the decline in output during the past month makes it as necessary as ever to continue strict economy both in the domestic and industrial use of fuel. The restrictions on domestic consumption are maintained, but the limit of stock allowed has been slightly raised. For two months from May 1st to June 30th, 10 cwt. of house and kitchen coal and coalite may be supplied in the South of England and 15 cwt. in Scotland, Wales and the North of England. Consumers are recommended to start laying in stocks for the winter within the prescribed limits. The cuts on industrial users of 25 per cent in gas and 10 per cent in electricity are to remain in force. These cuts were imposed by the Ministry of Fuel at the beginning of April, with the threefold object of compensating for output lost through stoppages, conserving stocks and maintaining transport services. The Ministry claims that the cuts have brought economies at the rate of 200,000 tons a month and is well satisfied with the results. It claims that no essential war production has been held up because of fuel shortage, and that where there was any risk of this considerable discretion in the application of the Order has been allowed. In fact, it appears that there must have been considerable waste of fuel before if the cuts of this Order have made so little difference to production. The combined effect on coal output of strikes and the Easter holidays is reflected in the fall in the average weekly rate of production from 3,637,800 tons during the four weeks ended March 18th, to 3,204,900 tons during the four weeks ended April 15th. Two districts, South Derbyshire and Leicestershire, qualified for the output bonus. In South and West Yorkshire, the proportions of standard tonnage reached were only 55.6 per cent and 66.5 per cent respectively. Two encouraging features about the otherwise disappointing record were that loss of tonnage through transport difficulties was negligible and that the production from opencast workings increased from an average of 108,300 tons a week to 124,000 tons.

### Cocoa and Chocolate

The two main products derived from raw cocoa beans are drinking cocoa and chocolate. Broadly, drinking cocoa, which is sold in powder form, is produced from the beans by extracting a proportion of the cocoa butter. Chocolate is made by adding cocoa butter to raw cocoa, besides other ingredients. The proportions in which cocoa butter is used varies from firm to firm. Thus it is not possible to calculate accurately how much raw cocoa is used in the making of its two main products. Figures of the tonnage of raw cocoa now being manufactured are not available, but there is some evidence of an increase in cocoa drinking. Cocoa is not rationed, and is in plentiful supply. It provides an alternative to tea, of which in 1938 more than 10 lb. per head was consumed. Whether its compulsory reduction by rationing to 7½ lb. a head has had a fully compensating effect in cocoa drinking is not known, but probably of all beverages, cocoa has been more used as an alternative to tea than any other. The working class budget figures compiled by the Oxford Institute of Statistics confirm that there has been an increase in cocoa drinking. It is known that chocolate production for the civilian market has been halved since the war. Output as a whole is about two-thirds the pre-war quantity, which is produced by one-third the labour force in half the factory space. The two concentration schemes, the restrictions on variety and packing, and the fixing of a maximum rate of labour per ton produced, have made these economies possible. Economy had been carried so far, that the Govern-

ment's demand for large quantities of vitaminised chocolate for post-war relief could not be undertaken in addition to current production. The problem of maintaining the civilian ration of 3 oz. a week was solved by increasing the amount of sugar confectionery made. Even so, current civilian consumption of sugar confectionery amounts to only about 40 per cent of pre-war civilian consumption. Prices of chocolate and sugar confectionery are controlled, under an elaborate scheme of classification, with a maximum price of 5s. a lb., but only a small proportion is dearer than 2s. 8d. The zoning scheme introduced in June, 1943, is estimated to have saved 35 million ton miles so far. The various schemes of control have been operated partly by the Ministry of Food and partly by the industry itself, through the wartime associations.

### Mr Hawtrey on "Futures"

Addressing the Manchester Statistical Society on the significance of forward purchases, Mr R. G. Hawtrey was speaking to the converted, for no industrial centre has tested the justification of a futures market to better purpose than has Manchester. Mr Hawtrey opened his address by a defence of speculation—an element which, he pointed out, enters into all enterprise, even in the purveying of services. It is obviously present in all industrial undertakings. In the course of actual production speculation is directed to comparatively short periods. The development of futures markets has made it possible for the manufacturer to cover himself effectively against a considerable part of the speculative risks he is running. Mr Hawtrey was particularly interesting in his description of the nature of futures' dealings.

A futures market enables the merchant to hedge. When he engages to buy wheat or cotton he can at the same time effect a future sale of wheat or cotton. A sale in the futures market differs from a sale of an identifiable parcel of produce in that the seller becomes a mere debtor of the commodity. In fact it is not a sale, but a promise to sell. The obligation under the contract is to deliver goods of the agreed quantity and grade at the due date in return for the agreed price in money. For the purposes of the contract, the commodity approximates to the status of money. Money in the eye of the law is *res fungibilis*, that is to say any good piece of money is treated as the full equivalent of any other good piece of money. One who has received money, and has to restore it, is not required by the law to hand over any particular pieces of money; his obligation is only to pay the specified sum in good money. Thus a banker is a simple debtor to his depositors; that is why he is free to employ the money received from them in any way he pleases, so long as he is able to pay his debts on demand or on due notice. The seller of wheat in a futures market becomes a debtor of wheat. Detached critics often waste their irony on the bear speculator who sells stuff which he has not got. But a forward sale of 10,000 tons of wheat for £100,000 by a man who has no wheat in his possession is no more anomalous than the forward purchase by one who has not the money in hand.

Mr Hawtrey foresaw a threat to the great and important futures markets that have developed in this country. Exchange control which makes a currency "a mere parochial medium" is one of the dangers. The other is the competition from other countries in the business of merchanting. The commercial supremacy which Britain held until the outbreak of the war has over the history of the world changed hands many times. Britain's supremacy will certainly be challenged at the end of this war and successfully challenged if an attempt is made to do the merchanting through departmental committees; as Mr Hawtrey pointed out:—

The process by which a crowd of independent speculators arrive at a resultant market price seems cumbersome and hazardous in comparison with an official organisation administering a control in consultation with the pooled wisdom of the merchants. But the independent speculators have the advantage that they do not have to account for their opinions. The expert reporting through an official hierarchy, or discussing across a committee-room table will often fail to convey considerations which would enter into his calculations and materially modify his judgment if he were acting independently—and silently.

### Shorter Notes

Negotiations are well advanced for the fusion of the Leeds Permanent and the Woolwich Equitable into a new unit to be entitled the British Building Society. If all goes well, it is intended to add the Liverpool Investment and the Dunfermline societies to the group. The two main constituents

have total assets in excess of £80 million, so that the new unit will be third in the class of the giants, and it is difficult to see what organisation economies are likely to result from the grouping. The geographical spread, insofar as it is real, is presumably an advantage, although it would appear that differences in the law north and south of the border may eliminate any gains from taking in a Scottish society.

The number of working days lost through trade disputes during March was 1,600,000, compared with 273,000 in February, and 123,000 in March 1943. Of this total, 1,263,000 days were lost in coalmining, or over 80 per cent. The stoppages in South Wales and Yorkshire involved 220,000 people. Some 315,000 working days were lost in the metal, engineering and shipbuilding group, and 15,000 in transport. Of 285 stoppages, 110 were caused by wages grievances, and 175 by other causes. The apprentices' strike, not being an industrial dispute, is excluded from the Ministry of Labour's returns.

The monthly debt return for April marks another milestone in the expansion of the national debt. It is the crossing of the £5,000 million line by the total floating debt. The total outstanding on April 29 was £5,059,775,000 and represented increases of £126,630,000 on the total for the end of March and of £955,270,000 on the figure for April, 1943. Of this twelve months' increase in the floating debt £387,500,000 is accounted for by Treasury Deposit Receipts and is thus held almost wholly by the domestic banking system. Another £207 million is accounted for by Ways and Means advances from public departments and is thus held wholly within the Government. Of the total expansion of £361 million in Treasury bills, £210 million is attributable to bills issued through the tender and £151 million to bills issued through the tap. The tap bills will have gone partly to public departments (for example, to secure the additions to the fiduciary issue) and to Empire central banks. A considerable part of the increase in bills issued through the tender must, if one may judge by the published banking figures, have gone to official quarters. It will thus be seen that of the increased floating debt, rather less than half has actually gone to the market and more than half is either held by public departments or represents the investment of abnormal sterling area balances held in this country.

## Company Results

### Royal Mail Lines.

|                                             | Years to December 31, |         |         |
|---------------------------------------------|-----------------------|---------|---------|
|                                             | 1941                  | 1942    | 1943    |
| Profits after pensions and deferred repairs | 944,507               | 910,025 | 882,617 |
| Depreciation                                | 360,000               | 340,000 | 445,000 |
| Taxation                                    | 175,000               | 320,000 | 270,000 |
| Interest on loans                           | 36,087                | 38,743  | ...     |
| Ordinary shares:—                           |                       |         |         |
| Earned                                      | 373,427               | 211,282 | 167,617 |
| Paid (gross)                                | 120,000               | 120,000 | 120,000 |
| Earned %                                    | 18.7                  | 10.6    | 8.4     |
| Paid %                                      | 6                     | 6       | 6       |
| Fleet replacement account                   | 253,141               | ...     | ...     |
| Insurance account                           | ...                   | 100,000 | 50,000  |
| Carry forward                               | 133,141               | 124,423 | 122,040 |

|                            |           |           |           |
|----------------------------|-----------|-----------|-----------|
| Net fixed assets           | 5,760,900 | 6,382,000 | 6,467,000 |
| Net inter-company items    | 674,194   | 641,782   | 645,273   |
| Net liquid assets          | 1,898,047 | 1,950,642 | 1,909,767 |
| Gross liquid assets        | 4,609,373 | 4,197,180 | 4,526,801 |
| Govt. and other securities | 2,193,637 | 2,188,324 | 2,381,332 |
| Tax reserve certificates   | ...       | 150,000   | 725,000   |
| Fleet replacement account† | 3,959,336 | 4,634,132 | 4,580,956 |

† Including credit in Government tonnage replacement account of £309,336 in 1941, £434,132 in 1942, and £380,956 in 1943.

The £1 units of ordinary stock, standing at 25s. 3d. ex dividend, yield £4 15s. per cent.

### British Oxygen Company

|                                       | Years to December 31, |           |           |
|---------------------------------------|-----------------------|-----------|-----------|
|                                       | 1941                  | 1942      | 1943      |
| Profits after E.P.T. and depreciation | 846,538               | 943,465   | 932,165   |
| Income tax                            | 497,583               | 536,080   | 498,234   |
| Fees and pension funds                | 40,768                | 45,186    | 49,404    |
| Preference dividends                  | 43,312                | 43,312    | 42,625    |
| Ordinary stock:—                      |                       |           |           |
| Earned                                | 264,875               | 318,887   | 341,902   |
| Paid                                  | 252,372               | 272,561   | 268,236   |
| Earned %                              | 14.7                  | 17.5      | 19.1      |
| Paid %                                | 15                    | 15        | 15        |
| General reserve                       | 67,478                | 113,804   | 100,000   |
| Carry forward                         | ...                   | ...       | 87,471    |
| Net fixed assets                      | 2,799,843             | 3,135,815 | 3,264,807 |
| Net inter-company items               | 1,972,931             | 1,951,202 | 1,926,718 |
| Net liquid assets                     | 310,806               | 42,889    | 12,048    |
| Gross liquid assets                   | 2,193,579             | 2,656,699 | 3,167,238 |
| Stock                                 | 963,613               | 1,066,295 | 1,431,350 |

The £1 units of ordinary stock, standing at 80s. 1½d., ex dividend, yield £3 14s. 1½d. per cent.

### DOMINION OF CANADA

THREE AND A QUARTER PER CENT. REGISTERED STOCK, 1933-63.

For the purpose of preparing the Interest Warrants due 1st July, 1944, the BALANCES will be STRUCK on the evening of the 1st June, 1944, after which date the Stock will be transferred ex-dividend.

For BANK OF MONTREAL, Financial Agents of the Dominion of Canada in London.

EDWARD POPE, Manager.

47, Threadneedle Street, E.C. 2. 1st May, 1944.

### PROVINCE OF QUEBEC

FOUR AND A HALF PER CENT. REGISTERED STOCK, 1954.

For the purpose of preparing the Interest Warrants, due 1st July, 1944, the BALANCES will be STRUCK on the evening of the 1st June, 1944, after which date the Stock will be transferred ex-dividend.

For BANK OF MONTREAL, Financial Agents of the Province of Quebec in London.

EDWARD POPE, Manager.

47, Threadneedle Street, E.C. 2. 1st May, 1944.

### PROVINCE OF ONTARIO

THREE AND A HALF PER CENT. REGISTERED STOCK, 1946, and FOUR AND A HALF PER CENT. REGISTERED STOCK, 1945-65.

For the purpose of preparing the Interest Warrants due 1st July, 1944, the BALANCES will be STRUCK on the evening of the 1st June, 1944, after which date the Stock will be transferred ex-dividend.

For BANK OF MONTREAL, Financial Agents of the Province of Ontario in London.

EDWARD POPE, Manager.

47, Threadneedle Street, E.C. 2. 1st May, 1944.

### PROVINCE OF NEW BRUNSWICK

FOUR PER CENT. REGISTERED STOCK, 1949.

For the purpose of preparing the Interest Warrants due 1st July, 1944, the BALANCES will be STRUCK on the evening of the 1st June, 1944, after which date the Stock will be transferred ex-dividend.

For BANK OF MONTREAL, Financial Agents of the Province of New Brunswick in London.

EDWARD POPE, Manager.

47, Threadneedle Street, E.C. 2. 1st May, 1944.

### CITY OF REGINA

FIVE PER CENT. CONSOLIDATED REGISTERED STOCK, 1943-63.

For the purpose of preparing the Interest Warrants due 1st July, 1944, the BALANCES will be STRUCK on the evening of the 1st June, 1944, after which date the Stock will be transferred ex-dividend.

For BANK OF MONTREAL, Financial Agents of the City of Regina in London.

EDWARD POPE, Manager.

47, Threadneedle Street, E.C. 2. 1st May, 1944.

CANADIAN PACIFIC RAILWAY COMPANY (Incorporated in Canada with Limited Liability). CANADIAN PACIFIC RAILWAY FOUR PER CENT. CONSOLIDATED DEBENTURE STOCK. NEW BRUNSWICK RAILWAY FOUR PER CENT. DEBENTURE STOCK. CALGARY AND EDMONTON RAILWAY FOUR PER CENT. DEBENTURE STOCK. ATLANTIC AND NORTH-WEST RAILWAY FOUR PER CENT. 1st MORTGAGE REDEEMABLE DEBENTURE STOCK. In preparation for the payment of the half-yearly interest payable on the 1st July next, on the above Stocks, the transfer books will be closed on May 22nd and will be re-opened on July 3rd. F. J. WHIDDETT, Deputy Secretary. 8, Waterloo Place, Pall Mall, London, S.W. 1. 3rd May, 1944.

### THE ALEXANDRIA WATER COMPANY, LIMITED

NOTICE IS HEREBY GIVEN that a Dividend of Eleven Shillings per £5 Share on Coupon No. 111 will be paid without deduction of British Income Tax but less Egyptian Government and Alexandria Municipal Taxes amounting to 1s. 5.028d., making 9s. 6.972d. net, on and after the 15th April, 1944, at the National Bank of Egypt, in Alexandria at Rue Toussoun, or in London at 6, King William Street, E.C. 4.

Dated, Alexandria, Egypt, the 6th April, 1944.  
By Order of the Board.  
T. D. KEY  
ROBERT WALTON } Joint Managers.

### UNIVERSITY OF LONDON

The Senate invite applications for:—  
(1) University Readership in Social Studies tenable at Bedford College (Salary, not less than £800).  
(2) Chair of Social Institutions tenable at London School of Economics (Salary, not less than £1,000).  
Applications (10 copies) must be received not later than Monday, 22nd May, 1944, by the Academic Registrar, University of London, Richmond College, Richmond, Surrey, from whom further particulars should be obtained.



## COMPANY MEETINGS

## ROYAL EXCHANGE ASSURANCE

## 224th ANNUAL REPORT

## LORD BICESTER'S REVIEW

The two hundred and twenty-fourth annual general court of the Royal Exchange Assurance was held, on the 26th ultimo, at the Royal Exchange, London, E.C.

The Rt. Hon. Lord Bicester (the Governor) was in the chair.

The Governor, in the course of his speech, said:

## LIFE DEPARTMENT

Dealing first with the results of the Life department, the number of new policies issued amounted to 3,019, assuring £2,185,066, a figure which, after allowing for reinsurance, shows only a slight reduction upon the previous year. The premium income of £1,433,315 shows a slight increase. When it is remembered how stringently our outside staff has been curtailed, with the result that more and more business has to find its own way to us, I think we have good grounds for feeling that the service and protection that the Royal Exchange affords to its assured are very widely appreciated.

Shortly after the war began the Royal Exchange decided to include the risk of air attack in the terms of new policies issued on approved civilian lives, without extra premium. We realised that, although this decision was extending a facility of great practical service to the general public, it was one that must necessarily be subject to review from time to time. At that stage of the war the risk to the civil population of air attack, while unknown, might well have been grievous. So far your directors have fortunately not been called upon to reconsider their decision, and it is to be hoped it will not prove necessary for them to do so, and that our practice may be continued throughout the remaining stages of the war.

## INTEREST EARNINGS

I should perhaps also mention the figure of the gross interest earned, which was £670,661, being £4 3s. 8d. per cent. on the Life fund, compared with the figure of £4 4s. 8d. earned for 1942. The further decrease of 1s. per cent. compares favourably with the previous three years, when the average rate of decrease amounted to approximately 1s. 8d. per cent. Naturally it is not pleasant to see year by year this figure of interest yield decrease. The Life fund now amounts to over £16,500,000, and for all practical purposes all new money accumulating on this fund has, since the commencement of the war, been invested in loans raised by the British Government. These loans have, generally speaking, carried with them a rate of interest not exceeding 3 per cent. Indeed, for shorter dated securities, of which, for certain reasons, the Life fund must hold some proportion, the rate is no more than 2½ per cent.

With every curtailment in the field of investment, and for every decrease in our rate of interest, it is eventually the individual down to the smallest policyholder who suffers. For this reason, therefore, when victory has been won, I trust that amongst the many freedoms for which we are fighting, freedom of action for our financial institutions will eventually also be restored.

From the figures of our trustee and executor department you will see that the amount received in fees varies very little from that of the previous year.

## GOOD FIRE FIGURES

The results presented this year by our fire department are extremely good. The premium income has increased from £1,645,409 in the previous year to £1,814,678. It is probable that this increase is largely accounted for by the

higher values at present attaching to both goods and property, making additional insurance cover necessary. At home this tendency has been particularly marked. In the general foreign field, which term embraces the whole of our business abroad other than the United States of America, considerable expansion has also occurred.

In this connection it may interest you to know that, although so many countries in which we had important insurance interests still remain under the heel of our enemies, the premium income derived from the general foreign field exceeded that of the immediate pre-war year—namely, 1938. Meanwhile, I am happy to be able to tell you that business has been recommended—though only to a small extent at present—in territories until recently occupied by the enemy, while when the time comes again to operate in the countries still occupied it will be found that we have not been idle in the preparation of our plans.

## A PROFITABLE YEAR

As to the underwriting results, with the important exception of the United States, fire business generally both at home and abroad appears to have experienced a profitable year, and this general experience is reflected in our figures. Doubtless there has been a growing and helpful appreciation of the fact that fires directly retard the war effort, and a consequent concentration on measures to limit such outbreaks. At the same time, shortage of supplies of all kinds, and realisation of the difficulty and, in so many cases, impossibility of replacement doubtless contributes to the exercise of greater care being taken against the fire menace.

The actual figure of profit covering the whole of our fire business, including net interest of just under £40,000, amounts to £285,840, which amount has been transferred to profit and loss account. It is a fine result, and reflects the greatest credit upon all those of our executive and staff who are responsible for it. I should, I think, add that it can scarcely be hoped that this figure can be soon repeated.

I am again able to give you a favourable report upon the results of our marine department. As concrete evidence of this you will see that we have decided this year to transfer the sum of £75,000 to the general profit and loss account, an amount which is the largest transfer we have made for some years. But marine underwriting is a long-term business, and therefore it can easily occur that at times when results are definitely satisfactory one must also take into account future potentialities. In our present accounts we show a net premium income of £598,837 against a fund which stands at £1,165,460, that is a percentage cover of 194 per cent. For 1942 the relative figure was 132 per cent.

## ACCIDENT FIGURES

The Corporation has again experienced a satisfactory year in the Accident department, and the premium income at £1,053,935 is somewhat larger than the previous 12 months. The volume of motor-car insurance is of course still very restricted on account of war conditions, but the Corporation seems to be holding its fair share, and we are ready to develop again as soon as the opportunity occurs.

With the exception of increased compensation benefits to workpeople, I do not think the Employers' Liability section of our business calls for special comment. In previous addresses to you I have said that the cost of workmen's compensation insurance is regulated by agreement with the Home Office, and in cooperation with them the companies who, like ourselves, are members of the Accident Offices' Association agreed not to make any immediate

increase in the rates of premium, but that the additional benefits to workpeople should be absorbed in the calculations on which the premiums are annually adjusted. This adjustment will still result in a rebate to policyholders on renewal of their insurances during the current year. I mention this as showing a further instance of where private enterprise in collaboration with a Government department is serving the public need.

## PROFIT AND LOSS ACCOUNT

The combined departmental transfers together with the proprietors' valuation surplus, and a small amount accruing from transfer fees, amount to a total of £564,564 which I feel sure you will agree is a very satisfactory figure indeed. On the other side of the account—the expenditure side—we have made provision for taxation in the United Kingdom to the extent of £275,000. In spite, therefore, of this very successful year, the balance of profit and loss account of £1,292,445 which is carried to the balance sheet is in effect only some £90,000 more than the amount carried forward last year.

You have already been informed of your directors' recommendation to pay a final dividend of 19 per cent. for the year, and I shall presently seek your confirmation of this proposal. The dividend, together with an interim dividend of 11 per cent. paid in November last, will make a total amount of 30 per cent., less tax, on the capital stock of the Corporation for the year 1943.

I think we can all feel proud of the results that I have just been able to give you, but personally I feel even more satisfaction in the knowledge that they are based upon, and are the outcome of solid and broadening foundations.

## PART PLAYED BY BIG COMPANIES

There is a good deal of talk these days about the disadvantages of private enterprise, as compared with Government control. As I see our great insurance companies, they are big employers, their staffs are well looked after, working reasonable hours, having reasonable holidays, and looking forward to a pension when they retire; equally these great companies are most efficiently managed, and their worldwide business is a valuable asset to the country; moreover, their shareholders have also benefited through wise and conservative management.

One cannot see how these conditions would be improved upon if these big companies were ever administered by the Government. On the other hand, I think that if they ever came under Government control they would lose what is to-day an enormous advantage, and that is the personal pride and satisfaction which every one feels who is connected with these companies. I think the personal feeling which our staff has for the corporation is one of our greatest assets, and it is of incalculable value to every one concerned. In dealing with human beings it is surely a thousand pities to do anything that diminishes this personal element.

## STAFF ON SERVICE AND AT HOME

You of course know that a large number of our staff are away working in the many forms of service which a country waging total war must necessarily demand of its citizens. In each and every sphere of work, and wherever they may be, we extend to them our good wishes. To the relatives of those who have given their lives in our cause, we wish to send our respectful sympathy.

Finally, I know you will wish me to convey on your behalf, and on behalf of the members of your court, both our congratulations and thanks to our manager, the executive and staff, and to our local boards and agents both in this country and abroad, for the services they have rendered and the results they have achieved for the Royal Exchange Assurance during the year 1943.

The report and accounts were unanimously adopted.

## ARMY AND NAVY STORES LIMITED

## INCREASED DISTRIBUTION

The seventy-second annual general meeting of this company was held, on the 3rd instant, in London.

Major-General Guy Dawnay, C.B., C.M.G., D.S.O., M.V.O., the chairman, said: The final result shows a balance to appropriation account which, at £324,413, is no less than £138,370 higher than in the previous year. This profit, however, is arrived at before provision has been made for income tax, Indian excess profits tax, and National Defence Contribution. When these are provided for the distributable net profit is £76,860, against a distributable net profit last year of £65,293, or £11,567 more.

This, I think you will agree, is a satisfactory state of things in these difficult times, but I must point out that this increased distributable profit is not due to increased turnover in London nor to any other form of trading prosperity here, nor to any additional profits from our Indian branches.

## CURTAILMENT OF SERVICES

It is due partly to economies and to further curtailment of many of the services normally rendered to our customers. Of one such we are particularly conscious; it is a service which our customers now largely perform for themselves and which he stores rendered free in pre-war days. I refer to transport. A very large sum is saved yearly by customers taking their own vehicles—in most cases unwrapped. This assistance is most valuable to us, as it helps us to economise in manpower, petrol, and packing materials. Our increased profit is also due partly to the fact that a large part of the stores premises has been taken over by the Government, which has helped us, not only in the matter of the rent receivable, but also by relief in respect of rates, lighting, heating, cleaning and other expenses.

Although our Indian branches have helped to swell our figures, they have made no extra contribution to the distributable profit owing to the incidence of Indian excess profits tax and income tax.

Our recommendation is that the shareholders should receive 10 per cent.—that is 9d. per share—plus a bonus of 3d. per share, less tax. That is 2½ per cent. (or 2d.) per share more than last year.

## MODERNISATION AND ALTERATIONS

Reverting to the strength of our liquid position, one of the purposes for which we all require money is the general modernisation and other structural alterations of our buildings, which we had aimed to carry out when the war intervened with our programme. Nothing has happened in the past four or five years to use us to alter the beliefs which we then held and on which this programme was based. It is the opinion of your directors at a great future awaits the departmental premises situated in London and the large provincial towns. I wish to stress the fact that we have no wish whatever to drive all shopkeepers out of their business. They are essential to their districts and are in a better position to supply local needs than many commodities than are the big ones.

As regards the immediate future, I am not going to hazard a guess. Everything contingent on the duration of the war. regards the further future, given some approaching normal conditions, your directors have complete confidence in the prosperity of the stores after the war. Our policy will be a progressive one.

The report and accounts were unanimously adopted.

## B. MORRIS AND SONS, LIMITED

## IMPROVED POSITION

The annual general meeting of B. Morris and Sons, Limited, was held, on the 27th ultimo, in London.

Mr Arthur J. May (chairman and managing director) said: The profit and loss account, after providing for National Defence Contribution, shows a balance of £10,368, which is disposed of in the appropriation account as follows:—The balance of loss £2,270 is wiped out; income-tax and provision for future taxation absorbs £2,520; preference dividend net £1,750; and the proposed final dividend on the ordinary share capital £3,359, leaving for the first time for some years a balance forward of £468.

I mentioned last year that part of the 1942 profit was due to circumstances not likely to operate in 1943, so we could hardly anticipate doing so well in the following year. Also during the year our trade was affected by the fall in sales of pipe tobaccos. This was common to the trade as a whole, and the high price and shortage of pipes had a great deal to do with it. Increased cost of leaf and difficulty in obtaining more skilled workers for the cigar side also played a part.

We have wiped out the debit balance on the profit and loss account and completed writing off the cost of the air-raid shelter, which is, I might mention, a permanent addition to our building. The two items, together totalling £2,560, have been provided out of the year's profits, so that we start 1944 with a clean sheet and a small balance in hand, and we can look forward with confidence to the future. Our finances are in very good order, creditors being negligible.

The report was adopted and a dividend of 5 per cent. on the ordinary share capital approved.

## LONDON ASIATIC RUBBER AND PRODUCE COMPANY, LIMITED

## STRONG FINANCIAL POSITION

The annual general meeting of the London Asiatic Rubber and Produce Co., Limited, was held in London on the 1st instant.

In his address circulated with the accounts and report the chairman, Mr H. J. Welch, said: We still have no information concerning conditions on the company's estates.

The company's financial position is strong; the balance-sheet shows net liquid assets amounting to £360,605, after deducting £52,325 to make provision for certain liabilities actual or potential. The chief item of expenditure is the provision made for the estates staff. This provision has now been brought up to a considerable sum, and the annual charge will be very much less in future.

The revenue account shows a debit balance for the year of £8,830, which is less than the amount charged for provision for staff. This balance has been met by a transfer from the reserve for contingencies.

Much thought has been devoted by the Inland Revenue authorities and the Rubber Growers' Association and others to the question of taxation of companies whose activities have been interrupted by invasion, and such companies are now allowed to elect provisionally to be treated either as continuing trade or as having discontinued trade with an option to reverse their provisional election after the war if it is found that a reversal would be more favourable to them. This company has given provisional notice of discontinuance, and becomes entitled to relief from taxation otherwise assessable and to a refund of certain taxation previously paid estimated at £70,000.

The accounts were adopted unanimously.

## LEGAL &amp; GENERAL ASSURANCE SOCIETY LIMITED

Established 1836

## EXTRACT FROM REPORT &amp; ACCOUNTS FOR THE YEAR 1943

"At the Annual General Meeting held on 2nd May, the Chairman, Mr. Ernest E. Bird, in reviewing the business of the year, gave the following details."

|                                           | 1943               | 1942               |
|-------------------------------------------|--------------------|--------------------|
| New Life Policies Issued ... ..           | 10,114             | 12,996             |
| Net New Life Sums Assured ... ..          | £10,081,715        | £11,311,583        |
| New Deferred Annuities Effectuated ... .. | £860,822 per annum | £741,612 per annum |
| Consideration for Immediate Annuities...  | £522,503           | £525,363           |
| Net Life Premium Income ... ..            | £6,723,471         | £6,060,875         |
| Net Life Claims ... ..                    | £2,149,698         | £1,984,026         |
| Life Expense Ratio ... ..                 | 8.28%              | 9.70%              |
| Total Net Fire and Accident Premiums      | £671,036           | £631,073           |

## ASSETS EXCEED £67,000,000

CHIEF ADMINISTRATION, ALDWYCH HOUSE, LONDON, W.C.2.

General Manager: VERNON E. BOYS

## THE EASTERN BANK LIMITED

SIR JAMES LEIGH-WOOD'S STATEMENT

The annual general meeting of The Eastern Bank, Limited, will be held, on the 10th instant, at 2 and 3, Crosby Square, London, E.C.

The following is an extract from the statement by the chairman, Sir James Leigh-Wood, K.B.E., C.B., C.M.G., issued with the report and accounts:

The accounts now presented for your consideration closely follow in pattern those of other British banks operating in the East inasmuch as we record a substantial increase of £4,700,000 in current and deposit accounts, with a corresponding increase in cash of £1,700,000 and of £3,000,000 in securities. It is also encouraging to note an expansion of £400,000 in advances to customers. The fall of £360,000 in bills receivable is mainly due to a lower holding of Treasury bills. It will be noticed that freehold property in India shows a reduction of some £100,000, brought about by sales at advantageous prices; since the date of the balance-sheet further properties have been sold to our satisfaction.

### IMPROVED PROFIT

Turning to the profit and loss account, the net profit shown after making full provision for contingencies is £98,560, slightly greater than the corresponding figure for last year. The board have had under consideration the strengthening of the reserve fund, and from the profits of the year £50,000 has been so applied together with a further £50,000 released from contingencies fund, thus increasing the published reserve to £600,000.

The first interim dividend for 1943 was raised to 2½ per cent., while the second and final dividend was 3 per cent., thus making a total distribution for the year equal to 5½ per cent. on the paid-up capital as against 5 per cent. for the previous year. This is not a great increase, but no doubt it has met with approval by shareholders. The net result of these transactions is a carry-forward of £79,171 as against £85,610 brought into the account.

### CONDITIONS IN INDIA AND CEYLON

The commercial situation in India and Ceylon continues to be dominated by Government requirements. Exports consist mainly of commodities essential for the prosecution of the war, purchased by the Ministries concerned. We receive a fair portion of the resulting exchange. There is as yet no marked recovery in exports of commercial goods from this country to the East.

Attention has been drawn in the Press to a paper written by a group of Indian merchants and industrialists in which is set out the policy for a long-term development of their country. In the main I find myself in agreement with their aspirations.

### POSITION IN IRAQ

As you know, we have substantial interests in Iraq, and the story there is very similar to that of India. Heavy disbursements on behalf of the allied Governments resulting in a great expansion in the note currency have raised prices to a fantastic extent which press heavily on the cost of living, especially felt by those on fixed incomes. It is not easy to control prices in an Oriental country, but I am glad to see that delegates from Iraq are attending a conference in Cairo to discuss methods of checking inflation in the Middle East. It is understood that the Government of Iraq is considering the flotation of internal loans which should be beneficial by absorbing in some degree the floating cash surplus.

The statement concludes with a tribute to the general manager and staff and a brief reference to the retirement of Mr Montagu Norman.

## ANGLO-PALESTINE BANK, LIMITED

### POSITION OF ABNORMAL LIQUIDITY

### INDUSTRIAL DEVELOPMENT IN PALESTINE

### MR L. BRAUDO'S STATEMENT

The forty-second annual ordinary general meeting of the Anglo-Palestine Bank, Limited, was held at the bank's London office, Stafford House, 20, King William Street, London, E.C. 4, on the 1st instant, at 12 o'clock noon.

The following is the statement of the chairman, Mr. L. Braudo, circulated with the report and accounts:—

Following the prevailing custom, I am circulating the present statement, together with the report and accounts, to take the place of the chairman's address to the shareholders at the general meeting. As no such address has been published since the outbreak of war, it will be useful to state some facts and figures relative to the development of the bank and of the country in which its business is conducted.

### INFLATION IN THE MIDDLE EAST

The fact that considerable inflation prevails in all Middle Eastern countries is well known; it has been the subject of much comment. However, inflation in Palestine has been much more moderate than in any other Middle Eastern country; only Egypt can to some extent bear comparison with Palestine. In Syria, the Lebanon, Iraq, and Iran the cost-of-living and commodities price indices stand at present at anything from 500 to 1,000 (on the basis of a pre-war 100). They are constantly rising and show a position very different from that of Palestine, where the cost-of-living index stood at 248 in June, 1943, and stands at 233 at present.

What is perhaps more important, there are reasons to believe that the situation has not got out of hand. At the cost of some exertion and of considerable expenditure by way of subsidisation of a few essential commodities, it has been possible not only to prevent for the time being a further rise in the cost-of-living index, but also to bring about a moderate decrease. While it must be said that most probably much more could have been attained if greater and wider efforts had been made at an earlier time, as was done in the United Kingdom, it should not be forgotten that in all the surrounding countries controls are far less strict than in Palestine and that as a consequence the local authorities have found themselves to some extent hampered in their task.

I should also mention that direct taxation by way of income-tax was introduced in September, 1941, and that there is a considerable amount of saving, although only a small proportion of it has been canalised into direct purchase of Savings Certificates and Defence Bonds.

While it is difficult to measure the force of all the factors which may yet influence the situation, and prophecy would be rash, I think I may still say that there are grounds for a fair measure of confidence and for the expectation that on the whole inflation will not get out of hand, at least in Palestine. This gives us reason to hope that the problems presented by such deflation as will be unavoidable when more normal times return will be manageable.

### INDUSTRIAL AND AGRICULTURAL DEVELOPMENT

Much—I sincerely believe not too much—has been said and written about the remarkable development of industry in Palestine during the war, and the assistance it has been able to give to the armed Forces in the Middle East. The number of industrially employed persons has been more than doubled during the war. I am happy, and indeed proud, to be able to say that in the financing of this development we have played a leading part.

The same may equally be said of agriculture, which has considerably increased production.

The citrus growers have throughout the war been in a most unfortunate position. They have been unable to export, and they would not have been in a position to maintain their groves had the Government not stepped in and requested the banks to grant cultivation loans under fairly complete Government guarantee. At the end of each season the Government has made good its guarantee and again renewed it for a new loan. The result is that growers are accumulating large debts, and this has given rise to a problem that now forms the subject of official discussions. The area under citrus cultivation has been somewhat reduced and the loans granted being insufficient for full maintenance, crops are far below the normal level. However, with judicious care and further investment it is expected that a few years will suffice to bring the plantations back to full production, and European markets, once they return to more or less normal conditions, should easily be able to absorb orange crop. We have always taken an active part in the seasonal financing of this industry, and intend continuing to do so in the future.

### RISE IN DEPOSITS

General conditions prevailing in Palestine are faithfully reflected in the figures of the bank's accounts. Current, deposit and other accounts which stood at about £7,270,000 in the 1938 balance-sheet now appear at £25,446,000. There was a fairly big setback on the outbreak of war, and there were withdrawals on a further two or three occasions when military events in the Middle East gave rise to local concern; but since Alamein there has been a steep and uninterrupted increase.

There has been no concurrent demand for accommodation, and the aggregate items of loans and advances, bills discounted, and advances to subsidiary companies, which stood at about £3,951,000 in 1938, are now reduced to £3,172,000.

The accounts, therefore, show an unprecedented and, indeed, abnormal liquidity. Cash in hand and at bankers (nearly all in London) stands at about £10,450,000, being 41 per cent. of deposits. British Government securities (all of them relatively short-dated) stand at £11,828,000, being 46.5 per cent. of deposits.

The profit for the year amounts to £101,933, out of which £50,000 has been appropriated to contingencies reserve, this amount being somewhat in excess of last year's appropriation. The directors again recommend a dividend on the Ordinary and "A" Ordinary shares at 6 per cent., less tax, being the same rate as for the previous five years.

### DOMINION TAX RELIEF

However, through the incidence of Dominion income-tax relief, the net benefit to shareholders will be considerably greater than the apparent rate of dividend.

This is the first year in which we have been able to pass on to shareholders the Dominion income-tax relief, and although we have already drawn shareholders' attention to the matter in our last two annual reports, I feel that I should take this opportunity to explain the position in somewhat greater detail.

Income-tax was introduced in Palestine in September, 1941. The rate of tax on companies for the fiscal year ended March 31, 1942, was fixed at 10 per cent. (2s. in the £), but as only seven months of the fiscal year remained, the effective rate was seven-twelfths of 10 per cent.

(1s. 2d. in the £). The rate was increased in April, 1942, to 15 per cent. (3s. in the £), and in April, 1943, to 25 per cent. (5s. in the £). The bank is liable to both United Kingdom and Palestine income-tax, but under the reciprocal arrangements between the Empire countries the bank obtains in the United Kingdom relief in respect of Palestine tax to a maximum of one-half of the United Kingdom rate.

This relief the bank is bound to pass on to its shareholders by reducing the rate of tax deducted from dividends (Finance Act, 1920, Section 27).

The computation of the relief granted and the further computation of the relief to be passed on to the shareholders are very intricate matters, and only during a few weeks have these rates of relief been agreed with the Inland Revenue. The relief to be passed on in respect of 41 is 10½d. in the £, and in respect of 42 is 6½d. in the £. For 1943 the rate of relief has been fixed provisionally at 2s. 0½d. This accumulated relief of 6d. is being passed on to the shareholders in the 1943 Ordinary and "A" Ordinary dividend, with the result that read of receiving their dividends under deduction of 10s. income-tax they will receive it under deduction of 5s. 6d. (10s. relief 4s. 6d.), making a net tax-free sum of 4.35 per cent. instead of 3 per cent.

The Dominion income-tax relief to deference shareholders will be passed the next dividends payable. In future years the passing on of interim income-tax relief will be a regular feature in dividend payments.

It is now some years since circumstances made it a desirable precaution to continue interim Ordinary dividends. In view of unforeseen developments it is in directors' intention to resume payment of interim dividends (in about the 1st of October) and I am sure our shareholders will welcome such decision.

### CONFIDENCE IN THE FUTURE

You may perhaps expect me to say a few words about our future prospects. It would be very difficult for me, as a banker, to say that the future is bright, but I am sure that the conditions will naturally depend on general post-war trends and even more on the decisions concerning the political future of the country, which are still in

the balance. Given large and well-directed immigration and consequent opportunities of enlightened development under a firm administration, we may confidently look forward to considerable progress. As you are aware, our bank has always taken a broad view of its duties and of its responsibilities, and I am glad to be able to say that we have at all times found that the true interests of our depositors, of our shareholders and of the public which we serve are really concurrent and readily shape themselves into one single broad policy. It is in this same spirit that we face the future.

## AMALGAMATED METAL CORPORATION, LIMITED

### MR WALTER GARDNER'S STATEMENT

The fifteenth ordinary general meeting of Amalgamated Metal Corporation, Limited, will be held on the 10th instant at 95, Gresham Street, London, E.C.

The following is the statement of the chairman, Mr Walter Gardner, which was circulated with the report and accounts:

After the death of Sir Edward Beatty, and since the last annual general meeting, Mr W. S. Rugh was elected a director. Mr Rugh is vice-president in charge of sales of the Consolidated Mining and Smelting Company of Canada, Limited, with whom we have had the most cordial relations for many years.

There is really nothing fresh for me to tell you. Current conditions continue to restrict severely the opportunities of earning revenue. The figures in the accounts speak for themselves, but you will note that on this occasion we have recommended for distribution nearly the full combined earnings of the constituent companies during the past year. We feel justified in this course by the fact that in previous years we have added substantially to the undivided profits of the concern as a whole.

In conclusion, I wish to thank all associated with our joint concerns for their continuing good work. Our chief function is to render service, and without intelligent co-operation on the part of all that would not be possible.

## RECORDS and STATISTICS

### INVESTMENT

#### Stock Exchanges: London

#### "FINANCIAL NEWS" INDICES

| 1944  | Total Bargains in S.E. List | Corres. Day 1943 | Security Indices |                | Yields      |             |
|-------|-----------------------------|------------------|------------------|----------------|-------------|-------------|
|       |                             |                  | 30 Ord. shares*  | 20 Fixed Int.† | Old Consols | Ord. Shares |
| 127.2 | 5,294                       | 5,323            | 106.8            | 134.4          | 3.27        | 3.91        |
| 28.1  | 5,903                       | 4,991            | 107.0            | 134.4          | 3.27        | 3.90        |
| 1.1   | 8,157                       | 6,793            | 107.4            | 134.4          | 3.27        | 3.89        |
| 2.2   | 7,100                       | 5,653            | 107.5            | 134.5          | 3.27        | 3.89        |
| 3.1   | 6,825                       | 5,516            | 107.9            | 134.5          | 3.27        | 3.87        |

July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1944: highest, 107.9 (27.10.43); lowest, 103.0 (Feb. 28). 20 Fixed Int., 1944: highest, 135.4 (Feb. 23); lowest, 134.0 (Jan. 3).

### New York

#### STANDARD STATISTICS INDICES

#### DAILY AVERAGE OF 50 COMMON STOCKS

| 1944  | Average | Transactions | 1944 April 25... | Average | Transactions |
|-------|---------|--------------|------------------|---------|--------------|
|       |         |              |                  |         |              |
| 114.1 | 116.1   | 491,000      | 114.9            | 114.9   | 553,000      |
| 22.1  | 116.1   | 258,000*     | 115.1            | 115.1   | 492,000      |
| 24.1  | 116.0   | 688,000      | 115.8            | 115.8   | 520,000      |

H: High, 121.2 (Mar. 18). Low, 113.8 (Feb. 8). \* Two-hour session.

## NORTH BRITISH AND MERCANTILE INSURANCE COMPANY, LIMITED

### ANOTHER GOOD YEAR

The annual general meeting of North British and Mercantile Insurance Company, Limited, will be held on the 11th instant at Edinburgh.

The following are extracts from the statement by the deputy chairman (The Hon. Arthur O. Crichton) circulated with the report:—

The net new business for 1943 in the life department amounted to £2,237,697 as compared with £2,394,670 for the previous year. Claims by death or maturity mounted to £2,498,527 after deducting re-assurances.

The premium income in the fire department at £3,744,618 showed an increase of £104,130, while the loss ratio of 44.37 per cent. was higher by 1.35 per cent. Expenses were 45.69 per cent. against 48.80 per cent. in 1942.

Our casualty business is transacted by the Railway Passengers Assurance Company. The premium income at £1,385,800 was £96,075 higher than in 1942, and the loss ratio at 46.04 per cent. was down by .33 per cent.

Premiums of The Ocean Marine Insurance Company at £731,129 were less by £355,015. Claims and expenses together were correspondingly lower. £100,000 has been transferred to profit and loss account from profits of past years now closed.

The premium income of The Fine Art and General Insurance Company at £421,211 was £39,809 higher than in 1942 and the loss ratio at 34.28 per cent. was lower by 14.05 per cent. The underwriting profit was 28.48 per cent. compared with 14.83 per cent. in the previous year.

The combined underwriting profit, fire, casualty and marine, was £677,794 against £623,004 in the previous year. The directors are pleased to be able once again to submit such good results. We are recommending the same rate of dividend as last year.

### (WEEKLY AVERAGES) (1935-36=100)

|                      | 1944        |              | April 12, 1944 | April 19, 1944 | April 26, 1944 |
|----------------------|-------------|--------------|----------------|----------------|----------------|
|                      | Low Mar. 15 | High Mar. 15 |                |                |                |
| 37 Industrials ..... | 95.1 (a)    | 99.7         | 97.5           | 95.3           | 95.7           |
| 32 Rails .....       | 88.9 (a)    | 101.2 (c)    | 99.5           | 95.1           | 95.9           |
| 40 Utilities .....   | 85.0        | 88.9 (d)     | 87.8           | 86.7           | 86.9           |
| 419 Stocks .....     | 95.6 (a)    | 97.9         | 96.1           | 94.0           | 94.3           |
| Av. yield % .....    | 4.83 (e)    | 4.60         | 4.72           | 4.83           | 4.80           |

\* Common Stocks. (a) Feb. 9. (b) Jan. 5. (c) Mar. 22. (d) Mar. 8. (e) Feb. 23.

### Capital Issues

| Week ending May 6, 1944                              | Nominal Capital £     | Conversions £         | New Money £ |
|------------------------------------------------------|-----------------------|-----------------------|-------------|
| Particulars of Government issues appear on page 629. |                       |                       |             |
| Year†                                                | Including Conversions | Excluding Conversions |             |
| 1944 .....                                           | 485,642,877           | 474,950,221           |             |
| 1943 .....                                           | 608,498,224           | 594,327,140           |             |

### Destination\*

### Nature of Borrowing\*

| Year†      | U.K.        | Brit. Emp. ex. U.K. | Foreign Countries | Deb.        | Pref.     | Ord.      |
|------------|-------------|---------------------|-------------------|-------------|-----------|-----------|
| 1944 ..... | 474,619,500 | 330,721             | Nil               | 471,312,402 | 2,015,289 | 1,622,530 |
| 1943 ..... | 576,203,730 | 1,375,685           | Nil               | 588,264,250 | 659,837   | 6,405,947 |

\* Conversions Excluded. † Includes Government issues to April 25, 1944, only. Above figures include all new capital in which permission to deal has been granted.



## ACTUARIES' INVESTMENT INDEX

| Group and Number of Securities      | Price Indices (Dec. 31, 1928=100) |                |               |                | Average Yields (Per Cent.) |               |                |  |
|-------------------------------------|-----------------------------------|----------------|---------------|----------------|----------------------------|---------------|----------------|--|
|                                     | April 27, 1943                    | Sept. 28, 1943 | Mar. 28, 1944 | April 25, 1944 | April 27, 1943             | Mar. 28, 1944 | April 25, 1944 |  |
| 2½% Consols (1)                     | 144.7                             | 140.4          | 140.4         | 140.3          | 3.08                       | 3.18          | 3.18           |  |
| Home Corps. (4)                     | 143.3                             | 141.9          | 141.9         | 141.7          | 3.25                       | 3.28          | 3.29           |  |
| Ind. Dbs. All (42)                  | 121.9                             | 121.1          | 122.3         | 122.3          | 3.89                       | 3.86          | 3.86           |  |
| Ind. Pref. All (101)                | 112.7                             | 117.0          | 113.7         | 113.5          | 4.30                       | 4.27          | 4.27           |  |
| Bank and Misl. (10)                 | 114.1                             | 114.8          | 120.2         | 120.3          | 3.97                       | 3.77          | 3.77           |  |
| Insurance (10)                      | 100.5                             | 107.3          | 111.1         | 114.0          | 4.13                       | 3.76          | 3.66           |  |
| Coal (8)                            | 96.5                              | 104.8          | 94.9          | 97.3           | 5.72                       | 6.31          | 6.16           |  |
| Cotton (5)                          | 44.7                              | 46.5           | 47.9          | 47.9           | 3.41                       | 3.37          | 3.37           |  |
| Elect. Light & Power (46)           | 113.4                             | 115.1          | 117.6         | 117.5          | 4.22                       | 3.97          | 3.97           |  |
| Gas (8)                             | 91.7                              | 101.8          | 100.3         | 99.4           | 3.17                       | 3.69          | 3.69           |  |
| Total Production (90)               | 76.3                              | 80.4           | 79.4          | 80.0           | 4.53                       | 4.68          | 4.65           |  |
| Home Rails (4)                      | 78.8                              | 77.7           | 76.0          | 75.1           | 5.48                       | 6.01          | 6.05           |  |
| Brewery & Dist. (20)                | 138.4                             | 144.5          | 146.8         | 148.4          | 4.44                       | 4.25          | 4.20           |  |
| Miscellaneous (20)                  | 69.7                              | 72.6           | 73.3          | 74.0           | 4.04                       | 3.92          | 3.88           |  |
| Industrials—<br>(All Classes) (158) | 75.1                              | 79.4           | 78.8          | 79.7           | 4.38                       | 4.41          | 4.40           |  |

## INDUSTRY AND TRADE

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

|                  | Mar. 31, 1937 | Aug. 30, 1939 | April 27, 1943 | April 3, 1944 | April 25, 1944 |
|------------------|---------------|---------------|----------------|---------------|----------------|
| Cereals and Meat | 93.0          | 66.9          | 110.6          | 109.2         | 109.3          |
| Other Foods      | 70.4          | 61.1          | 107.5          | 107.3         | 107.3          |
| Textiles         | 74.2          | 54.3          | 93.5           | 92.7          | 101.7          |
| Minerals         | 113.2         | 95.4          | 135.9          | 139.7         | 139.7          |
| Miscellaneous    | 87.0          | 77.6          | 126.7          | 129.0         | 129.0          |
| Complete Index   | 87.2          | 70.3          | 114.6          | 115.2         | 117.3          |
| 1913=100         | 119.9         | 90.8          | 157.3          | 158.5         | 161.3          |

\* Highest level reached during 1932-37 recovery.

## RETAIL FOOD PRICES

|                                           | Average price per lb. at |              |              | Per Cent. Increase since Sept. 1, 1939 |
|-------------------------------------------|--------------------------|--------------|--------------|----------------------------------------|
|                                           | Sept. 1, 1939            | Mar. 1, 1944 | Apr. 1, 1944 |                                        |
| Beef, British—                            |                          |              |              |                                        |
| Ribs                                      | 1 2½                     | 1 3½         | 1 3½         | 11                                     |
| Thin Flank                                | 0 7½                     | 0 9½         | 0 9½         | 27                                     |
| Beef, chilled or frozen—                  |                          |              |              |                                        |
| Ribs                                      | 0 9½                     | 1 1          | 1 1          | 35                                     |
| Thin Flank                                | 0 4½                     | 0 6          | 0 6          | 23                                     |
| Mutton, British—                          |                          |              |              |                                        |
| Legs                                      | 1 3½                     | 1 5½         | 1 5½         | 13                                     |
| Breast                                    | 0 7½                     | 0 8          | 0 8          | 8                                      |
| Mutton, frozen—                           |                          |              |              |                                        |
| Legs                                      | 0 10½                    | 1 0          | 1 0          | 16                                     |
| Breast                                    | 0 4                      | 0 4          | 0 4          | —                                      |
| Fish                                      | 1 3                      | 1 10½        | 1 10½        | 50                                     |
| Flour (per 7 lb.)                         | 0 11½                    | 1 2½         | 1 2½         | 29                                     |
| Bread (per 4 lb.)                         | 0 8½                     | 0 9          | 0 9          | 9                                      |
| Tea                                       | 2 4                      | 2 10         | 2 10         | 21                                     |
| Sugar (gran.)                             | 0 3                      | 0 4          | 0 4          | 32                                     |
| Milk (per qt.)                            | 0 6½                     | 0 9          | 0 9          | 32                                     |
| Butter (salt)                             | 1 4½                     | 1 8          | 1 8          | 21                                     |
| Cheese                                    | 1 3½                     | 1 1          | 1 1          | 30                                     |
| Margarine, special                        | 0 10                     | 0 9          | 0 9          | —                                      |
| " standard                                | 0 6½                     | 0 5          | 0 5          | 12                                     |
| Eggs, fresh (each)                        | 0 1½                     | 0 1½         | 0 1½         | —                                      |
| Potatoes (per 7 lb.)                      | 0 2                      | 0 2          | 0 2          | 1                                      |
| Index all foods weighted (July, 1914=100) | 138                      | 168          | 168          | 22                                     |

Source: Ministry of Labour Gazette.

"The Economist" Sensitive Index.—There was no change in the index during the week ended May 3rd. The complete index (1935 = 100) was 158.6; crops 135.6; and raw materials 185.5.

**Non-Ferrous Smelters Association.**—An association comprising the British smelters of the primary ores of aluminium, antimony, magnesium, tin, zinc and the precious metals has been formed. Its object is "The consideration and furtherance of the common interests in the maintenance and development of the non-ferrous smelting industry in Britain." The following companies are members of the Association: The British Aluminium Company, Ltd.; British Tin Smelting Company, Ltd.; Copper Pass and Son, Ltd.; Consolidated Tin Smelters, Ltd.; Goodlass Wall and Lead Industries, Ltd.; Imperial Smelting Corporation, Ltd.; Johnson, Matthey and Company, Ltd.; Magnesium Elektron, Ltd.; South Wales Aluminium Company, Ltd.

**Coal Output.**—The output of saleable coal in the four weeks ended April 15th averaged 3,204,900 tons, compared with 3,637,000 tons per week in the previous four weeks. Disputes accounted for an average loss of 325,700 tons a week. The pro-

duction from opencast workings averaged 124,000 tons per week, compared with 108,300 tons per week during the previous four weeks. Leicestershire and Derbyshire qualify for the output bonus, at rs. 9d. and 9d. per shift respectively. Approximately 13,800 miners are eligible.

**Bedding Supplies.**—The Board of Trade have arranged for people who have lost their homes by bombing or who are setting up house, to apply for priority dockets for sheets, blankets and mattresses at the same time as they apply for permits for utility furniture. It is hoped to introduce this scheme, of which further details will be published later, during June. About three-quarters of supplies will be outside the docket scheme and therefore available for the general public.

## FINANCE AND BANKING

**THE MONEY MARKET.**—The countermeasures taken by the authorities to offset the repayment of Conversion 5 per cent. loan on May 1 (discussed in a note on page 619) have proved more than adequate and credit has been in short supply during the week. The Bank return shows that despite the big payments made by the Government on Monday, bankers' deposits had by Wednesday fallen to £158,585,000, a drop of £39,894,000 on the total shown in the previous return. The main counterpart to this movement is a fall of £36,360,000 in Government securities, a movement which veils the modest help given to the market this week by way of special purchases of bills. The note circulation continues to expand and at £1,129,170,000 is £4,697,000 higher on the week. The latest expansion leaves only £21,071,000 of unissued notes in reserve and a further increase in the fiduciary issue thus appears to be in the offing. The banks were called upon to pay about £60,000,000 of fresh money against Treasury Deposit Receipts this week, while Treasury bill payments of £110,000,000 were £20,000,000 in excess of the current maturities. The market syndicate obtained a 37 per cent. allotment in its applications for this week's bills and, since it applied for the whole of the bills on offer, must have taken up rather more than £40,000,000—a figure which helps to explain the difficulty experienced in balancing the books this week.

**MONEY RATES, LONDON.**—The following rates remained unchanged between April 28th and May 4th:—

Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days, 1½%; 3 months, 1¾%; 6 months, 1¾%; 12 months, 1¾%; Treasury Bills: 2 months, 1½%; 3 months, 1½%; 6 months, 1½%; 12 months, 1½%. Short Loans, 1½%. Bank deposit rates, 1½%. Discount deposit at call, 1½%; at notice, 1½%.

**Exchange Rates.**—The following rates fixed by the Bank of England remained unchanged between April 28th and May 4th. (Figures in brackets are par of exchange).

United States. \$ (4.86) 4.02½-03½; mail transfers 4.02½-03½. Canada. \$ (4.86) 4.43-47; mail transfers 4.43-47. Switzerland. Francs (25.24) 17.30-40. French Empire. Francs 197½-200½. Syria. p. 8.81-85. Sweden. Krona (18.159) T.T. 16.85-95. Dutch West Indies. Florin (12.11) 7.58-62. Portugal. Escudos (110) 99.80-100.20; mail transfers 99.80-100.30. Panama. 100-04; mail transfers 4.02-04½. Brazil. 83.64½ cr. (buying); mail transfers 83.56½. Uruguay. 7.6597 p. (buying).

**Fixed Rates for Payment at Bank of England for Clearing Offices.** Spain. Pesetas 44.00. Turkey. Liras 520. Italy. 71.25 lire.

**Market Rates.**—The following rates remained unchanged between April 28th and May 4th.

Egypt. Piastres (87½) 97½-1. India. Rupee (18d. per rupee) 17½-18½. Belgian Congo. Francs 176½-2. China. National \$3-3½. Iran. Rl. 128-130.

**Special Accounts** are in force for Chile, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London. Rate for payment into Argentine special account: 16.13 pesos.

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

## NEW YORK EXCHANGE RATES

| New York on    | April 26 | April 27 | April 28 | April 29 | May 1  | May 2  | May 3  |
|----------------|----------|----------|----------|----------|--------|--------|--------|
| Cables:—       |          |          |          |          |        |        |        |
| London         | 402½     | 402½     | 402½     | 402½     | 402½   | 402½   | 402½   |
| Montreal       | 90-125   | 90-125   | 90-100   | 90-125   | 90-125 | 90-125 | 90-125 |
| Zurich         | 27-00    | 26-00    | 26-00    | 26-00    | 25-00  | 25-00  | 23-50  |
| Buenos Aires   | 25-05*   | 25-05*   | 25-05*   | 25-05*   | 25-05* | 25-05* | 24-97* |
| Rio de Janeiro | 5-16     | 5-16     | 5-16     | 5-16     | 5-16   | 5-16   | 5-16   |
| Lisbon         | 4-10     | 4-10     | 4-10     | 4-10     | 4-10   | 4-09   | 4-09   |
| Barcelona      | 9-20     | 9-20     | 9-20     | 9-20     | 9-25   | 9-25   | 9-25   |
| Stockholm      | 23-86    | 23-86    | 23-86    | 23-86    | 23-86  | 23-86  | 23-86  |

\* Official Buying Rate 29.78. † Free Rate. ‡ Bid.

## FINANCING EXPENDITURE

The following table summarises the Exchequer returns to date (April 29th), and shows the respective shares of revenue and borrowing in meeting expenditure. The items shown as net are given after allowing for repayments and receipts:

| (£000)                      |         | (£000)                      |         |
|-----------------------------|---------|-----------------------------|---------|
| Total ordinary expenditure  | 452,971 | Total ordinary revenue      | 189,971 |
| New sinking funds           | 233     | Loans raised:—              |         |
| Loans repaid:—              |         | 3% Def. Bonds (net)         | 8,022   |
| Other debt (external) (net) | 1,954   | 3% Savings Bonds, 1960-70   | 29,510  |
| 3% Term annuity             | 1,480   | 2½% Nat. War Bds., 1952-54  | 64,150  |
| Miscellaneous issues        | 1,250   | Nat. Sav. Certs. (net)      | 20,700  |
| Increase in balances        | 717     | Tax Reserve Certs. (net)    | 18,884  |
|                             |         | Other debt (internal) (net) | 1,199   |
|                             |         | Floating debt (net):—       |         |
|                             |         | Treasury Bills              | 69,614  |
|                             |         | Public Dpt. Adv.            | 15,955  |
|                             |         | Treasury Deposits           | 41,500  |
|                             |         |                             | 126,069 |
|                             |         |                             | 458,605 |

## GOVERNMENT RETURNS

For the week ended April 29, 1944, total ordinary revenue was £61,105,000, against ordinary expenditure of £123,545,000, and issues to sinking funds of £20,000. Thus, including sinking fund allocations £232,965, the deficit accrued since April 1st is £264,133,000 against £319,348,000 for the corresponding period a year ago.

## ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

| Revenue                         | Receipts into the Exchequer (£ thousands) |                           |                        |                           |
|---------------------------------|-------------------------------------------|---------------------------|------------------------|---------------------------|
|                                 | April 1 to May 1, 1943                    | April 1 to April 29, 1944 | Week ended May 1, 1943 | Week ended April 29, 1944 |
| ORDINARY REVENUE                |                                           |                           |                        |                           |
| Income Tax                      | 70,819                                    | 55,769                    | 12,368                 | 10,699                    |
| Sur-tax                         | 4,452                                     | 3,600                     | 490                    | 650                       |
| Estate, etc.                    | 8,728                                     | 9,408                     | 1,315                  | 2,480                     |
| Duties                          | 590                                       | 452                       | 222                    | 222                       |
| Stamps                          | 1,778                                     | 1,391                     | 370                    | 275                       |
| N.D.C.                          | 29,335                                    | 29,124                    | 5,460                  | 6,325                     |
| Other Inland Rev.               | 60                                        | 10                        | 20                     | 10                        |
| Total Inland Rev.               | 115,762                                   | 99,754                    | 20,023                 | 20,661                    |
| Customs                         | 35,489                                    | 40,113                    | 2,477                  | 8,493                     |
| Excise                          | 41,991                                    | 42,700                    | 26,191                 | 29,700                    |
| Total Customs & Excise          | 77,480                                    | 82,813                    | 28,668                 | 38,193                    |
| Motor Duties                    | 1,015                                     | 1,212                     | —                      | 220                       |
| Post Office (Net Receipts)      | 400                                       | —                         | Dr. 200                | —                         |
| Wireless Licenses               | 300                                       | 320                       | 300                    | 320                       |
| Crown Lands                     | 140                                       | 140                       | —                      | 140                       |
| Receipts from Sundry Loans      | 344                                       | 60                        | 1,882                  | 1,571                     |
| Miscell. Receipts               | 6,510                                     | 4,772                     | —                      | —                         |
| Total Ord. Rev.                 | 201,951                                   | 189,071                   | 50,673                 | 61,105                    |
| SELF-BALANCING P.O. & Brdcastg. | 8,700                                     | 9,000                     | 2,900                  | 3,400                     |
| Total                           | 210,651                                   | 198,071                   | 53,573                 | 64,505                    |

| Expenditure                     | Issues out of the Exchequer to meet payments (£ thousands) |                           |                        |                           |
|---------------------------------|------------------------------------------------------------|---------------------------|------------------------|---------------------------|
|                                 | April 1 to May 1, 1943                                     | April 1 to April 29, 1944 | Week ended May 1, 1943 | Week ended April 29, 1944 |
| ORDINARY EXPENDITURE            |                                                            |                           |                        |                           |
| Int. & Man. of Nat. Debt        | 53,669                                                     | 38,679                    | 18,733                 | 1,116                     |
| Payments to N. Ireland          | 335                                                        | 332                       | —                      | 332                       |
| Other Cons. Fund Services       | 267                                                        | 266                       | 8                      | 234                       |
| Total                           | 54,271                                                     | 39,277                    | 18,741                 | 1,681                     |
| Supply Services                 | 466,565                                                    | 413,694                   | 102,465                | 121,864                   |
| Total Ord. Exp.                 | 520,836                                                    | 452,971                   | 121,206                | 123,545                   |
| SELF-BALANCING P.O. & Brdcastg. | 8,700                                                      | 9,000                     | 2,900                  | 3,400                     |
| Total                           | 529,536                                                    | 461,971                   | 124,106                | 126,945                   |

A change has been made in the method of showing in excess of Post Office Expenditure over Post Office Revenue. Such excess is now included as ordinary expenditure (under "Total Supply Services") instead of being shown, as up to July 24 inclusive, as a deduction from ordinary revenue.

## NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BOND SUBSCRIPTIONS

| Week ended     | N.S.C.     | 3% Defence Bonds | 3% Savings Bonds | 2½% War Bonds 1952-54 |
|----------------|------------|------------------|------------------|-----------------------|
| Feb. 22        | 4,982      | 1,584            | 4,047            | 3,594                 |
| " 29           | 4,492      | 1,613            | 3,649            | 6,197                 |
| Mar. 7         | 4,708      | 1,830            | 5,024            | 5,624                 |
| " 14           | 4,571      | 1,588            | 3,727            | 8,887                 |
| " 21           | 4,284      | 1,655            | 4,934            | 14,992                |
| " 28           | 5,565      | 1,776            | 22,288           | 52,832                |
| April 4        | 8,588      | 3,689            | 20,704           | 45,595                |
| " 11           | 4,208      | 1,548            | 4,327            | 10,209                |
| " 18           | 4,593      | 1,613            | 6,903            | 13,566                |
| " 25           | 5,275      | 5,302            | 7,520            | 15,559                |
| May 2          | —          | —                | 14,936           | 30,377                |
| Totals to date | 1,080,729* | 685,636*         | 1,562,187½       | 430,249½              |

\* 231 weeks. † 174 weeks. ‡ 35 weeks. § Including all Series.

Interest free loans received by the Treasury up to May 2nd amounted to a total value of £66,518,740. Up to Mar. 31st principal of Savings Certificates to the amount of £149,522,000 has been repaid.

## MONTH'S CHANGES IN DEBT

| (£000)                 |         | (£000)          |       |
|------------------------|---------|-----------------|-------|
| NET INCREASES          |         | NET REPAYMENTS  |       |
| Treasury Bills         | 69,614  | 3% Term Annuity | 1,480 |
| Nat. Sav. Certs.       | 20,700  | Other Debt:—    |       |
| 3% Def. Bonds          | 8,022   | External        | 1,954 |
| 2½% Nat. War Bds.      | —       |                 |       |
| 1952/54                | 64,150  |                 |       |
| 3% Sav. Bonds, 1960-70 | 29,510  |                 |       |
| Other Debt:—           |         |                 |       |
| Internal               | 1,199   |                 |       |
| Ways & Means Adv.      | 15,955  |                 |       |
| Treasury Deposits      | 41,500  |                 |       |
| Tax Res. Certs.        | 18,884  |                 |       |
|                        | 269,534 |                 | 3,434 |

## FLOATING DEBT

| (£ millions) |                |        |                         |                 |                            |                     |
|--------------|----------------|--------|-------------------------|-----------------|----------------------------|---------------------|
| Date         | Treasury Bills |        | Ways and Means Advances |                 | Treasury Deposits by Banks | Total Floating Debt |
|              | Tender         | Tap    | Public Depts.           | Bank of England |                            |                     |
| 1943         |                |        |                         |                 |                            |                     |
| May 1 1944   | 1005.0         |        | Not available           |                 |                            |                     |
| Jan. 29      | 1180.0         | 1936.2 | 290.6                   | ...             | 1390.0                     | 4796.8              |
| Feb. 5       | 1170.0         |        | Not available           |                 |                            |                     |
| " 12         | 1170.0         |        | " "                     |                 |                            |                     |
| " 19         | 1170.0         |        | " "                     |                 |                            |                     |
| " 26         | 1170.0         | 1946.9 | 340.3                   | 52.3            | 1376.0                     | 4865.5              |
| Mar. 4       | 1170.0         |        | Not available           |                 |                            |                     |
| " 11         | 1170.0         |        | " "                     |                 |                            |                     |
| " 18         | 1170.0         |        | " "                     |                 |                            |                     |
| " 25         | 1170.0         |        | " "                     |                 |                            |                     |
| " 31         | 3,149.1        |        | 394.5                   | ...             | 1389.5                     | 4933.1              |
| April 6      | 1170.0         |        | Not available           |                 |                            |                     |
| " 14         | 1170.0         |        | " "                     |                 |                            |                     |
| " 21         | 1180.0         |        | " "                     |                 |                            |                     |
| " 28         | 1200.0         | 2018.3 | 410.4                   | ...             | 1431.0                     | 5059.7              |

| Close                     |                 | Close                                |               | Close                |               | Close |     |
|---------------------------|-----------------|--------------------------------------|---------------|----------------------|---------------|-------|-----|
| April                     | May             | April                                | May           | April                | May           | April | May |
| <b>1. Railroads.</b>      |                 | <b>3. Commercial and Industrial.</b> |               |                      |               |       |     |
| Atlantic Coast.....       | 25 2            | Am. Smelting.....                    | 25 2          | Int. Paper.....      | 121 14        |       |     |
| Can. Pacific.....         | 36 38           | Am. Viscose.....                     | 56 1/2 37     | Liggett Myers.....   | 75 1/2 73     |       |     |
| Gt. Nthn. Pl.....         | 80 1 8 1/2      | Anaconda.....                        | 40 1/2 41     | Nat. Distillers..... | 31 1/2 32     |       |     |
| N.Y. Central.....         | 303 31 1/2      | Beth. Steel.....                     | 25 1/2 25 1/2 | Nat. Steel.....      | 58 1/2 58 1/2 |       |     |
| Pennsylvania.....         | 178 17 1/2      | Briggs Mfg.....                      | 57 59         | Phelps Dodge.....    | 20 1/2 21     |       |     |
| Southern.....             | 28 28 1/2       | Celanese of A.....                   | 29 1/2 30 1/2 | Proct. Gamble.....   | 52 1/2 53     |       |     |
|                           | 22 1/2 22 1/2   | Chrysler.....                        | 31 1/2 32 1/2 | Sears Roebuck.....   | 87 1/2 89 1/2 |       |     |
|                           |                 | Distillers-Seg.....                  | 80 1/2 82     | Shell Union.....     | 27 26         |       |     |
| <b>2. Utilities, etc.</b> |                 | Eastman Kkk.....                     | 30 1/2 33     | Std. Oil N.J.....    | 52 1/2 54 1/2 |       |     |
| Amer. Tel.....            | 157 1/2 157 1/2 | Gen. Electric.....                   | 158 158 1/2   | 20th Cen. Fox.....   | 22 23 1/2     |       |     |
| Int. Tele.....            | 13 13 1/2       | Gen. Motors.....                     | 35 1/2 35 1/2 | United Drug.....     | 12 12 1/2     |       |     |
| Pacific Light.....        | 42 42 1/2       | Inland Steel.....                    | 56 1/2 58     | U.S. Steel.....      | 50 1/2 51 1/2 |       |     |
| Peop. Gas.....            | 57 56 1/2       | Int. Harvest.....                    | 74 75         | West House E.....    | 94 96 1/2     |       |     |
| Sth. Cal. Ed.....         | 20 1/2 23       | Int. Nickel.....                     | 67 1/2 70 1/2 | Woolworth.....       | 57 57 1/2     |       |     |
| W. Union Tel.....         | 44 1/2 45 1/2   |                                      | 25 1/2 26 1/2 |                      |               |       |     |

† Price on May 1st.



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|-------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|--------------------------------------------------------------------------|-----------------------------------------------------------------------|----------------------------------------------------------------------|

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(1943 Accounts)

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Savings Bank Balances ... 221,004,531  
Note Issue Department ... 149,496,942  
Rural Credits Department ... 2,464,156  
Other Items ... 21,990,375

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# THE ECONOMIST

ESTABLISHED 1843

Vol. CXLVI No. 5255

REGISTERED AS  
A NEWSPAPER

MAY 13, 1944

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

ONE  
SHILLING

The Labour Coalition - - - 633

Polish Deadlock - - - 634

New Trends in India - - - 636

NOTES OF THE WEEK - - - 639

The Monetary Debate; A Parliamentary Success; Equal Pay; Irish Election; Negotiations with the French; Conference Continued; The ILO and Germany; A Farmers' Charter; Civil Aviation; Economic Intelligence; Chinese Disunity; Domestic Workers; Water Supplies.

AMERICAN SURVEY - - - 643

Labour and the Election; The Road Back; Horner's Nest; Solid South; The Hyphenates; Mr Lewis and the AFL.

THE WORLD OVERSEAS - - - 646

French Faith in the State; Canadian Air Transport; "Stabilisation" in Finland.

LETTER TO THE EDITOR - - - 648

Depreciation Allowances.

THE ECONOMIST, BRETENHAM HOUSE, LANCASTER PLACE, STRAND, LONDON, W.C.2. TELE.: TEMPLE BAR 3316 ANNUAL SUBSCRIPTION £3.

Road to Serfdom? - - - 638

Labour and the US Election 643

The Motor Industry - - - 651

## THE BUSINESS WORLD

BUSINESS NOTES - - - 652

Speculation; The New Franc; Invasion Exchange Rates; Pacific Currency; Report on Transport; Directors' Compensation; Rebuilding Merchant Fleets; Women in Engineering; Debate on Electricity; The Banks' Salute; Post-War Inflation in US; CPR Outlook; Accountants and Co-ordination; New Copper Decision; Rubber in Peace; And Rubber for War; Furniture Prices; Shorter Note; Company Result.

COMPANY MEETINGS - - - 656

RECORDS AND STATISTICS - - - 664

## The Labour Coalition

THE policies, personnel and general behaviour of the Labour Party are matters of national importance. It is not conceivable that, after the war, a third Party should arise to challenge the elector's choice of a Government between the Conservative and Labour Parties. The Liberal Party, split as it is, is likely to remain odd man out. Is the Labour Party more likely after the war than before to produce the policies and attract the talents required to rule the country, if the need arises, and to rule it well?

These questionings are awakened afresh by the somewhat melodramatic case of Mr Aneurin Bevan. Mr Bevan, among the younger generation (politically speaking) of the Labour Party, is conspicuous for his intelligence, but also for his determination to play the part of the Pickwickian Fat Boy in the Party. The Administrative Committee of the Parliamentary Labour Party decided to turn him out. Then they discovered that his expulsion might mean the departure of other less ebullient but worthy members and the disclosure of deep cleavages within the Labour Party as a whole. It was decided on Wednesday, by a close vote of the whole Parliamentary Labour Party, and against the wishes of both the Administrative Committee and those leaders of the Party who spoke, not to proceed with the expulsion of Mr Bevan, but to discuss the whole question of Party discipline with the National Executive of the Labour Party itself.

The most striking feature of this episode is its complexity. It was the Administrative Committee, not the

Parliamentary Labour Party, that decided to expel Mr Bevan. It was the Parliamentary Labour Party, not the Labour Party itself, that decided on the motion of Mr Shinwell not to expel him. It will be the Labour Party, not the Labour MPs, who will finally decide the issue. This is not all. Mr Bevan's crowning offence was that, after a considerable record of Party indiscipline, he offended Mr Bevan, a Labour member of the Government, who is not, however, a member of the Administrative Committee of the Parliamentary Labour Party.

The fact is that the Labour Party is a Coalition, and like all Coalitions it has grown ineffective with age. The Labour Party, in the political sense, is comparatively small. It depends for its dues mainly upon the affiliation of trade unions, and in return it accepts the dominance of trade union votes at the Party Conferences which have the final say upon policy and procedure. This arises, of course, from the fact that the Labour Party first came into being to speak for working men and to pursue their interests. In the same way as the Government Coalition is dominated by Conservative votes and ideas, the Labour Coalition is dominated by the trade unions, which in their own way are equally conservative.

Even this explanation is over-simple. Mr Bevan is as good a spokesman of one trade union point of view as Mr Bevin. Indeed, his apology for moving a prayer against Regulation 1A(a), despite its approval by the Cabinet, Mr Bevin and the Trades Union Congress, was the instruction he received from his own trade union con-

stituents. In fact, a double division in the Labour councils has been revealed by this episode. The first is the old and increasing gap between the politicians and the trade unionists, a gap which has been much advertised recently by Mr Bevin's attacks upon Professor Laski, the deputy chairman of the Labour Party, and without naming any names, upon Mr Herbert Morrison, who has had the courage to state a policy for Labour which does not start from trade union premises. The second division is within the trade unions themselves. Mr Bevin seems to believe that the time has come for the biggest collective bargain of all, for a direct deal, preferably with Government sanction, between the trade unions and the employers, in order to stabilise wages and working conditions in return for a corresponding stabilisation of profits. Trade unionists who think like Mr Bevin are alarmed by this prospect; they see in it the approach of the corporate state.

Possibly the acceptance of Mr Shinwell's motion to shelve the expulsion of Mr Bevin will prevent these cleavages from immediately becoming an open split. The fact that the leaders of Labour are members of a wartime Government at this crucial stage of the war may be sufficient reason why these domestic matters should be temporarily settled without going to extremes. It seems probable that, when the Whitsun Conference of the Labour Party meets, a formula will have been found to prevent the present very real divisions from being dragged into the light for decision. Nevertheless, from the national viewpoint, it is important to know how these problems are likely to be solved when a decision can no longer be put off.

There are two alternatives. The first is, unfortunately, the more likely; the second is much the preferable. Either the Party can go on as it is, without any effective policy except that accepted by the trade union leadership and profiting at the polls only by the failures and shortcomings of the Conservatives; or else it can carry through a radical regrouping. The first is the more likely, if only because the vote at Labour conferences is determined by the trade unions according to a crudely representative card system. In this Coalition, the Labour politicians, as distinct from the trade unionists, now get the worst of both worlds. Normally the affiliated trade unionists are not even affiliated to the local Labour Parties, on the basis of individual membership, but *en bloc* to the Labour Conference itself. Genuine local Labour Party membership is minute compared with the votes cast at the Conference.

The alternative would be to end the Labour Coalition. The Party would then emerge without its dependence upon the trade union hierarchy, and could look for its strength, in addition no doubt to the individual allegiance of very many individual trade unionists, in the main to the broader non-Conservative portion of the general electorate, which is now considerable. Historically, the trade unions no

longer need the tutelage of a political party. They have power in their own right; they now dictate to their tutor. Moreover, while the formal Coalition of the Labour Party and the trade unions has become ponderous and unreal, the recruitment of local trade unionists as Labour Party members would represent a healthy alliance. But the Labour leaders are disinclined to risk a breakaway. They see the consequences in terms of a sudden drop in membership and subscriptions. They talk of the solidarity of the Labour Movement, without recognising that this solidarity, at present represented by a formal constitutional connection at the top, will really only be worth while if it becomes spontaneous, local and personal. The effects of the present set-up are plain enough. There are these unhappy quarrels whenever any member of the Labour Party offends against the trade union leadership. It is as difficult for men and women of ability and progressive principles to pass the trade union tests as for the camel of the parable to pass through the needle's eye. Moreover, even those men of talents who are attracted to the Labour Party cannot be found likely seats in Parliament, because so many possible Labour constituencies are earmarked for the representatives of trade unionism. Most important of all, it proves impossible to produce a positive policy on any important topic, home or foreign, except insofar as it directly affects trade union interests. The Labour Party's recent utterances on foreign policy, civil aviation and fuel are proofs of this. The suspicion in which Mr Morrison's persistent speeches are held is another illustration.

The alternative of cutting the trade union painter is in many respects as attractive as it is unlikely. This is a two-party system, dependent for its liveliness and worth upon the alternatives between Government and Opposition, upon there being in fact two parties of the same or similar stature. Many electors would give much for a second main party that could come to the polls with a positive policy and a definite progressive programme. It would be realistic, however, to face the likelihood that the Labour Party will probably be enabled, by some arrangement, to put off this choice of its future until the German war is over at least; and that, when the decision is made, it will probably go the wrong way.

The result of this would be one that all good democrats, Conservative and Labour alike, should lament. It would mean, not simply another twenty years of Conservative government, but another twenty years of bad Conservative government, since there would again be no alternative. In the party system, the strength of Box is in direct proportion to the strength of Cox. It is the stimulus of real challenge and rivalry that makes for progress and bold performance; and it is not necessary to be in any way a supporter of Labour doctrines to lament the pit which this party seems to have dug for itself.

new facts have arisen—the changes in the last months have mainly been aggravations of the deplorable conditions existing before—yet the lapse of time makes it perhaps easier to get a proper perspective.

The fundamental factor is distrust. The Polish Government has no confidence in the intentions of the Soviet Government and the Soviet Government has equally little trust in the Polish Government. The Poles argue that although many of their leaders, including the late General Sikorski, have agreed on the necessity of frontier adjustments, the Russians will not abide by their side of the bargain. "What is the use," they argue, "of making concessions when they will only turn out to be the basis of the next Russian claim? The Czechs may have thought they were only giving up the Sudetenland, but that was the first step towards their loss of independence. We Poles believe Russia means to swallow us up and Eastern Poland is only a first bite."

The Russians deny that they mean to absorb the

western neighbours, but they are determined not to tolerate neighbours who are actively hostile. This, they claim, is the attitude of the Polish Government. They accuse the Poles in Britain of wishing to fight Russia and to build up a new anti-Soviet front in the West. Since the British Government gives these people asylum, the Russians cannot believe that the British are not in some way supporting the Polish attitude towards Russia.

If the fears on both sides were wholly groundless, it might be easier to counter them. Unhappily they are not. The Poles' fear of Russia is thoroughly understandable. Historical memories apart, the Russians' recent record in 1939 and 1940 has thrust the roots of suspicion deeply down. The Soviet Government's handling of the frontier question has been exceedingly maladroit—to use no stronger term. In the hour of need, in 1941, General Sikorski obtained from Russia the understanding that all territorial questions should be postponed until the peace settlement. When the tide of battle turned, Russia's restored confidence took the form of raising the demand for Eastern Poland in uncompromising terms. This, rather than the Katyn murders, was the real issue underlying the Soviet Government's sudden decision last year to suspend relations with the Polish Government in London. Since that time, the Russians seem to have gone out of their way to arouse more and more intense Polish distrust and suspicion. The increasing publicity given to the Union of Polish Patriots, the virulent attacks in the Soviet Press on the "fascist émigré Polish Government" in London and on the "pro-German" military underground in Poland, and finally, last January, the Russian Government's brusque dismissal of the Poles' offer to negotiate on the frontier settlement, based on an obvious misreading of the Polish reply—all these have had the cumulative effect of convincing many Poles and even some British and Americans that the Russian talk of Polish independence refers to a refined, rarified and specialised conception of independence known only to themselves.

On the other hand, Russian distrust of the Polish Government is equally understandable. It is useless to deny that in certain sections of the Polish diaspora, hatred of Russia is stronger than any other hate. Here one must distinguish very sharply between the Polish civil government and the Polish army. M. Mikolajczyk's Ministry is not made up of inveterate Russophobes. It is a thoroughly representative Government, which, beyond much doubt, enjoys the confidence of the great mass of the Polish people resisting in Poland. It is made up of those former parties that were in violent opposition to the Pilsudski-Beck tradition of foreign policy. It accepts the need, in the choice between good relations with Russia or with Germany, to work for Polish-Russian understanding. If it makes reservations about the manner in which the Soviet Government has seen fit to raise the frontier issue, it does no more than would supporters of international good neighbourliness anywhere. A more genuinely popular Polish administration cannot be found, and the proof of it

lies in Moscow's failure to set up an alternative administration in Russia or in the Polish underground and in its evident hesitation over giving anything like full governmental status to the Union of Polish Patriots.

The trouble lies not with Poland's statesmen but with its army. Here, in certain circles, anti-Russian feeling is openly paraded. The speeches which General Anders and General Sosnkowski have made to Polish troops in Italy and the Middle East can only be interpreted as a declaration of open hostility. The Polish press is full of insults and attacks on Russia. The civil Government and even the military underground in Poland itself were compelled to intervene to ensure that the Polish guerrillas received specific instructions to co-operate with the advancing Red Army. How are the Russians to interpret all this? They note that the most notorious Russophobe, General Sosnkowski, is Commander-in-Chief, that he derives his powers not from the Government but from the President, and that the Government is powerless to remove him or to override him. They note that the Polish army carries on its anti-Russian activities on British soil. They note that courts-martial of men whom they hold to be Soviet citizens occur without British intervention. Since they cannot possibly understand the lengths to which the British Government has been prepared to go to give effective autonomy to the Allied armies in this country, they wrongly but strongly conclude that the activities of General Sosnkowski and the other anti-Russian elements enjoy the support or at least the connivance of the British Government. They are, of course, completely wrong in this, but it is difficult to see how, given their views on the authority that a Great Power should exercise in its own territory, they could imagine anything else.

This, then, is the unhappy background of the Russo-Polish dispute. Can any new initiative at this stage clear the air of the lowering clouds of distrust, and prepare the way for a new understanding? It must be admitted that if the Polish view of Russian intentions is correct, then no solution is possible. But the case for arguing that the Poles are misjudging Russian policy is quite strong. There are, first of all, the repeated declarations of Marshal Stalin that Russia wishes to see a "strong and independent" Poland—declarations which Mr Churchill fully accepts. There is the fact that in the year which has elapsed since the breaking off of relations, Moscow has done nothing to give official recognition to an alternative administration. There is the reassuring evidence of the Kremlin's attitude towards Finland, where, after two rebuffs, they still declare themselves to be ready to negotiate; towards Roumania, where they demanded neither social changes nor government reorganisation as a condition of peace; towards Czechoslovakia, where they have just concluded an agreement based on the practice of Britain with its allies in Western Europe. None of these actions suggests a policy of aggressive expansion. The fact that in no other case do historical memories, frontier difficulties or ideological differences influence the Russian attitude suggests that the

## The Polish Deadlock

THE prolonged military lull on the Eastern front has allowed the Russo-Polish conflict to slip to the back of people's minds. Yet it is still the storm centre of international politics. The military lull will not last much longer. Then the Red Army will cross the Curzon Line. The Russians will reach Warsaw and will be obliged to set up some kind of civilian administration in liberated Poland. Either they will recognise the London Government or they will set up a regime of their own choosing. The latter course can only have disastrous results.

Since the resolution of the deadlock cannot wait, and since neither the Russian nor the Polish Government seems inclined to take any action, it is necessary to ask whether, in spite of past failures, British and American diplomacy cannot again attempt a reconciliation. Is there, on a careful analysis of the facts, any course open to the Allies which could still, at this eleventh hour, restore some flexibility to a situation where *rigor mortis* has apparently already set in? The analysis can and should be made. Few



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real issue is none of these. To judge by the Czech analogy, it is that the Russians will not tolerate an anti-Russian administration on their Western frontier.

If this is the case, there is just possibly still a solution of the Russo-Polish crisis. It involves concessions or at least a new attitude from all the parties concerned. And, whatever the Russian contention, Britain and America are deeply concerned in the question—if not in its details, at least in the manner in which it is solved. The first need is to convince the Russians that the Polish Government in London is not anti-Russian and that neither Britain nor America disputes Russia's demand that its western neighbours should be friendly. This appears to have been made clear at Teheran, but it might now be reasserted in a more definite form. Yet no assertions will carry much weight so long as the anti-Russian activities of the Polish Army are permitted to continue. General Sosnkowski is not indispensable as Commander-in-Chief. If the French can abolish the office because their troops are to fight on different fronts, cannot the Poles accept the same logic? Difficult and delicate as it would be for the British and American Governments to intervene in this question, it is surely better for them to insist on a drastic step—the resignation of the Polish Commander-in-Chief—than to drift into a position in which they are forced to choose between the Polish Government in London and a Soviet-supported Polish Government in Warsaw. It is no kindness to the Poles to keep an unrepresentative General at the cost of losing a representative Government.

Once the Russian case had been met to this extent, it should be the task of British and American diplomacy to bring home to the Kremlin how serious the consequences would be for lasting peace and co-operation, if the reply to concessions from the Polish end were to be a further Russian refusal to recognise and negotiate with the London Government. There are some diplomatic actions so drastic

and so irrevocable that they block for ever the hope of a constructive peace. A Russian refusal in this case would be such a one. It would prove that the elimination of Polish independence, not the setting up of a genuinely popular and representative Polish administration friendly to Russia, was the aim of Soviet policy and no one should know better than the Russians that peace cannot be built on the enslavement of the Poles.

The Russians have shown some preference in all their negotiations for direct dealing with their neighbours, although with close consultation with their Western Allies. In the Polish issue, too, there is a strong case for the direct approach, provided always that the position of the British and American Governments is made plain. After the essential preliminary of a reorganisation of the Polish command, the best step would probably be a direct appeal from the Polish Government to the Kremlin to receive a Polish delegation, restore relations and negotiate on an orderly basis a temporary demarcation line in Eastern Poland, postponing the final decision until the peace settlement.

It is hard to believe that such an appeal would meet a rebuff. The Polish people have suffered so terribly in the four years of occupation, resisted so unitedly and maintained so faithfully their allegiance to the Allies, that they deserve to be treated at the hands of the Russians no worse than their Czech neighbours and far better than the Finns or the Roumanians. Surely the Poles have a prior claim on Russia's generosity in its hour of victory. Some of their leaders have made mistakes. There has been some provocation and some ill will, but nothing that a Power of Russia's might and prestige could not dismiss, had it the will and the imagination to do so. Poland is the first real test of the statecraft of the Soviet Union since its emergence as one of the greatest of world Powers. It is no exaggeration to say that war and peace in the future depend upon the manner in which this test is passed.

## New Trends in India

THERE were several reasons for Mr Gandhi's release without conditions after nearly two years in detention without trial. The physical ones are obvious. Mr Gandhi is a very sick man. For an Indian he is of a very great age. The recent death of his wife was a grave personal loss. But perhaps the most significant reason is a political one. Mr Gandhi's day is probably done. A contest has already started for control of the policy of his Congress party.

Many millions of the poorest Indians still look to Mr Gandhi with love and reverence. He could still be the figurehead of a popular movement; but it is unlikely that he would be its real director. The situation has changed very greatly since Mr Gandhi was in effect the political dictator of Indian nationalism. Possibly it has changed most of all in the past two years since the Cripps offer was refused, the Congress leaders were imprisoned and the campaign of violence started. Opinions differ about the main constituents in the new situation; but there is general agreement on certain elements in it.

The most important single fact is that the Indian industrialists who have been the financial prop of the Congress Party have now come out into the open and taken the initiative from the politicians who have failed to deliver the goods. They have put forward a striking programme for Indian economic development. The so-called Bombay or Birla-Tata plan was not fairly reported in the first cables from India and did not therefore deserve the sweeping condemnation passed upon it at first by the British Press. But it is nevertheless not a very impressive document when examined in detail. Its figures of Indian resources, income, expenditure and investment are illustrative exercises in economic arithmetic rather than representations of the actual facts of the case. Almost certainly, in view of the enhanced post-war price level, the costs of this plan to bring about, within fifteen years, a doubling of agricultural income, a trebling of service incomes and a six-fold increase in industrial income are much underestimated. The

amount of "created money" that would be necessary to finance the investment envisaged would be considerably larger than the plan suggests, and the probability of inflation correspondingly greater. Nor are the methods by which this massive programme of investment could in fact be carried out made clear, whether by forced saving and compulsorily curtailed consumption or by inflation itself, and to what extent. The neatly rounded figures in the plan are somewhat too notional and imprecise to give any real guide.

Nevertheless, the political implications of the plan are plain enough.

Practically every aspect of economic life will have to be rigorously controlled by the Government so that individual liberty and freedom of enterprise will suffer a temporary eclipse.

This is what the authors of the plan say themselves, and they add, rightly, that

no development of the kind we have proposed will be feasible except on the basis of a central directing authority which enjoys sufficient popular support and possesses the requisite powers and jurisdiction.

If this sort of programme becomes the new Congress policy, the political question at once becomes whether national planning of a kind seen only so far in Germany and Russia is either possible in India or desired by the Indians. The issue ceases to be one of national independence and democratic freedom—the old slogans of nationalism—and becomes one of state planning of the most authoritarian kind. The rank and file of the Congress, as well as other Indian politicians, are faced with a challenge.

The Bombay plan has had a most significant double effect on Indian politics and particularly on Congress politics. On the one hand, its conception of state planning has attracted support from many Congress followers and other nationalists who are more than a little disillusioned about the prospects for Liberal Nationalism; and the Con-

gress party has in any case always had a strong tinge of authoritarian doctrine. On the other, it has caused grave anxiety among those who are still convinced democrats. It would be unfair to impute deliberate ulterior political motives to the plan's authors. A practical and effective programme to increase national income per head in India is a most urgent necessity; and the Bombay industrialists are probably to be congratulated for nailing these colours to their mast. But it would be unrealistic to disregard the political impact of their plan.

It must be admitted that this project for planning fits in with other tendencies in present Indian thought and politics. The war has brought, not only increasingly authoritarian rule both at the centre and in the provinces, but also increased planning of Indian resources and an enlargement of Indian industry for war purposes. Moreover, and most important, the terrible famine of last year, whose consequences are by no means spent, underlines the dire nature of Indian poverty. Finally, many Indian intellectuals and politicians, who drew their earlier notions of democracy from Western sources, have now derived, also from the West, a hope that Planning may succeed where Liberalism has failed. Certain totalitarian trends in Congress politics have often been pointed out. Now there is a strong undercurrent of disillusionment, even bewilderment, among the minority of educated Indians who make political opinion in that crowded country. Plans to make India rich instead of poor, whatever the political implications, have a powerful attraction.

Thus the business men, for so long the powers behind the Congress throne, have chosen the moment shrewdly to turn the attention of the Congress Party from Dominion Status, in the old interpretation, to Five-Year Plans. It is an unassailable fact that, without large-scale economic development, the old aspirations of Indian nationalists seem unsubstantial. If not the Bombay plan, then there must be some other scheme, some other policy of economic reconstruction. Mr Gandhi saw the likelihood of the present situation long ago when he determinedly set the course of his policy, not towards national strength and material wealth, but towards national freedom in the old traditional and spiritual ways of poverty and the good life. The spectacle now is that the materialism which Mr Gandhi, in his difficult Eastern fashion, always distrusted is coming into its own. Earlier ideas of political freedom and social justice seem discredited. The war, by increasing the industrialisation of India, has increased the political strength of Indian industrialists, who have influence on the present Viceroy's Council, where the old style nationalist politicians, by their own refusal, have none.

In effect, the chronic opposition-mindedness of both the Congress politicians and the leaders of the Moslem League has opened the door to this business *démarche* from the effective Congress headquarters. Suddenly, it seems that the aim of Indian nationalism may be, not some form of democracy fitted to the peculiar needs and circumstances of India, but State Capitalism at a bound. There may even come a moment when English Socialists and Liberals, who have called so long for the end of Imperialism, may ask for its continuance in some form to save the Indian people from Indian exploitation. The parallel of China, where a fervent and popular movement of nationalism has temporarily resulted in the control of a financial dynasty, with maladministration, acute economic difficulties among the masses of the people and a stout and wary Communist fringe, is apt, but not encouraging.

Mr Rajagopalachari, the moderate who resigned from the Congress Party in 1942 when the Cripps offer was refused, puts the position in this way:\*

Indian industrialists, while shedding copious tears for nationalism, are making their pile by quiet and uninterrupted services at the call of a bureaucratic Government.

The "way out" proposed by Mr. Rajagopalachari is to turn back the clock. He has spent the last two years in seeking to bring about the agreement between the Congress Party and the Moslem League that was not forthcoming when Sir Stafford Cripps abortively gave Indian nationalism its greatest opportunity two years ago. He believes that it is still possible to save the day for Liberal nationalism; that the Congress and the League might now agree if the Cripps offer were to be restated and the Congress prisoners were permitted to enter into negotiations with other politicians.

It is my firm belief that had there been a Gandhi-Jinnah meeting in May, 1943, we should have had a Congress-League bargain with far-reaching potentialities resulting in a solution of the constitutional issue, the end of the present deadlock and the transfer of the responsibility for the administration both at the centre and in the provinces to popular leaders.

Having failed with the leaders, Mr Rajagopalachari is now convinced that the followers are ready, after the exposure in 1942 of the bankruptcy of mere political manoeuvring, to make a fresh start towards national agreement. He does not believe that the rank and file of the Congress party is either wedded to the intransigence of its older leaders or won over by the new conception of progress by industrial planning—carried out by industrialists.

If Mr Rajagopalachari is right, if side by side with the disillusionment that is so evident among a large part of the rank and file there is also a new will to co-operate, both outside and inside the Congress party, then the British and Indian Governments have a plain duty to take up the challenge and try again. There are other signs that the sudden lifting of the voice of Big Business and the fear among would-be Liberals of authoritarian developments have inspired a new wish to work out India's salvation in the democratic British way. The Moslem League is not a democratic body, but its policy is anti-



### The scene changes

LITTLE more than a hundred years ago Britain was an agricultural island. Its resources were undeveloped, its roads often incredibly bad; power-operated machinery was almost unknown... but the invention of the steam engine was destined to change the scene and by the middle of the nineteenth century the tide of industrial development was in full flood. In almost the span of a lifetime, Britain became the centre of the world's trade and in this vast change the Westminster Bank (founded in 1836) played its part, providing—as it does today—a complete banking service for industry and the individual.

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\* "The Way Out." By C. Rajagopalachari. Oxford University Press. 1s. 3d. pages.

industrial, and it is implacably opposed to "Hindu millionaires." Most of the Moslems are engaged in agriculture. The followers of Mr. M. N. Roy—the Radical Democrats—have stated their fears and their wishes frankly in recent weeks.

The Swaraj of the Congress conception, when analysed, reduces itself into a demand for independence for a minority of the privileged and property classes who desire unfettered freedom to exploit the masses. The economic plan recently published by Tata, Birla and other patrons of the Congress bears this out. They are indeed in a hurry to form their national government . . . the Radical Democratic Party never had any doubt of the *bona fides* of HM Government in making the historic offer communicated through Sir Stafford Cripps.

But the Radical Democrats, despite the intelligence of many of their younger leaders, are not a big factor. The party's effective membership is less than the 50,000 claimed. They are certainly outnumbered by the Communists—who, however, are still apparently nonplussed by the appearance of Big Business bearing their own banner of Planning. The question is whether these Indian Democrats, who are turning to co-operation with the British in order to avoid "the millionaire's exploitation of India"—or the possibility, which they also envisage, of a deal between Indian and American business men—are sufficiently important in the turbulent stream of Indian politics to offer the chance of a solution on the old lines. The British and Indian Governments, necessarily pre-

occupied by the needs of war and defence and surveying what Mr. Rajagopalachari has called "this entanglement of forces," may reasonably doubt it.

Nevertheless, it is probable that no harm could be done and much good made at least possible if the deadlock were now to be tentatively broken by the renewal of negotiations on the Cripps lines. There must of course be one over-riding condition; that a sufficiently broad agreement should be reached by the Indian politicians to make its political execution probable. Given that, there could be the utmost participation in the conduct of the war, together with freedom to work out, with the widest possible consultation, plans for both the economic development and the political independence of post-war India, on a basis of political freedom and social justice. But, if these steps are taken, it should be made plain that nothing can be contemplated which might plunge India into renewed conflict during wartime; and, however reluctantly, it must be realised that there are as many signs today in India of social revolution and counter-revolution as there are of resurgent nationalism of a democratic kind. The saving graces are that British Imperialism is no longer the chief object of Nationalist denunciation, though British wartime rule is much criticised. In fact all groups look to Britain to implement their schemes. They all take for granted that the British pledge of Indian independence is real. So far, they all assume British disinterestedness. This attitude is both a tribute—and a challenge.

## Road to Serfdom?

IT is now half a century since Sir William Harcourt made his celebrated remark, that "we are all Socialists now." At the time he made it, it was wholly inaccurate, but during the intervening decades, and particularly in the course of the last ten years, it has become almost true. There is, as least, a very large consensus of opinion that some form and degree of purposive direction should be exercised over the economic life of the community. So great is the popular pressure for "Planning" that the dangers of a precipitate approach to it are being ignored. That a wholly planned state can exist, that it can show considerable efficiency in at least some forms of economic activity, that it can be strong in war and fully employed in some kinds of peace—all these are by now established facts. But still they do not answer the crucial question, whether those who now live in the liberal democracies, and yearn for a fully planned state, would like it if they got it. The state that is fully planned, that is democratic and that preserves the basic rights of the individual does not exist. Do we really want to surrender the virtues of freedom and democracy to get the advantages of complete planning?

It is an obvious question; but it is not asked often enough, and Professor Hayek has done well to ask it in very direct form\*. He has no doubt of the answer. Complete economic planning, to him, would be the end of all democracy and all liberty. He gives a number of very cogent reasons for this belief. In the first place, he denies that complete economic planning could be done by agreement.

Planning creates a situation in which it is necessary for us to agree on a much larger number of topics than we have been used to, and in a planned system we cannot confine collective action to the tasks on which we can agree, but are forced to produce agreement on everything in order that any action can be taken at all.

Secondly, Professor Hayek believes that the only protection of the individual against arbitrary government is a Rule of Law which is general and blind as to persons. Once the law begins to make distinctions between one

case and another—as, with complete planning, it must—civil liberties are at an end.

There is no justification for the belief that so long as power is conferred by democratic procedure, it cannot be arbitrary; it is not the source, but the limitation of power which prevents it from being arbitrary . . . Unless (the present) complex society is to be destroyed, the only alternative to submission to the impersonal and seemingly irrational forces of the market is submission to an equally uncontrollable and, therefore, arbitrary power of other men.

Thirdly, a planned state is necessarily totalitarian.

Economic control is not merely control of a sector of human life which can be separated from the rest; it is the control of the means for all our ends.

These extracts are necessarily an inadequate summary of Professor Hayek's thesis. The reader may sometimes feel like Coleridge, who once remarked to a young lady, "I accept your conclusion, but you must give me leave to provide the arguments for it." But the main conclusion is unassailable: a completely planned state would be neither democratic nor would it have much freedom for individuals. It is doubtful whether this conclusion is seriously contested by more than a fanatic minority.

The important issue is not whether the conclusion is sound, but whether it is directly relevant to our present state. On this Professor Hayek gives confused—or at least confusing—counsel. The solid core of his argument makes it clear that the "Planning" against which he inveighs is something that is still very remote, at least from this country. He is at very great pains to make it clear that he does not advocate *laissez faire* and that there is a "wide and unquestioned field for state activity." He speaks of the "many obvious tasks" for the state "such as our handling of the monetary system, and the prevention or control of monopoly, and an even greater number of less obvious, but hardly less important, tasks to be undertaken in other fields." He does not deny that "where it is impossible to create the conditions necessary to make competition effective, we must resort to other methods of guiding economic activity." He admits that there is often a divergence between private interests and social welfare, "and

whenever this divergence becomes important some method other than competition may have to be found." He approves of planning to provide social security for the individual and to prevent industrial fluctuations. It is only complete planning that he condemns, and if a list were made of all the forms of purposive direction which are blessed in the course of the book, it would be seen that Professor Hayek does not want to go back, but quite a long way forward. Indeed, "even war and the greatest peril had led in this country only to a very moderate approach to totalitarianism, very little setting aside of all other values in the service of a single purpose."

This very moderate argument—that there are dangers in complete planning but that Britain is nowhere near the danger zone yet—is the only one that is logically sustained. Nevertheless, it is clear from the reception that the book has had that it is regarded as a statement of the extreme individualist case. There are, indeed, many passages in which Professor Hayek's constitutional apprehensiveness gets the better of him, and in which he insists on seeing things under the bed, even though he has just proved with the clear torchlight of reason that there is nothing there. Thus, though he says, over and over again, that there is a great deal of planning to be done, he can still write that "both competition and central direction become poor and inefficient tools if they are incomplete." But if this is true, it suggests an extremist solution, either complete planning or complete freedom from planning. And in his Conclusion, the author throws his carefully sustained argument overboard, and declares that "we had before this war once again reached a stage where it was more important to clear away the obstacles with which human folly has encumbered our progress and to release the creative energy of individuals than to devise further machinery for 'guiding' and 'directing' them." So he is sounding the retreat to *laissez faire* after all. The truth is that Professor Hayek's heart and his head are not at one, and the heart will keep breaking in.

There is, perhaps, some reconciliation between these two contradictory attitudes to be found in the warning from German experience which echoes all through the book. Maybe we are not in danger yet, but are on a slippery slope which will lead us inevitably to disaster. The Germans have gone through all this before—"most English socialists are still unaware that the majority of the problems they begin to discover were thoroughly discussed by German socialists long ago"—and look at the extremes they have gone to. It is related of King James II that, standing on the cliffs and watching the battle of La Hogue, and knowing that his only chance of regaining his throne lay in a French victory, he still could not refrain from exclaiming "See how my English fight!" So Professor Hayek, though he detects their conclusions, cannot stifle the cry "See how my Germans argue!"

It would be foolish to say that "it can't happen here," but something must be allowed for the accumulated

wisdom of centuries of political experience. Burke had the same alarms about the French and democracy that Professor Hayek has about the Germans and planning; but the English managed to contrive a solution of the problem of freedom and organisation in the political field which stopped short of the Terror. It would be a cowardly abdication to abandon the similar attempt in the economic field simply because it has gone wrong elsewhere.

Professor Hayek, who knows his Acton, would object that national character is the poorest basis for any conclusion. It is true that it is an inadequate basis. It is also true that, though economic planning in Great Britain has not yet gone so far as to become the road to serfdom, and does not look like going so far, there is a real danger which should not be ignored, as it has been in recent years. It is right that the problem should be constantly under discussion. It is right that there should be freedom fanatics just as there are planning fanatics. But, fanatics apart, it is also right that the great mass of moderate opinion should cease to bother itself with the purely theoretical question whether complete planning would be preferable to complete absence of planning. To believers in the dignity of man, living in the twentieth century, either one would be intolerable. The problem of this century is to find the most fruitful method of combining planning—the right kind and degree of planning—with freedom. Competition and central direction may, indeed, be so applied that they spend all their energies merely in frustrating each other. But if they are not allowed to be "alternative principles used to solve the same problem," if they are sorted out and each applied by itself to the problems for which it is appropriate, there is no inherent reason to doubt that an economy based on both planning and free enterprise would be superior to either of the extremes. That, at least, is the only faith for a democrat. If he cannot accept it, he must be either a totalitarian or a defeatist.

"Planning and free enterprise"—but the second half is at least as important as the first, and if Professor Hayek's book serves to restore the balance it will have done good. Even when all the essential economic activities of the community are planned, it will still be necessary to foster and cherish the initiative and enterprise that can come only from the free individual. Without the qualities of the adventurer, economic progress will go on crutches. Without the possibility of economic independence there can never be any political freedom. Without a wide dispersion of the function of decision, a corrupting concentration of power will fall into the hands of every politician who can lay his hands on the mechanism of the state. The projectors of economic reform should draw up their proposals in parallel columns, and for every planning entry they make, they should try also to contrive some emancipation of the principle of free competition from the obstructions that hold it in check. The two principles have got to live together, and economists and political scientists would be better employed in working out the terms of the marriage settlement than in retailing the grounds for divorce.

## NOTES OF THE WEEK

### The Monetary Debate

The joint plan of the American and British experts for international monetary arrangements after the war got a rough handling in Wednesday's debate. Colonel Elliot's motion was accepted without a division, but its terms went no further than to describe the scheme as "a suitable foundation for further international consultation," and the course of the debate made it clear that this phrase was to be narrowly interpreted. Almost every speaker expressed some doubts and some, from all parties, were openly hostile. The objections grouped themselves under four heads. First, there was the strongest opposition to anything that looked like the gold standard. Secondly, there was insistence that no international currency arrangements must be allowed to interfere with a domestic policy directed towards full employment and economic stability. Thirdly, members complained that it was putting the cart

before the horse to discuss currency before trade. And fourthly, they urged that nothing should be done to undermine the sterling area or to prevent this country from entering into arrangements with other like-minded countries to expand the volume of their mutual trade exchanges. On none of these points was there any dissent, and the Chancellor of the Exchequer's reply perforce took the line of denying that the monetary plan infringed any of them. The Government's attitude to any suggestion of a return to the gold standard would be "one of most vehement opposition." He had a general preference for the multilateral solution of trade problems.

always provided that there was nothing in the plan which would prevent us from entering into reciprocal trade agreements with other countries either in the monetary or commercial fields. . . . We have made it clear to the representatives of the United States that we considered this plan subject to that stipulation, and it would be only if that under-

\* "The Road to Serfdom," by F. A. Hayek. George Routledge and Sons, Ltd. 184 pages. 10s. 6d. net.



standing could be given effect to that we should be prepared to enter into it. . . . We wanted to be in friendly collaboration with the United States, but we did not want to be in a position in which, if, unhappily, misfortunes befell the United States, we should have to go down and suffer with them.

The upshot of the debate is that the scheme is now to be "adjusted and improved." The debate will have done a great deal of good, and that the British negotiators' hands will be strengthened by this clear statement of British opinion. The Chancellor was right in saying that the currency proposals, as such, do not represent "any deep or dark design to get the better of this country in these matters." As was said in *The Economist* of April 29th, they are neutral in their effect on international trade. But the views expressed in Parliament have a very direct bearing on the negotiations that are proceeding on international trade, and if rumour is correct about the nature of the proposals that are emerging from these negotiations, they will have to be considerably "adjusted and improved" before they are acceptable to Parliament.

### A Parliamentary Success

The much-abused Members of Parliament who moved an amendment to the Education Bill in the last week of March, stating the principle of equal pay for men and women teachers, have now had their reward. When the original unamended clause of the Bill, defining the powers of the Minister to require the payment of standard salaries, was reinstated on Tuesday, on the report stage, it was announced that a Royal Commission would be set up to consider the desirability, cost and effects of equal pay for public servants, irrespective of sex. The movers of the amendment in March were surprised when they defeated the Government in the division. They were much more surprised, and justifiably indignant, when they were accused of sabotaging the Government's conduct of the war. The Government gained nothing, and lost a deal of good will, by making this a matter of confidence and insisting, pompously, on an "overwhelming" vote accordingly. The amendment could not, of course, be kept in the Bill. Teachers are only one, if the best, instance of the case for equal pay for public service. Both financially and politically, the matter had to be discussed and decided more widely. But the commonsense course was the one which in fact has been adopted that is, the reinstatement of the original clause, unamended; and the Government's majority was always vastly more than ample to secure this, and the deletion of the amendment, in a decent, orderly way. Nevertheless, Mrs Cazalet Keir, who moved the amendment, can congratulate herself. Despite flouts and gibes, and helped by the alarums and excursions which were not of their seeking, she and her friends have made equal pay the matter of immediate moment it ought to be.

### Equal Pay

Whether the appointment of a Royal Commission is the correct and quickest way, at this stage, of reaching a decision on equal pay, may, perhaps, be open to question. The arguments for and against are well enough known, and the machinery of a Royal Commission is much more ponderous than say, that of a Select Committee. Indeed, it is conceivable that the Government, after consultation with its experts on the cost and economic consequences of equal pay, could have announced a decision without any extra apparatus of investigation. At any rate, the Government cannot shelve the responsibility that falls upon it, exclusively, to make the final decision; and any suggestion that the Royal Commission was being used for this purpose, or to procure delay, would arouse a notable outcry. There is no question, after the experience of a second Great War, of the general principles involved. Women are, in principle, entitled to equal economic rights, which includes "the rate for the job." Equally, with this principle accepted, it is a duty of the state, not to follow modestly behind the best private practice, but to take the lead, if only because the state is the largest employer of women. The difficulties are practical problems of application. Industries and occupations mainly employing women will be faced with a sudden increase in the wages bill. In other instances, pay being equal, firms may be more ready to take on men who will not leave on marriage as most women do. On the other hand, much too much can be made of these

difficulties. Arguments like these have been used against most improvements in the pay or conditions of labour for a century. Moreover, the Government is already committed to three policies which, if successfully applied, will minimise all the practical obstacles to equal pay. They are full employment, which will minimise the chance of women not being engaged; no ban (in teaching, at any rate) on married women workers, which will minimise the numbers leaving on marriage; and family allowances, which will take account of the greater number of dependants that men normally have.

### Irish Election

While the London Conference continues, one Dominion Prime Minister is otherwise engaged. On Tuesday, the Irish Government was beaten in the Dail by one vote on the Transport Bill, which proposes to merge the Great Southern Railway Company and the Dublin United Tramways Company. The only surprise about the defeat of Mr De Valera's Government is that it did not come sooner. A General Election will be held, just short of a year after the last one, in which both Mr De Valera's Government Party, Fianna Fail, and the main Opposition Party, Fine Gael, lost seats to the Farmers' and Labour Parties. Mr De Valera was left in a minority of four in the Dail and so became dependent upon the support or abstention of the Farmers' and Labour Parties, with both of whom his policies sharply disagree. It was plain that Mr De Valera, although his Party remained over twice as big in the Dail as its nearest rival, Fine Gael, had lost power to govern effectively. He refused to consider proposals for a National Coalition during the present world emergency; and it was expected that he would take the first chance to go to the country again. Now, later rather than sooner, he has decided to do so, after a somewhat unsavoury episode in which charges have been made of speculation in the shares of the Great Southern Railway Company on advance information of the proposed statutory merger. Mr De Valera himself has instituted a Government inquiry into these allegations, but this did not prevent his defeat on the Bill, which is widely opposed. The question now is whether Fianna Fail can reassert its authority among the electorate, or whether the real division in present Irish politics, which is between town and country, will be further reflected by additional gains for the Labour and Farmers' Parties, respectively. If the latter were the outcome, it would not be possible to carry on the Government of Eire without some kind of Coalition. Mr De Valera is still implacably opposed to this. He has little in common, except agreement on Irish neutrality, with other parties, and there is thus in theory the possibility that there may be a new Prime Minister after the election. But the protests of the Opposition against his decision to appeal to the electorate do not suggest that Mr De Valera, who has been in office since 1932, is in any grave danger. It is believed that neither the Labour Party nor the Farmers' Party is so strong as it was a year ago; and Fine Gael is obviously unsure of its chances. The truth is that politics in Eire have come to a somewhat dreary halt, and no party has behind it the impetus of the times.

### Negotiations with the French

Last week, Mr Eden was asked in the Commons whether any agreement had been reached with the French National Committee on the administration of liberated territory in metropolitan France. Mr Eden replied that

conversations are now in progress between the Supreme Allied Commander and the French Military Mission in this country under General Koenig with a view to working out detailed arrangements.

When Mr Eden was questioned further whether this meant that the French Committee was the authority with which the Allies would deal in France, he replied that it was. His reply has reassured the French in Algiers, who are still perturbed at the hesitations in Washington. But, apparently, it does not go far enough. Both General de Gaulle and the representatives of the French Committee in London have appealed for more specific recognition, and it is difficult to see why, now that the practice has been so far conceded, the principle should not be conceded, too. To delay recognition merely exasperates French national susceptibilities and creates difficulties and obstacles which might not

otherwise exist. To give the most obvious and urgent example, the negotiations with General Koenig to which Mr Eden referred so hopefully have come to a standstill because the Committee in Algiers feel they cannot conduct negotiations through the British cipher. It is, to put it mildly, a ridiculous stand to take when invasion is only a matter of weeks, and the first priority for both France and its Allies must be to ensure that all the necessary preliminary discussions have been completed. The French can surely have nothing to say to General Koenig that they would wish to hide from the British, for, obviously, the only basis for sound collaboration is complete honesty and trust. Why, then, do they take so violent an exception to the ban on diplomatic secrecy? Ostensibly, it seems, because their national status is in doubt. In their present indeterminate position, it appears to them intolerable to submit to the rule even though other fully recognised Allies have accepted it and even though vital negotiations are prejudiced as a result. The simplest solution of the difficulty would surely be not to lift the ban but to recognise the Committee.

### Conference Continued

The secrets of the Conference of Dominion Prime Ministers have been well kept. Accounts in the press of the topics under discussion have been no more than statements of the obvious. The meetings have been small in size, without any formal programme or formidable delegations, and the military topics first discussed could not safely be even breathed outside the council chamber. The questions of foreign policy and Commonwealth relations, however, which have now come up, are by no means so obviously matters for secrecy. Indeed, this is an instance where secret diplomacy would be singularly inappropriate; and, when the full fortnight is over, it may be hoped that an account will be issued of the general decisions reached on international and economic policy. About the conduct of the war—now that Australia and New Zealand are satisfied that sufficient weight will be exerted in the Far East, even while Germany is being beaten, to prevent a Pacific deadlock—there is probably unanimity. About the conduct of the peace, unanimity is unlikely. The outlook and interests of the Dominion Governments, internal as well as external, are made different by environment. In any meeting of sovereign national states such differences are bound to be important, but the saving grace of this meeting is that they would be less important than in any other international assembly. The Dominions possess, not only the bond of history, but also the psychological advantage of having co-operated for five years in a second World War. The differences of outlook have probably been focused by Mr Curtin's proposal for a permanent inter-Commonwealth Secretariat to provide continuous consultation and make easier a common policy. The proposal is in itself obviously innocuous. Such a Secretariat would be merely a matter of convenience. It is the implications of its setting up that are questioned, at least by the present Government of Canada. The point at issue is whether the concerting of common policies by the Commonwealth will aid or hinder good international relations in the wider world framework. Mr Mackenzie King, Prime Minister of Canada, believes that it would be dangerous. But Mr Bracken, leader of the resurgent Canadian Conservatives, believes that it would be both helpful and necessary. Moreover, in a matter of convenience of this kind, it is probably true to say, as Mr Curtin has expressed it, "If I cannot have four brethren and can have three, well, three's better than none."

### The ILO and Germany

The Russians gave a variety of reasons for not attending the Conference of the International Labour Office at Philadelphia, but probably the chief obstacle was their determination not to accept the international basis of the ILO and to demand instead that it should represent the victorious nations only. This proposal, if accepted, would mean the exclusion of enemy nations after the war and the setting up of two different types of international standards—one for the victors, the other for the vanquished. The absence of Russia has not meant the disappearance of this line of policy from the Conference. Two main problems have occupied the delegates. An international code covering full employment, economic freedom, economic opportunity and decent labour standards has been elaborated and its recommendations have been accepted and incorporated

in the "Philadelphia Charter" which will be presented to the various governments for ratification. On the other hand, the Conference is sharply divided on the issue of whether these standards should be applied to the "totalitarian countries" or whether the needs of reparations labour, of restitution and even of direct punishment will not mean the exclusion of German workers from the ILO for many years to come. The dispute came to a head when a resolution was brought up before a sub-committee, recommending that a United Nations Labour Commissioner should be set up in Germany and be empowered to abolish the Labour Front, to encourage the speedy re-establishment of free trade unions, and to administer social and labour laws presumably on lines laid down in the Philadelphia Charter. By nine votes to two, the Resolution was killed in Committee and the reason for its rejection was, broadly, the belief expressed by most of the delegates that Russia's attitude towards Germany in the matter of restitution and reparations is the right one. The British case was forcibly put by Sir Walter Citrine, who declared, not only that Britain could not be committed on so important an issue without consultation with Russia, but that it was impossible to distinguish between the guilty and non-guilty Germans. German workers had worked and voted for Hitler and must be punished. The ILO Conference will leave the issue of Germany's post-war treatment undecided. Yet the problem cannot be shelved for good. Either the Allies intend finally to restore the defeated peoples to the family of nations or they must commit themselves to a policy of lasting repression and control. It is, perhaps, discouraging to hear the voice of British Labour raised so vehemently on the side of a "realism" that in the long run, and carried to extremes, will turn out to be the purest phantasy, and will defeat the peace into the bargain.

### A Farmers' Charter

The general principles upon which a comprehensive representation of farming interests, under the auspices of the Royal Society of Agriculture, have now agreed make up a reasonable agricultural policy in the main, and in very general terms, mixed with relapses into sectional pleading. The consumer and the taxpayer will agree that the land should be used

for the production of the foodstuffs which it is best fitted to provide and which are most required to satisfy nutritional needs.

They may even concede the clause "while maintaining the fertility of the soil," though doubting whether this pseudo-scientific plea is not usually a smoke-screen for the sectional claims of this or that branch of farming. But they will, or should, look dubiously at the undefined phrases—"raising the standard of rural life and the increase in the rural population." The first of these must be earned; farming can only claim to be what it does, in terms of costs and sales. The second seems to run against nature as well as economics. There is a case for efficient farming; there is none, on economic or national grounds, for a larger agriculture that employs more, not fewer, workers. Is it seriously proposed that workers should be tied to the land in increasing num-

### INSURE WITH



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

bers—or, rather, bribed to stay there by inducements in the shape of subsidies and the higher cost of food, at the expense of the community as a whole? "Mixed farming" is another smoke-screen. That some economic activities on the farm require the support of some uneconomic activities may be admitted. That this gives a sanction for the maintenance of an all-purpose agriculture, whatever the cost, is nonsense. A "stable level of prices," related to costs of efficient production, should no doubt be guaranteed, as requested, in order to even out fluctuations. But this surely cannot mean simply the level that

will yield a reasonable return to the producer and on the capital employed in the industry, and a scale of wages sufficient to secure a standard of living comparable to that of urban workers.

What is sought is a policy, not this kind of moral and social absolutism. What will it cost? What will be got in return? These are the questions. Whatever assistance the state may give should be arranged to secure the size and type of farm production that is wanted by the eaters of food. The size of the assistance must be what can be afforded by the taxpayer, having regard to his other commitments. Beyond this point the farmer must earn his prosperity off his own bat.

### Civil Aviation

On Wednesday Lord Beaverbrook, chairman of a Cabinet Committee on post-war civil aviation, made a progress report to the House of Lords on the stage reached in international discussion and in the formulation of Empire and domestic policy. In the international sphere, the recent deliberations with representatives of the American Government had been a long step forward in the formulation of international policy. The United Kingdom delegation submitted as a basis for discussion the Canadian Draft Convention, which contained a detailed plan (outlined on page 647 by our Ottawa Correspondent) for an internationally regulated authority with powers of enforcement. But this, perhaps the ideal form of organisation, was considered too rigid by the American delegation as a starting point. It was therefore agreed—though not without reluctance on the part of the British delegation—to go ahead on the basis of the somewhat less ambitious proposals agreed during the Commonwealth conversations six months ago; broadly, these provide for an international organisation whose task would be to evolve standards, to devise means for the avoidance of uneconomic competition, for equitable participation in air transport—on the basis of the right of innocent passage—for the maintenance of a broad equilibrium between transport capacity and the volume of traffic. The agreement reached between the British and American delegations will pave the way and provide a basis of discussion for the forthcoming international conference. On the issue of domestic policy, Lord Beaverbrook's pronouncement was less clear. His reference to the British Overseas Airways Corporation—he was satisfied that BOAC would continue—might be interpreted as a decision to continue the policy of the chosen instrument. This does not mean that newcomers would be debarred from engaging in international air transport; but it may mean that they would not receive a subsidy. Lord Essendon, not surprisingly, criticised the policy of the chosen instrument and made a strong plea for the participation of the shipping industry in world air traffic. Lord Kennet, again, championed the cause of the railways by supporting their wish to engage in Continental traffic; the companies, he promised, would find the necessary capital and would not ask for subsidies. Much remains to be done before the conditions of post-war civil aviation take final shape. But progress is being made.

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### Economic Intelligence

Lord Nathan is to be congratulated on the part he has played in securing from Lord Selborne, the Minister of Economic Warfare, a very important statement of policy—even though his wish to see the whole armoury of economic warfare preserved for the purpose of the economic disarmament of Germany after the war was not satisfied. In the debate on economic warfare in the Lords on May 9th, which Lord Nathan initiated and organised, Lord Selborne announced that:

the Secretary of State for Foreign Affairs had decided to create an Economic Intelligence Department of the Foreign Office and it was clear that he could not have better servants for that purpose than the very efficient and experienced staff which had hitherto been working in the Ministry of Economic Warfare. He (Lord Selborne) had, therefore, recently agreed to transfer the control to the Foreign Office of all that part of his department which was concerned with intelligence in enemy territories.

The transferred department will continue to be responsible to Lord Selborne for all its old functions. For everything else it will now be responsible to the Foreign Secretary, and Lord Selborne stressed the importance of its work in preparing armistice terms and watching over their enforcement. It is to be hoped that the establishment of an Economic Intelligence Branch in the Foreign Office is not thought of only as a wartime arrangement. One of the most obvious deficiencies in the training of British diplomats has been ignorance of economic subjects and of their social and political implications. The fusing of the diplomatic and consular services last year was a first step towards remedying this lack. The presence in the Foreign Office of trained experts who can be consulted at will on any topic is another big improvement. The existence of an Economic Intelligence Branch also has the incidental advantage of cutting across the rigid departmentalism of the Foreign Office approach. Economic interests straddle national frontiers and departmental divisions. The experts should be able to secure greater inter-departmental cooperation, if they use their knowledge rightly. But to secure the full benefit from these changes it is probably necessary to go further in reorganising the Foreign Office. The trouble is now that Britain has no proper instrument for conducting a coordinated and thought-out foreign policy. The departments within the Foreign Office cooperate badly. From outside, the Colonial Office, the Dominions Office, and the India Office, secure little collaboration. Foreign propaganda is carried on by the Ministry of Information, the BBC and the Political Warfare Executive. Trade questions are referred to the Department of Overseas Trade. In disposing of such war-time departments as the Intelligence Department of MEW or of PWE, it is necessary not only to transfer them to the Foreign Office, but to ensure that they will be brought into a more orderly framework. Lord Elibank asked in the Lords whether the Intelligence Department would serve the Department of Overseas Trade as well. Such a question ought to be unthinkable. All the various sectors of Britain's foreign activities—trade, diplomacy, propaganda, information—should be grouped together under the Secretary of State for Foreign Affairs and served by fully competent research and intelligence branches, both in politics and economics.

### Chinese Disunity

On May 3rd, Mr Eden announced in the House of Commons that the protracted negotiations with China over the British loan had ended in agreement. The British Government is to advance £50 million to the Chinese Government for purchases in the sterling area. Another agreement covers the transfer of armaments to China on Lend-Lease terms. The immediate effect of the loan will be political, not economic. As Mr Eden put it:

The limit of our assistance to China remains, as always, one of transport and not of finance.

But anything that enhances the prestige of Chungking by strengthening its international position encourages stability in China. Some Members of Parliament suggested that conditions should have been attached to the loan, binding the Chungking Government not to blockade the Chinese Communists or to use Lend-Lease arms against them. Mr Eden refused to enter into any discussion of China's internal position, and, indeed, it is difficult to see what else he could do. It is a tragic fact that two rival centres of authority exist. The official policy of the Chinese Government, outlined by General Chiang Kai-shek, is one of conciliation by political

negotiation. Yet the chances of reconciliation must remain remote so long as the Communists do not recognise Chungking's authority as a Central Government—and this they are unlikely to do, for to recognise Chungking effectively would mean the end of their power in Shensi and occupied North China. The most that can be hoped for during the war is a truce, and the military events of recent weeks have underlined its necessity. The Japanese army has moved to the offensive and has chosen to strike along the Lunghai railway in the direction of Sian. If this advance were successful, it would succeed in cutting off the Kuomintang armies from the Communist forces, and would be well on the way towards capturing the back door into Chungking itself. In the face of this threat, all Chinese forces, Communist and non-Communist, have every reason and interest to unite, and if military co-operation can be made effective, a new political situation may arise.

### Domestic Workers

A debate on the adjournment last week was useful in calling renewed attention to the shortage of domestic workers in hospitals and other institutions, and to the difficulties of private families without domestic assistance. It also drew from Mr McCorquodale, Joint Parliamentary Secretary to the Minister of Labour, a review of progress since the Hetherington Committee's report was accepted by the Government. In February, 4,000 domestic workers were placed in hospitals and institutions, 500 in children's homes, and 460 in school meal services. In March, a further 4,000 were placed in hospitals and institutions. But there is still a serious shortage, especially in hospitals, in spite of the fact that domestic work has been given high priority, and although the Ministry has been carrying on a campaign to raise the status and attractiveness of such work. The Ministry's position in regard to private households is more difficult, because it cannot direct workers into private domestic service. About 3,000 people have been placed in "difficult" households, such as the homes of doctors, farmers, war workers, mothers with young children and old and infirm people without domestic assistance. But, obviously, thousands of households not classified as

"difficult," where war workers have to do the housework on top of their day's work at the factory, are in need of domestic help. The Member for Spennymoor gave a telling example of the difficulties in miners' homes. No figures were given about the extension of the "home helps" service, though this would perhaps be the best solution of the problem. It is satisfactory to know that the Ministry of Labour has set up a special department to inquire into the whole position of domestic service in the future, thus continuing the work of the Hetherington Committee.

### Water Supplies

One of the demands made by the spokesmen of agriculture is for an adequate supply of piped water. This is the first rural need to be tackled statutorily by the Government. The Rural Water Supplies and Sewerage Bill, presented by Mr Willink last Thursday, is the 1934 Rural Water Supplies Act writ large. The outstanding demerit of the present structure of water supplies is the variation between facilities and financial resources in rural areas and those in urban areas. Instead of £1 million odd, the derisory sum set aside for rural water needs ten years ago, the local authorities are to be allowed to call on the Exchequer to the tune of £15 million, with £6 million odd added for Scotland, and the new grants are to cover sewerage as well as water supply. In return for these much-improved facilities, local authorities are now put under obligation to extend piped supplies to within the reach of all houses and schools, so long as this is "practicable at a reasonable cost"—a point that the Minister will judge. How many of the two million people whom Mr Willink estimates to lack piped water can be reached at a reasonable cost remains to be seen, even assuming generosity from the centre and local initiative. Clearly, many farms cannot. But here, again, money is available. Mr Hudson, for his part, is to provide financial assistance—of what order is not known—for the supply of water to outlying farms and farm buildings, of which he reckons 220,000 to be waterless. In general, it is not the financial generosity of these measures that is open to criticism. It is the idea that money by itself is a panacea, without the much-needed overhaul of distribution. Of this no change is suggested.

## AMERICAN SURVEY

### Labour and the Election

(By an American Labour Correspondent)

(Since this article was written, Mr John Lewis has withdrawn his application for affiliation with the AFL (see Note on page 645) and Mr Philip Murray, President of the CIO, has committed that body to support of Mr Roosevelt.—EDITOR.)

BY and large, the average American industrial worker is a political supporter of President Roosevelt, in an apathetic sort of way. For eleven years he has been hearing his own union leaders praise the social and economic programme of the Roosevelt administration. Despite taxes (which he had been brought up to assume only rich people paid) and the relatively minor irritations of war, like a reduction of pleasure driving and the occasional shortage of rationed goods, the war worker's economic position is better than it has been within living memory. It is doubtful that many workers would vote "against" President Roosevelt. In the Congressional elections of 1942 they stayed away from the polls in large numbers, strengthening by default the anti-administration forces in Congress. In November, however, assuming (as everyone does) that President Roosevelt will be a candidate for re-election, there may possibly be a return of a little of the political verve of the industrial cities.

It is in the leadership of the labour movement that confusion reigns. Bitter rivalries between the two main bodies of organised workers, the American Federation of Labour and the Congress of Industrial Organisations, and conflicts of interests within each of these parent bodies themselves, have established something of a record for complicated political situations.

Two important labour leaders, John L. Lewis of the

United Mine Workers and "Big Bill" Hucheson of the Carpenters, are bitterly opposed to the re-election of President Roosevelt. It can be assumed that whoever the Republican Party nominates, Lewis and Hucheson will still be against Roosevelt. They would have sulked in their tents if Wendell Willkie had become the Republican nominee, but they will come rushing to the aid of Governor Dewey. It cannot safely be assumed that either Lewis or Hucheson would persuade his own union members (who number all told about 1,000,000) to follow this political advice. The coal miners in 1940 ignored the urgent plea of Lewis that they vote for Willkie.

The United Mine Workers Union is unaffiliated, having been withdrawn from the CIO by Lewis in the latter's feud with Philip Murray, the president of the CIO. Hucheson is working to have the miners accepted for reaffiliation with the AFL, in which Hucheson is a power. The obvious purpose of this move has been to consolidate the anti-Roosevelt forces in the labour movement within the AFL. Friends of the President in the AFL, notably Dan Tobin, head of the teamsters' union, have so far blocked the return of Lewis and thus staved off the amalgamation of anti-Roosevelt forces during the early period of the election year.

These political manoeuvres have in turn set up a dispute between Tobin and Hucheson, who, because of their large memberships, can together dominate the AFL, but who in a bitter enough fight could shake that organisation to its roots. Hucheson recently issued a denunciation of the Roosevelt administration, declaring that labour wants a new man in the White House. Tobin's answer was to commit



his union to a fourth term for Roosevelt, the first such unqualified commitment from any of the large unions in the country. One of the newspapers published by the teamsters' union added fuel to the factional fire in the AFL by taking note of Hutcheson's observation that "labour wants a change," and suggesting that "the kind of change labour needs is in its own leadership. If there must be any new presidents, let's start with the Carpenters' Union." Meanwhile, several local unions in the carpenters' organisation have repudiated the anti-Roosevelt stand of their president.

Within the CIO there is a confusing conflict of economic and political interests. Given a different set of circumstances surrounding the system of domestic economic controls, the CIO would have endorsed the President for a fourth term before now. This organisation has launched a political Action Committee, endowed it with \$700,000, and placed it under the direction of Sidney Hillman, head of the Amalgamated Clothing Workers. The committee has set up regional offices, and is conducting an intensive campaign to get workers and their families registered and conscious of their duty to vote. While Hillman is an ardent supporter of President Roosevelt, the Political Action Committee has emphasised its devotion to "New Deal Principles," rather than to President Roosevelt himself.

The railroad workers, who number about 1,250,000, and who are for the most part members of unions affiliated with no parent body, have already come close to the breaking point with President Roosevelt, over the wage crisis that occurred last Christmas. The railroad union leaders, that is, came close to the breaking point. There was division among these leaders themselves over support of the President's arbitration of their wage dispute, so that not even this select group can present a unity of political attitudes.

The AFL and the CIO are each and severally waging a fight to "adjust" wage controls. Because the President's economic advisers, especially James F. Byrnes, the "assistant president," have turned a stern face toward the plea of labour to revise the "little steel formula" (under which wage rate increases are limited to 15 per cent above the rates prevailing on January 1, 1941), there is the germ of conflict here between the President and his labour leader friends, so long as the President's advisers appear to have his blessing in their fight for rigid economic stabilisation policies.

The leaders of the two great labour bodies, Philip Murray of the CIO and William Green of the AFL, are in a manner of speaking victims of their own unswerving loyalty to the President. The President knows that they have no rival to turn to with their political affections, and thus has allowed his advisers to tread heavily at times upon the toes of the labour leaders. But for all the germs of conflict between the labour leaders and the President, it seems highly unlikely that they could or would support another candidate in the coming elections. If the labour leaders' distress at the lack of favours from the White House reaches the extreme stage, they would at the worst simply decline to participate actively in the Presidential election. This would be rather difficult for the CIO's Political Action Committee, dedicated as it is to the preservation of "New deal principles." However, it is difficult to believe that the President would permit a serious estrangement between himself and his two friends, Murray and Green. His genius for compromise and last-minute conciliation would probably muddle him through this situation.

Although there is little question that the rank and file of labour, CIO, AFL, or independent, are supporters of President Roosevelt, from force of habit if for no other reason, the political atmosphere has increased the bitterness of rivalry between the two parent organisations. On the lower organisation levels, AFL local unions and city central bodies had begun to participate with the CIO's Political Action Committee in efforts to have workers register, and to lay the groundwork for the defeat of certain reactionary members of Congress who were re-elected by small margins in 1942, in the year of labour's great political apathy. Those AFL organisations which attempted to collaborate on the political front with the CIO have been officially reproved by President Green, and ordered to withdraw from their position under pain of expulsion from the AFL. The theory for this action is the "non-partisan" tradition of the parent body of the AFL, but Washington observers profess to see the heavy hand of "Big Bill" Hutcheson behind the move.

As for the men with the lurch buckets, they have been ruminating for eleven years with the thought "look what Roosevelt done for labour." If the weather is not too inclement on the November election day, they will probably go to the polls, and if they go they will probably vote for F. D. R.

## American Notes

### The Road Back

There was an encouraging area of agreement between the demobilisation plans made public under the names of Mr Baruch and Senator George; and this has led to an early, if tentative, compromise, on the main issue between them, whether Congress or the Administration is to lay down a policy and supervise its execution. The Senate this week sent to the House the George-Murray Bill for contract termination, the aspect of demobilisation which has received the bulk of attention so far. It carries a provision for the creation of a separate Office of Demobilisation, to be responsible to Congress, and in this respect it represents a concession by the Administration, for the Baruch Report urged that the unscrambling should be done by the same agencies that made the omelette. It appears, however, that the Senate is willing to see the new office headed by Mr Byrnes, who, as head of the Office of War Mobilisation, would have had the controlling voice under the Baruch plan; and it has been agreed that Mr Clayton, Mr. Roosevelt's appointee as Surplus Property Administrator, should be allowed to continue his work experimentally, until sufficient experience is accumulated to lay down an effective national policy. At one time there appeared to be a feeling in Congress that the President had acted with such speed in putting the Baruch Plan into execution that the legislature might be deprived even of its function as watchdog; and it is good news that the rivalry between Capitol Hill and the White House to control demobilisation shows signs of such early and amicable solution. The Senate Bill follows the main lines of the Baruch recommendations—liberal treatment of contractors, speedy settlement of claims, and generous provision for loans to avoid any delay in the resumption of peacetime production. Despite a plea from Senator Kilgore, no provision for discharged employees is included. This problem of manpower reconversion, which includes the issue of dismissal pay *versus* broadening the unemployment insurance laws, will be tackled separately in the near future.

### Hornet's Nest

It is becoming clear that the Administration made a bad political mistake in its handling of the Montgomery Ward case, and one for which it may pay heavily in November. Since Mr. Avery's historic exit, it has overshadowed all other topics in the press; and as the newspapers are predominantly conservative, and on no subject more so than labour relations, it is the case for the company which has been put before the country rather than that for the government. The controversy is still in its formative stages. One question of fact has been decided this week, when the election was held to determine whether the union involved is indeed the choice of the employees, despite the heavy turnover in staff. It resulted in a victory for the union. A court decision also is expected on the hotly disputed question whether the Government had the legal authority to order the taking over of the company. It was Mr Biddle's contention that the President had such power, not only under the Smith-Connally anti-strike law, but under the Constitution; and it is this which has lent colour to the conservatives' fear that now "not even the corner grocery is safe." Much hangs on whether Montgomery Ward can properly be classified as a war industry. There is no doubt that it produces essential civilian items, such as farm machinery for both home and Lend-Lease consumption and that it has, for that reason, obtained priorities for material; but there is a disinclination to regard the mail-order house as a war industry under the terms of the Anti-Strike Act. Mr Jesse Jones's hasty return of the company's properties to the management this week, and the earlier withdrawal of the army, will hardly subdue the agitation. Should the Federal Court in Chicago uphold Mr Biddle's interpretation of the President's powers, there is little doubt that the case will be pursued to the Supreme Court, where, in time, the question of Presidential powers, Montgomery Ward's status, and the authority of the War Labour Board will be threshed out. But the damage has been done. There has seldom been a more deadly shot than that of Mr Avery's military bearers. Governor Dewey has been presented with a magnificent issue, involving abuse of the constitution, the disregard of property rights, and favouritism to labour.

### Solid South

In ordinary times the renomination in the Florida and Alabama primaries of two Democrats—Senator Pepper and Senator Hill—who stand firmly behind a Democratic President would hardly be news. But under present conditions the Administration has cause for rejoicing. It had been feared by the Democrats, and hoped by the Republicans, that Senators Pepper and Hill, both Administration stalwarts, might be replaced by anti-Roosevelt Democrats, thus swelling the bloc in Congress which feels free to vote with the Republicans and proving the strength of sentiment against the fourth term. It now appears that the "revolt" of the Democratic bloc in Congress has not spread perceptibly to the grass roots. There are more non-partisan grounds for congratulation. The South, whose representation is made up largely of conservative old Southern gentlemen, on the one hand, and rabble rousers on the other, has great need of representatives like Senator Pepper and Senator Hill. Mr Pepper has made himself a spear-head for a number of good causes; he was an indefatigable supporter of aid to Britain and collaboration in the dark days when they were less popular than they are now. Senator Hill, another internationalist, was an author of the Hill-Hatch-Burton-Ball resolution of last summer. The Democrats have triumphantly seized on these—and other—early primary results as proof that the country will demand a continuation of Mr Roosevelt's leadership. In fact, the campaign, minus its main actor, has already been launched by Mr Hannegan and Senator Barkley. There never has been any doubt that Mr Roosevelt could have the nomination by acclamation if he wished it. But the South has special reasons, among which habit is not the least, for remaining regular. One is the popularity of the President's foreign policy; another the race question. Despite the President's Commission to ensure equal treatment for negroes in industry, and even despite the poisonous rumours concerning Mrs Roosevelt and her interest in negro advancement, the Republicans remain the party of negro emancipation; and their recent gains among the negroes in places as far apart as Harlem and Kentucky will not endear them to the supporters of white supremacy. The South must feel about the Democratic party something akin to Franklin's observation "If we don't hang together we shall all hang separately." One of the main obstacles to Mr Roosevelt's Fourth Term—his ill-health—appears to have melted away in the Carolina sunshine. Nevertheless, the Republicans, always conspicuously solicitous over the President's health, and his ability to carry his heavy burden, will hammer away at Mr Dewey's indictment of "tired war leaders." In fact, Mr Dewey's phrase is rather like the visible part of an iceberg; the largest and most dangerous portion—in this case the inevitable whispering campaign—is out of sight.

### The Hyphenates

The case for the Poles against the Russians has been espoused nowhere more warmly than in the United States, not only because of the existence of substantial numbers of Americans of Polish descent, but also because of a belief, often genuine, although admittedly sometimes politically

inspired, that the Polish-Russian boundary dispute provides the test-case *par excellence* of Allied war aims. There is a sombre significance, therefore, in the appearance this week in four outstanding newspapers of leaders warning Americans of Polish descent to put their Americanism first and to refrain from "meddling" in American politics in the furtherance of Polish interests. Two events have combined to disturb American public opinion. One is the violence of the Polish agitation over the granting of passports to Father Orlemanski and Professor Lange to visit the Soviet Union; the other a report published in *P.M.* to the effect that the Department of Justice has discovered evidence, in the books of the Polish Information Centre in New York, that the Polish Government-in-Exile has attempted to stir up anti-Roosevelt feeling among American citizens of foreign origin. The Poles can hardly help being aware of holding the balance of power in certain large cities in some of the key states like New York, Pennsylvania, and Illinois. Some Poles, notably those headed by M. Matuszewski, have been persuaded that their strategic position might be used to do a deal with the Republicans, thus reversing the traditional Polish adherence to Mr Roosevelt. Colonel McCormick, who can hardly be suspected of disinterested devotion to the cause of Polish independence, has been very generous with space in the *Tribune*. In the narrower sense, the political sagacity of such an alliance is dubious; campaign promises are notoriously inflated currency, and Colonel McCormick is a thorny bed-fellow. But there can be no doubt that in the long run this relatively small group of Polish-Americans have done real disservice to the cause they serve and their fellow Polish-Americans. During the last war it was the hyphenates of German extraction who were suspect and persecuted. There is a danger this time that resentment may be turned against the hyphenates of friendly origin, if some of their members are imprudent enough to spread the belief that they put Polish, Finnish, or Lithuanian interests ahead of those of their adopted country.

### Mr Lewis and the AFL

Mr John Lewis has grown weary of being left waiting at the church. This week, in a sharply worded letter, he has withdrawn his application for the reinstatement of the United Mine Workers in the American Federation of Labour and asked for his money back. One of the main difficulties in readmitting the Mine Workers was the status of its Local 50, organised during the period of separation, which could hardly be reconciled with the jurisdictional rights of other established AFL unions. Mr Lewis, however, has chosen to blame Administration politicians, "who are opposed for political reasons to unity in the ranks of labour," for the postponement of the nuptials. In view of persistent rumours that Mr Lewis hoped to deliver the AFL vote to the Republicans, it can hardly be imagined that the Administration would have exerted pressure on the Federation to re-admit him; but it hardly seems necessary to look much further than the violence of his present attempts to discredit the AFL as a "political company union" to understand why it hesitated so long to slaughter the fatted calf for such a very prodigal son.



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# THE WORLD OVERSEAS

## French Faith in the State

FOUR years of defeat and captivity have resulted in a general impoverishment of France. The industries of France, of which so many specialised in the production of consumers' goods, have been thrown back in their development. French industrial technique has not benefited—except very rarely in factories working directly for Germany—from the progress that has taken place under the impact of war in the belligerent countries. France's agriculture is in decline owing to the dilapidation of its equipment, to the decrease in the number of cattle and, above all, to German loot. The finances of France present a picture of monetary chaos and the inflation of the national debt. Nor has the impact of war upon French economy yet spent itself; it cannot be measured precisely before the final liberation of France.

Economic ruin is a ruthless foe of orthodoxy. It is not surprising to see that very few Frenchmen think about the economic reconstruction of their country in orthodox and traditional terms. Nearly all French economic thought—whether expressed in underground papers in France itself or in periodicals published abroad—seems to be engaged in the search for some short cut that will allow their country to make good the enormous leeway accumulated in the last five years.

This is not to say that Frenchmen are discussing the problems of their economic future with any great precision or concreteness. On the contrary, most of this economic discussion has been remarkably vague. No clear trends or ideas seem to have crystallised. What has taken shape is an economic mood rather than an economic theory. There has been a general, and not unnatural tendency to view critically the experiences of the Third Republic in economics as well as in politics.

### The End of Peasant France

Traditionally, for instance, an "equilibrium between industry and agriculture" was regarded as the outstanding feature of French economy. The "soundness" of French economic relations was then seen in the fact that France had not given itself to the "excesses of industrialisation"; that the medium and small size enterprise still retained a strong position; and that the farmer had not become the Cinderella of the nation. The Second German War (the third for Frenchmen) revealed the drawbacks of that "equilibrium." The industrial potential of France proved inadequate to cope with the tasks of modern warfare, quite apart from the social and political factors which accounted for the fact that even the existing potential was not properly utilised. It is very natural indeed that many Frenchmen are now ready to renounce their old pride in the extent to which their country had retained its rural and peasant-like character. Post-war France will have to make a tremendous effort in industrialisation; this seems to be the first and common conclusion.

Under the Third Republic, the economic ties between Metropolitan and Overseas France were fairly loose, in spite

of the relatively high degree of political control from the centre. The division of labour between manufacturing and primary production on an Empire scale was markedly underdeveloped. Metropolitan France was to all intents and purposes treated as a separate entity. Hence the concern to maintain the "balance" between industry and agriculture within its framework. The new concept of a more intensively industrialised France would lead to a more intensive development of agriculture in the colonies and dependencies. In other words, Metropolitan France could not maintain and strengthen its economy without a radical revision of its colonial policy. An undercurrent of such a new Empire-mindedness has manifested itself in all the French economic schemes of the last few years, even in the grotesque Vichy plans which were designed to meet the demands of economic collaboration with Germany. It would be premature to speak of any Gaullist economic doctrine; but an emphasis on Empire economy also appears in all the statements of economic policy that have come from Gaullist quarters.

The need for a re-division of labour between Metropolitan and Overseas France leads back to the controversy over private and state enterprise. Here the significant feature is the extent to which free enterprise in its classical form has lost its appeal. *L'étatisme* seems to be the common denominator of the economic inclinations, if not the actually stated views of moderates, Gaullists, Socialists, and Communists. True, there are differences in emphasis. Some would give more scope to private enterprise than others. Some would give more scope to state intervention than to state ownership. But nearly all seem to agree on the need of a combination of three forms: state enterprise, state intervention and private enterprise. While, on the Left, the Communists and the Socialists have undoubtedly made very significant concessions from the old programmes of socialisation, the Right looks as if it had deserted the temple of unrestricted private property. Nearly all agree that, left to the unregulated mechanism of demand and supply, French economy would not be able to stand on its feet again, let alone to re-organise and expand.

The question may be asked whether this common denominator of *étatisme* does not hide many equivocations and misunderstandings which time is bound to bring into the open. The motives behind the new faith in *étatisme* are widely different. From the point of view of the "moderates," who have not abandoned all faith in private enterprise, state intervention and state control appear to be the indispensable factor of discipline and unity during the process of regeneration. Private enterprise remains the ultimate goal; but, in its weakness and exhaustion, due to war and defeat, it must lean on the state. True, nobody can say at what point or at what time the rescuing rôle of the state may come to an end. Nor can a complete withdrawal of the state from the economic field be expected.

### National and Socialist Economics

Another motive behind the seemingly common faith in *étatisme* is national justice. The Popular Front inscribed on its banners, the struggle against the "two hundred families that owned France." The expropriation of the two hundred families was the popular slogan of social revolution. The two hundred families, it is said now, have collaborated with the enemy on the basis of "business as usual." Their expropriation appears no longer as the programme of a social revolution, but as the demand of national justice. "It seems certain that, couched in patriotic rather than socialistic terms, this demand commands a wider measure of popular support than it did in the years of the Popular Front. What in 1936 appeared to the great non-political mass of the *petite bourgeoisie* and of the peasants as a provocative act of civil war may now seem to be merely part of the great national purge that is to cleanse France from traitors and collaborators.

On the other hand, the socialist programme, dressed up

in patriotic trimmings, probably carries with it the seeds of its own defeat, simply because it is not true that all the two hundred families have been involved in collaboration with the enemy. Some big business groups have been against collaboration. Others have maintained the attitude of *attentisme*. Still others will probably claim that they have collaborated only under duress. Even so, the new scope for state ownership and state control will probably be large if only because the government of liberated France will be the only possible successor to the German concerns that have acquired substantial participating interests in French industry and banking.

Still another motive behind *l'étatisme* is military. The revival of France's military grandeur—the central point in General de Gaulle's own political programme—is hardly possible without a more or less permanent enlargement of the field of state economy. The military motive mingles with the patriotic and social. No clear line of demarcation between them can possibly be drawn. More important still, as long as the economic programmes are drawn up either in the somewhat artificial atmosphere of exile and Algiers, or in the condensed atmosphere of underground movements, the divergence in motives is still not much more than academic. The touch of an exiled or underground radicalism inevitably colours general principles proclaimed by the various political groups. It is only in contact with the reality of a country's daily economic life that the true meaning of programmes and motives can reveal itself. The test of the new *étatisme*, therefore still lies ahead.

## Canadian Air Transport

[FROM OUR OTTAWA CORRESPONDENT]

CANADA is the first country in the world to outline the kind of international air authority its Government believes to be necessary in the future and, at the same time, to indicate with precision how it proposes itself to participate in future international air services. The new Canadian Air Transport Board represents an important development in domestic supervision and control of aviation. Canada's proposal for an international air authority was disclosed in Ottawa after important details of it leaked out elsewhere. It rejects the operation of air services by an international board or commission, which would be a licensing and regulating authority only.

Since the report on Canadian air transport policy in *The Economist* on May 1, 1943, developments have come in rapid succession. Trans-Canada Air Lines has expanded its services, now operating across the North Atlantic. The Royal Canadian Air Force, with its own air transport command, is carrying its own traffic in many parts of the world and, in addition, its mail squadron is carrying mail to Canadian forces on several fronts. The Canadian Government recently purchased all American-built installations in military airports anywhere in Canada, including United States wartime construction in the northwest, on the staging route to Asia, and in the northeast, on the European route. Lastly, it has been announced that contracts will be let, to Canadian Vickers, Ltd., Montreal, for the construction of Douglas DC-4 aircraft for TCA domestic service after the war.

International operation of air routes is now regarded in Ottawa as unlikely to attract much support from the governments which are now discussing aviation policy. The Australian and New Zealand Governments are the only exceptions, both of whose Prime Ministers have advocated the principle during their visits to North America. The international authority proposed by Canada would issue licenses to air companies designated by member governments. Thus the "chosen instrument" policy would be recognised. Places on the Assembly of the air authority would be available to all nations, large and small, with voting strength in proportion to aviation interests. Voting powers would be calculated every three years. The board of directors, 12 in number, elected for six years and retiring in rotation, would obviously be dominated by the great powers. The whole arrangement is an example of what Ottawa calls "the functional principle," which has become the foundation of official Canadian views on world organisations of this kind. Licensing to restrict uneconomic duplication, control of rates and flights, uniform safety regulations and related matters would be handled by the air authority. But air services between contiguous countries would be removed, for bilateral agreement. Finally, the Canadian doctrine of freedom of the air goes further than most recent

statements in other countries. Canada would concede the right of innocent passage, the right of landing for non-traffic purposes, and the right to handle two-way traffic originating in, or destined for, the owner state.

Meanwhile, in his statement of March 17th, Mr Howe, the Minister of Munitions and Supply, stated domestic air policy in unequivocal terms. His declaration of Government policy to divorce air-line companies from railway companies meant that Trans-Canada Air Lines (TCA) would be severed from Canadian National Railways, and Canadian Pacific Air Lines (CPA) from the Canadian Pacific Railway. It is this that has become the most contentious feature of the policy. An equally new departure is the divorce of air transport regulation from the old Board of Transport Commissioners and the creation of the new Air Transport Board. As it stands, TCA remains Canada's chosen instrument upon international air routes and upon main trunk lines inside Canada. The feeder line services, mostly extending into northern Canada, which have been run largely by CPA, will now revert to smaller private companies.

Canadian Pacific Air Lines, a monopoly in the field of feeder lines, had come to challenge the TCA in its trunk line field. At least, that is the implication of CPA development in which, by adding a few connecting lines, a full network of air services across Canada, was coming into sight. That Canada cannot support two competing transcontinental air services, is accepted with little argument. What is less certain is the wisdom of reversing the consolidation of north-land feeder service carried out by the Canadian Pacific company since 1940. Mr Howe has proposed that expansion in this field should be reserved for airmen returning from the war. This would probably involve considerable Government assistance in the formation of new, small companies. Referring to "the chaotic conditions produced by destructive competition between a number of small air line companies, chiefly in northern Canada," Mr D. C. Coleman, president of CPR, said: "The Canadian Pacific then, with the encouragement and approval of the Government, undertook to acquire control of a number of competing air lines and consolidate their position." In spite of this, the CPR has lost money on its air lines.

The new policy will not become operative until one year after the end of the war. Allowing for possible change, it is apparent that the principle of monopoly operation of transcontinental lines will persist. It was universally approved in 1937, when TCA was created. Moreover, little chance is seen that the Government policy or public opinion in favour of TCA as the sole chosen instrument of Canada in flying on international routes, should change. The divorce of air lines from railways, modelled after the United States precedent contained in the 1938 Aeronautics Act, will mean added cost to the air lines in providing their own ticket offices, traffic solicitation services, and related facilities. There is, moreover, an argument that national benefits are found in substantial collaboration between various forms of transportation, rather than in absolute divorce. This then is one of the chief weaknesses in the new policy. The other is that profitable operation of small private companies on side-line routes is unlikely, since all air lines so far require public aid in the form of subsidy. The place which CPA is being ordered to vacate may have to be, in the long run, filled by a public monopoly.

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## "Stabilisation" in Finland

At the beginning of the protracted Finnish-Russian peace negotiations which reached no decision, the general economic situation in Finland suggested that, during 1943, the efforts to establish some sort of stability in finance and production had not been entirely unsuccessful. Total expenditure for civil administration and the war increased to Fm. 30,000 million against Fm. 27,000 million in 1942. Notes in circulation amounted at the end of the year to Fm. 10,840 million, almost the same as at the end of 1942. The large deficit on the Budget was covered by loans and by a compulsory war loan akin to a capital levy, which had yielded Fm. 1,800 million by the end of 1943. For the current year no change in taxation has been announced, and the introduction of a special war profits tax was rejected in favour of another compulsory war loan.

Towards the end of the year a comprehensive system of price control was instituted which generally prohibits any rise in prices above the level of July, 1943. Wages were increased by 4 per cent, which is still only a fraction of the previous increase in prices; and price subsidies had to be increased considerably, to keep prices down. The country is largely dependent on imports of foodstuffs and industrial raw materials, particularly fuel, iron and steel and textiles. Steadily rising import prices have been an important source of the tendency of internal prices to rise. It was officially estimated that, during 1943, import prices rose by 30 per cent, and that, during the whole war period, they have risen by roughly 300 per cent.

Export prices, on the other hand, rose by only 10 per cent during 1943 and by 150 per cent between the autumn of 1939 and the end of 1943. The normal method of adjustment by changing the exchange rate could not be used because Germany is forced to maintain, almost at any price, the artificial exchange rates established in foreign trade relations with the occupied and satellite countries. The Finnish Parliament therefore passed a Bill setting up a Price Compensation Fund. The Bill became law in April, and a special committee regulates the collection of levies on export prices and the payment of subsidies out of these levies to reduce import prices.

Roughly three-quarters of Finland's foreign trade is conducted with Germany. Total trade in the last two years has been as follows:

(In million Finmarks)

|            | Imports | Exports | Import Surplus |
|------------|---------|---------|----------------|
| 1942 ..... | 11,700  | 6,000   | 5,700          |
| 1943 ..... | 12,900  | 8,700   | 4,200          |

If the large increase in import prices is taken into account, the figures suggest that the volume of imports fell again, whereas the volume of exports actually increased. It seems that German grain deliveries to Finland were slightly smaller than in 1942, but increased at the beginning of 1944. There is no doubt that exports of metals, mainly copper, nickel and a number of ferro alloys, especially ferro-silicon and ferro-molybdenum, increased. The wood and timber industry manufactured considerable quantities of prefabricated wooden houses, huts and barracks, mainly for delivery to Germany and South-Eastern Europe. As a result of Finnish deliveries, Hungary has now begun to build wooden houses and Germany has been supplied with millions of wooden soles for shoes.

The leading cellulose and timber manufacturers, the *Enso-Gutzeit* concern, reported a slight increase in production in 1943, although several of its works had to be closed down for lack of machinery and labour. Occasional figures indicate that the number of workers employed in felling timber fell by almost one-third during 1943. The preparation of firewood and the clearing of forests in order

to increase the arable acreage has largely been done either by conscripted labour or by a voluntary labour service. The decrease in the number of workers engaged in forestry and the tightening of labour conscription suggests, however, that labour has been diverted to agriculture and industry, especially to the iron and steel and metal industries. The number of effectives in the army has probably fallen, and military activities seem to have been mostly rather in the nature of frontier patrols. This has made possible a somewhat greater agricultural and industrial effort.

Before the war, Finland had an iron and steel capacity amounting to roughly 100,000 tons. Actual production, however, was much smaller. During the war operations in the two main steel works have been stepped up, but the main effort has been directed towards expanding nickel production in the Petsamo areas and towards the mining and refining of copper, molybdenum, chromium, wolfram and manganese ore. These activities are of the greatest interest to Germany, and very little labour or raw materials have been left for keeping the small textile industry going. As in other northern countries, the greater use of peat for fuel and as a raw material for manufacturing synthetic petrol has meant that more labour has been needed.

Since the beginning of the war the agricultural industry has declined because of the loss of imported feeding-stuffs, on which the relatively large livestock and dairy industry depended. War itself has also put valuable agricultural land out of use. Harvest, measured in "fodder units," show a big falling-off.

(In million fodder units)

|                                |       |
|--------------------------------|-------|
| Average harvest, 1931/35 ..... | 3,300 |
| " " 1940/41 .....              | 2,400 |
| 1942 .....                     | 2,200 |
| 1943 .....                     | 3,000 |

The improvement in 1943, the first since the beginning of the war, is largely the result of extending the acreage under grain and potatoes. Yet essential imports of bread grain for the year 1943-44 are still estimated at some 230,000 tons, which will probably not be fully covered by imports from Germany or, rather, Hungary. Any further expansion of the acreage seems to be impossible because of the shortage of labour, draught animals and fertilisers. Supplies of fats and sugar in some occupied European countries is below the necessary standards. The butter supply depends largely on imports from Denmark. The general level of economic activity is comparatively low, but some measures designed to stabilise them at this low level have undoubtedly been successful.

## Letter to the Editor

### Depreciation Allowances

TO THE EDITOR OF THE ECONOMIST

SIR,—I do not think that your new article on the subject takes the matter any further.

You rightly criticise the "accounting principle" under which the initial cost of equipment is written off, but not its replacement value. But the delusion of fixed money value is so deeply rooted in business in general and the accounting profession in particular, that you can hardly blame the fiscal practice for following suit.

Moreover, business might gain (in times of falling prices) just as well as lose under this system. In times of rising prices, when the method might be held to retard re-equipment, the "inducement to invest" is likely to be strong enough to override such handicap. The "accounting principle" as used by the Inland Revenue results in anti-cyclical (i.e., desirable) equalisation.

Your new point seems to be that any anticipation of depreciation allowances, such as now introduced by the Exchequer, may be equivalent to a genuine increase, if no profits are made at a later period. If this uncertainty of future profits from which write-off would be allowed by the Inland Revenue is considered as the main obstacle to rapid re-equipment, surely the answer is not an initial write-off of 20 per cent, but some concession to firms which make a loss, equivalent to the fiscal concessions to a profitable firm. A straight subsidy rather than an increase in permitted rates of depreciation would seem to be called for.

Yours faithfully,

The University, Manchester.

H. W. SINGER.

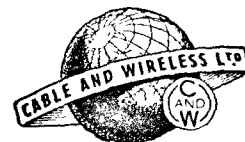


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All wars have one battle in common, the battle of communications. It opens with the declaration of war and ends only when the last shot has been fired.

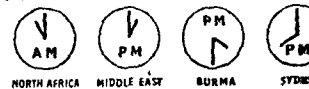
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## ROWNTREES

### Wordy Warfare



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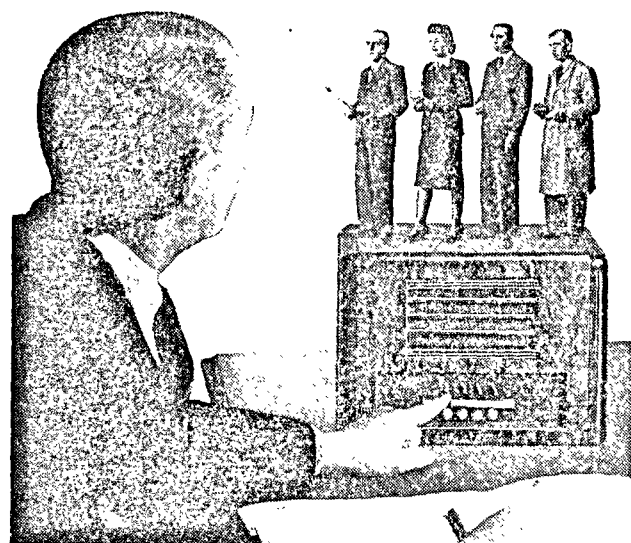
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# THE BUSINESS WORLD

## The Motor Industry's Choice

THE British motor industry is faced with the choice between the alternatives of remaining content with the home market and a comparatively small and specialised export trade, mainly to the Empire, and of making a bid for a leading position on the world markets. The one course would mean the continuation of a safety-first policy, with a home market doubly protected by an import duty and a horse-power tax. The other would involve a policy of expansion with an element of risk, but with far greater prospects. At no time since the birth of the industry has the second and more courageous policy offered better prospects than it will offer after the war. The production of cars has been virtually suspended for several years in all major producing countries; a substantial proportion of existing vehicles will be worn out at the end of the war; the satisfaction of the pent-up replacement demand and of the demand from prospective new owners is a task that would occupy even the huge American industry for several years. The size of the prospective demand after the war is such as to provide the industry in this country with the opportunity of establishing a strong foothold on the world's markets. That the industry should make a bold attempt to gain such a foothold is not merely in its own interests, but it is also in the national interest in that a substantial expansion in the export of motor-cars would assist in offsetting any reduction in the exports of the older industries, such as coal and cotton. Before the war, in 1938, the value of exports was £7.3 million for private cars and £3.9 million for commercial vehicles; in the same year exports of coal amounted to £37.4 million and those of cotton goods to £49.7 million.

No doubt the industry will have no difficulty in securing a temporary foothold on foreign markets after the war; for a time the market in cars will be a seller's market. But, as Sir John Anderson pointed out in his Budget speech on April 25th, "we must not abuse that opportunity by taking a short view." The aim of the motor industry should be to take advantage of its opportunity in securing a permanent expansion in its exports to foreign countries, "rather than to snatch quick gains in a seller's market." It will only achieve this aim if it produces the kind of cars overseas buyers want, at competitive prices; that is to say, bigger cars as attractive to buyers in design, quantity and price as American cars.

If the industry chooses a bold policy of expansion and decides to go all out for a leading place in world markets it will have to create the conditions of expansion. The first condition is a home demand for the kind of car which is suitable for export as a means towards the realisation of the economies of large-scale production. This would involve the replacement of the present system of motor taxation, which concentrates home demand on the small car and cramps the style of the designer, by one that would stimulate home demand for bigger cars and free the designer from his present handicaps. The second condition is the achievement of costs comparable to American levels, by the adoption of the most economical methods of assembly, and by a concerted drive designed to secure raw materials, parts and fittings at the lowest possible cost.

Although topography and short distances have played a part in concentrating home demand on the small car, the horse-power tax, combined with a rising petrol tax, have powerfully reinforced this trend. Few motorists, if any, would not willingly exchange a small, cramped car for a bigger one if a bigger one did not cost appreciably more to buy and to run. The trend towards the small car has been a consistent one. In 1927, half of all sales of new cars were cars of 12 horse-power and less, and barely a quarter consisted of vehicles of 10 and fewer horse-power; by 1938, the proportion had risen to more than three-quarters for cars up to 12 horse-power, and to nearly two-thirds for vehicles up to 10 horse-power. It is true that the horse-power tax remained stable at £1 per horse-power between 1921

and 1934 and was actually reduced to 15s. in 1935 before it was raised to its present level of 25s. in 1940. But, since a large proportion of the new motorists consisted of persons of small means, the stability of the tax does not disprove its deterrent effect on the purchase of bigger cars. The reintroduction of the petrol tax in 1928 at the rate of 4d. per gallon — it had been repealed in 1921 — and its advance, mainly for revenue reasons, to 8d. per gallon in 1931 and to 9d. per gallon in 1938 naturally accentuated the motorist's bias in favour of the small car.

At the present time, as Sir John Anderson pointed out in the House of Commons on April 25th, "it is almost impossible to sacrifice revenue"; nor did he see any advantage in a redistribution of total taxation between the horse-power tax and the petrol duty. In suggesting a revision of taxation, the motor industry is, therefore, limited, at least for the present, to a reconsideration of the horse-power tax which, during the year ended November, 1938, yielded £16.8 million, equivalent to an average of £8.78 per car. But even within these limits, some of the obstacles in the way of the designer and of the demand for bigger cars can be removed. The substitution of a horse-power tax based on the capacity instead of the diameter of the bore of the cylinder would free designers from the need to produce freak engines. But it would do little more. The best solution would be to abolish the tax and to substitute for it an annual

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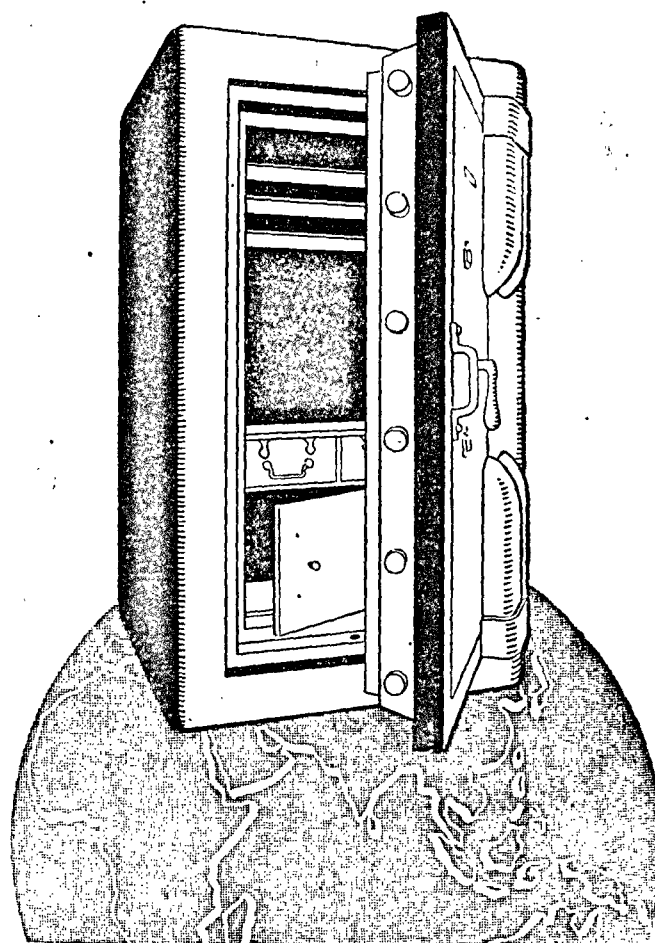


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licence duty on the original wholesale price of the car—the yield of the duty to be the same in the aggregate as at present. This would not merely free the designer from his present handicap, but it would appreciably reduce the tax on cheap big cars and thus stimulate the demand for them. The tax on luxury cars would be heavier, especially on the small cars, but this is unlikely to have a serious effect on the demand for them; besides, it would remove the anomaly of the present horse-power tax, which weighs most heavily on the motorist of small means. The effect of the change would probably be to encourage the demand for a cheap big car and to leave the demand for luxury cars virtually unchanged. This would, of course, reduce the production now enjoyed by the British manufacturer. But he would still have the import duty of 43½ per cent, which ought to be enough in all conscience. And in any case, there is little risk of heavy imports for many years, so great will be the domestic demands on the capacity of the American industry.

This is not the occasion for an elaboration of detailed tax schedules appropriate to an annual licence tax based on the wholesale price of cars. The simplest method would probably be to apply the tax only to new cars and to continue taxing the existing one,—most of which will, in any case, be due for early replacement—on the present horse-power basis. An analysis, by wholesale value, of the cars sold in, say, 1938 would show the rate of tax that would have to be imposed in order to secure the same revenue as the existing horse-power tax. An allowance would have to be made for the rise in costs—the costs of production are expected to be between 40 and 50 per cent higher after the war—in order to avoid overtaxation. The rate of tax could be expressed as a percentage of the original wholesale price of the car or chassis. A schedule would have to be drawn up showing the agreed value for every type of car or chassis—but this would not be a very large task. The rate of duty, expressed as a percentage of the agreed value, might be left unchanged for, say, the first three years of the life of each car; during each of the subsequent four years, it might be reduced by small stages, but after the seventh year the rate of tax might be maintained unchanged in order to speed the car to the scrap heap. The principle of a licence tax, expressed as a percentage of the original wholesale value of the car, could be applied in more than one way—and it might, with advantage, be extended to goods vehicles. The rate of tax might be uniform for all new cars, whether big or small, expensive or cheap; or it might be on a scale ascending with the value of the car after a given limit in order to provide an additional stimulus to the purchase of the kind of cars that can best be exported. This, obviously,

is a matter for expert investigation. Broadly, the application of the principle would mean that the tax on the cheap big car need be no higher than it is at present on the small car.

But while the substitution of a licence duty for the present horse-power tax might well have the effect of transferring part of the demand from baby cars to bigger vehicles, this would constitute no more than a first, if essential, step towards the aim of securing a substantial export trade to foreign countries. Equally important, and far more difficult, will be the task of producing cars as attractive in design, quality and price as American cars. One disadvantage from which the motor industry in this country is said to have suffered in the past is the relatively high prices it has had to pay, compared with American manufacturers, for the materials, parts and fittings it has to purchase. Together, these purchases form a substantial proportion of total costs. The remedy is largely in the industry's own hands. It consists of a greater measure of standardisation of components and parts, of larger and more regular orders and, where prices are kept up by monopolistic practices, of concerted action. But even if the industry succeeds in obtaining its materials at reasonable prices, there remain the important problems of design and assembly costs. There is no reason, however, why the British industry should in future lag behind the American. There is no evidence of a lack of competent technicians in this country and prospective sales at home and abroad are big enough to enable the industry to reap the economies of large-scale production; moreover, it has the most insignificant advantage of lower wage rates.

The British motor industry, it would seem, will have an opportunity of expansion such as it has never had before. It has also the goodwill of the Chancellor of the Exchequer who is "ready to listen sympathetically to representations" about a revision of the present vehicle duty, and who is no doubt prepared to accept any proposals on this subject that are likely to assist the industry's exports to foreign countries. Indeed, the Chancellor may be too sympathetic. There is an issue of public policy in the matter which may conflict with the industry's desire for a smaller, but very heavily protected, market at home. On this, the Chancellor should himself take the initiative. The choice between a policy of security and one of expansion cannot be delayed. The plans must be prepared now if the opportunity is not to pass, possibly for ever. On April 27th, Sir John Anderson, regretfully, spoke of "an embarrassing conflict of expert opinion" in the industry. It would be a pity if, at this crucial stage in its history, with a fine record of war-time achievements in the production of munitions, the industry lacked the vision and the courage to seize its chance and to seize it boldly.

## Business Notes

### Speculation

The very sharp expansion in stock market activity, following the opening of the Budget, carried *The Financial News* index of industrial ordinary shares from 105.6 (July 1, 1935 = 100) on April 25th to 108.1 on Thursday of last week. Friday confirmed the belief that there was a speculative position open by producing a reaction in many quarters, but the falls left this particular index unchanged. On Monday, the number of bargains received reached a new high level for recent months, but everybody was sure that the money turnover had fallen very sharply. In fact, the big operator had retired, leaving it to the crowd of sparrows to gather what crumbs they could. The market, which continues to hold that speculative activity on the eve of the second front—however protracted that eve may be—is slightly improper and likely to have troublesome effects, suggested, hopefully, that there was to be a return to normal, by which they meant a steady upward drift of the general price level, occasioned almost solely by the pressure of money on a restricted supply of securities. Tuesday, however, produced a fresh change. The sparrows continued to drive up industrial quotations at a reduced rate—the index quoted is now 108.3—but there was a fresh burst of buying in Far Eastern securities and particularly in rubber plantation shares. It is no doubt true that, in many cases, the old quotations in this market did not fully discount recovery. But, if it is felt that the second front is slow in coming to fruition, how much time is to elapse, how much money is to be spent and how much

organisation will be necessary before the rubber and tin of Malaya come to market? But on Wednesday the number of bargains rose to a record for the present system of marking and prices increased by leaps and bounds. The speculator has succeeded in catching the public fancy. Prices of shares in companies with an unfortunate pre-war record are in many instances higher than they have been since before the Japanese War began. But in general this is not so for the sounder concerns. Brokers are advising all holders to take the opportunity to sell plantation shares of doubtful value, and it seems improbable that the boomlet can outlast this week.

### The New Franc

The problem of fixing invasion exchange rates is complicated by the uncertainty which persists about the ranking of the currency issued in the occupied countries over the past four years. Apparently authentic reports from Washington suggest that the French National Committee intends to block all currency and credit in liberated France and only to allow conversion of such assets into new franc currency under certain conditions. If the comparable action taken in Tunisia and Corsica may be taken as a precedent, such conversion would be at par, but only on condition that the liberating authorities approved of the manner in which the assets in question had been accumulated during the occupation period. In other words, the conversion would form part of the process of *épuration* and would provide the oppor-

tunity for partial or complete sequestration of liquid assets acquired by suspect means. This procedure will admittedly be liable to abuse and give opportunities for discrimination, in which innocents may suffer with the guilty. That, however, is a matter that must be left to the French authorities themselves. If, over and above this selective conversion of Vichy into new francs, there is a definite attempt at funding; if, for example, all cash and credit holdings over a certain reasonable minimum are compulsorily converted into long-term Government obligations, it may be possible to achieve an appreciable contraction of currency and credit—though not of the national debt. In that event the new franc may come to command an exchange value which could not be justifiably claimed by the Vichy franc. Those, however, are calculations and contingencies which it will be very difficult to make and provide for when the invasion of France starts. That, unfortunately, is the time when exchange rates will have to be fixed, since it is now understood that the invading Allied armies will, for a short time at least, use their own military currency in the liberated territories.

### Invasion Exchange Rates

Although it may be assumed that all decisions about the exchange rates to be applied in liberated European territories have now been taken, the public debate on the subject has been far from stilled. The latest contribution to it is by Dr Thomas Balogh and appears in the current bulletin of the Institute of Statistics, Oxford. Dr Balogh is no new-comer to this discussion and his views are by now familiar. They are based on the desire to save the liberated territories from denudation of goods and services and other kinds of exploitation at the hands of the liberating armies. Dr Balogh argues that

the sole justifiable criterion for fixing rates of exchange between the free and the liberated territories is to establish socially sound relations between the armies of liberation and their civilian allies.

The calculation of parities should, therefore, take no account of price movements, monetary inflation and other comparable data. They should be based solely on the prevailing level of wages in the liberated regions, and the exchange rates chosen should give the average wage a value comparing not unfavourably with the pay of the most highly paid liberating troops. Dr Balogh is prepared to admit that the curtailment of Allied troops' expenditure in liberated territories might be achieved by more direct means than through the appropriate fixing of rates of exchange, namely, by blocking part of their pay, but he does so with obvious reluctance. What is new in the argument is Dr Balogh's candid exposition of the reasons for refusing to consider the criteria which have in the past determined the exchange value of currencies, namely, those factors that make up the domestic purchasing power of each currency. These considerations for *laissez-faire* economic systems, writes Dr Balogh, are not relevant under the conditions that are likely to obtain in Western Europe. He argues that

all internal and international economic relations of the liberated territories will remain under strict direct control for an indefinite period. Internal production and consumption and a fortiori exports and imports will be determined not by the free interaction of demand and supply in the free markets and the resultant prices and income distribution, but by deliberate decisions.

An "indefinite period" is a very long time to assign to the completely centralised control of the economic system which countries such as France, Holland, Belgium and Norway will tolerate after the war. Perhaps Dr Balogh has unconsciously distorted the sequence of his argument. By arguing in favour of rates of exchange which are "socially desirable" but at variance with every economic criterion, does he hope to maintain the chaos and confusion in which the continuance of wholly centralised controls is the only method of making the machine work?

### Pacific Currency

A joint statement issued by the US Treasury, War and Navy Departments contains full details of the currency arrangements made by the invading American forces in the Central Pacific. The armed forces have brought with them for their own use and for the use of the inhabitants of these islands the "Hawaiian dollar." This special currency was first issued in July, 1942, at a time when the Japanese, though just defeated in the battle of Midway, had landed forces in Kiska, and when responsible American naval and military

leaders were pointing out that a threat to Hawaii still existed. In the circumstances the US Treasury decided to withdraw all regular US currency in circulation in the territory of Hawaii and to replace it by a new one. This currency consists of US silver certificates and Federal Reserve notes bearing the overprint "Hawaii" across the reverse side of the note. After August 15, 1942, no currency other than this new series could be held or used in Hawaii without a Government licence. At the same time a prohibition was placed on the export of the new currency from Hawaii. This new currency, first devised for defensive purposes, is now being used offensively. Instead of the yellow seal currency used by American troops in North Africa and Italy, it is the Hawaiian dollar which is being taken to the reconquered islands of the Central Pacific. The rate of exchange established for these liberated islands is 20 Japanese military yen to one Hawaiian dollar. As the Hawaiian dollar is equal to the US dollar, this would give the yen a sterling value of 3d. as compared with the pre-war rate of 1s. 2d.

### Report on Transport

On the occasion of the presentation of the transport estimates in the House of Commons on Friday last week Mr Noel-Baker, Parliamentary Secretary to the Ministry of War Transport, gave an impressive account of the organisation and control of transport in war, of its magnitude and complexity, and of the achievements of the Ministry. He gave some interesting figures of railway traffic. Exclusive of season tickets, the number of passenger journeys in 1943 was 20 per cent higher than before the war; the total passenger mileage was up by 60 per cent, partly because of the longer average distance; passenger train mileage was reduced by 30 per cent and, as a result, train loadings rose by 120 per cent, one of the reasons for the growth in the revenue of the railways. In freight traffic, light merchandise was up by 86 per cent on the figure for 1938, heavy merchandise and minerals by 68 per cent, and coal by 13 per cent; moreover, the average haul was longer. Inland waterways are moving almost as big a tonnage of freight as before the war, that is at the rate of about 1,000,000 tons a month. Substantial economies had been achieved in road traffic, on the passenger and on the goods side. Long-distance goods traffic by road is handled by a wartime organisation which, recently, came in for strong criticism from hauliers, published in a recent report of the Select Committee on National Expenditure. One of the allegations made, namely that there had been an increase in empty running, and the inference that the road haulage scheme is operated inefficiently—its detailed operation is in the hands of members of the industry—was countered by Mr Noel-Baker by facts and figures. About the future of transport he had little to say except that

long and careful technical study of each individual form of transport is required before we can begin to consider a general plan.

The Ministry's approach to the problem is the correct approach. Nothing would be more inadvisable than the hasty formulation of a long-term transport policy. But the process of technical investigation should be pressed ahead as speedily as possible. Although Mr Noel-Baker did not specifically say so, it now seems unlikely that the Government's post-war transport plan will be ready before the end of the war.

### Directors' Compensation

The most interesting information in the full statement of the terms offered for the acquisition of Lamport and Holt Line is that compensation of £150,000 is to be paid to the directors if the deal goes through. On the supposition that holders of 75 per cent of the capital accept the offer, this compensation amounts to 5.6 per cent of the price payable. The directors are six in number including Sir Philip Haldin, chairman, and Mr F. H. Lowe, managing director from July 1, 1934, when this board assumed office. Since 1938 these two have been joint managing directors. The normal total of directors' fees is £2,100 per annum, but it is provided that the ordinary remuneration shall be doubled in any year in which profits are more than sufficient to pay 5 per cent. The company was running at a loss in 1934, but in 9½ years to December 1, 1943, disclosed revenue after taxation, other than tax on dividends, has amounted to £1,170,126. Of this £475,000 went in depreciation, £32,550 in directors' fees, £366,048 in dividends, gross. Other expenses amounted to some £88,000, and it was possible to add £208,658 to the carry forward. Fixed assets, after

depreciation, show, according to the accounts, a fall of £364,262 in the 9½ years, but net liquid assets are up by £2,496,842. Virtually the whole of this expansion has occurred since 1939. According to the accounts at the end of 1943, net assets amount to £2,777,583. The offer for these assets and all intangibles, including Conference rights and the assumed right to replace ships, is equivalent to £3,498,014, including directors' compensation. After 1936, profits permitted regular, if modest, dividends, and the directors usually received £4,200 in fees. There must, surely, be service contracts in addition to these fees to form a basis for a compensation payment of £150,000, which is equivalent to an annuity of some £10,000 for 20 years with interest at 3 per cent. But the owners of the business know nothing of any such contracts. The desirability of any but the most modest compensation for loss of office is very questionable. In this case the payment seems extreme. Even if it is based on total annual emoluments of £20,000—that is 7½ years' purchase, an ultra-generous basis—the directors have received over the period sums equivalent to 51.9 per cent of the total dividends paid and are now to have a further 41 per cent as compensation. The proprietors had the right to know of any such arrangement, and even at the eleventh hour full disclosure ought to be demanded and made. There is no information of what treatment is to be accorded to employees who may be displaced by the arrangement.

### Rebuilding Merchant Fleets

The impression that the shipping industry believes the time ripe, not only to press for concessions to finance replacement of lost ships, but to commence the physical reconstruction of their fleets, is strengthened by the remarks of Lord Essendon at the annual meeting of the Royal Mail Lines. In addition to a general complaint about the inadequacy of accumulated funds to finance the rebuilding of lost ships, he made the further point that the fleets which remain will also need replacement. In view of the heavy losses, this point has not been mentioned sufficiently often in the past, and it may well prove that the discrepancy between available resources and replacement cost will be greater here than when heavy insurance payments have been received. Royal Mail Lines have a number of ships about 15 years old which will soon be due for replacement. When that time comes, Lord Essendon says,

the depreciation which will have been accumulated for these vessels by the end of their careers cannot, by any stretch of the imagination, approach the total cost of replacement.

On the matter of physical rebuilding he refers, in the case of the cargo lines section, to

the urgent necessity for the acquisition of suitable tonnage to enable liner owners to get back the trades they have had to relinquish during the war,

and he expresses the hope that,

consistent with war requirements, every possible facility will be given for this construction so that when peace arrives as many of these vessels as possible will be available.

This is substantially the point raised by Sir Percy Bates and dealt with on page 576 of *The Economist* of April 29th. It is a matter on which a valid opinion can only be expressed with a full knowledge of the requirements for the successful prosecution of the war.

Meanwhile Mr Alfred Wilson, general secretary of the Mercantile Marine Service Association, has made a statement which may be intended as a contribution to solving the problem of financing replacement. Referring to the rise in the price of shipping shares on the tax concessions of the

Budget speech, he suggests that investors have forgotten the lessons of the past, and goes on to say:

I am convinced that shipowners are just as anxious as organisations representing their seagoing employees that the profits of industry should be more equally apportioned and reserves set aside to maintain it in a healthy state.

It is, of course, the case that, if there is any justification for the current level of shipping shares, it is largely because reserves have been set aside over a period of years. Unfortunately for all concerned, it is virtually impossible to obtain from published accounts any real idea of the amount of these reserves. It is doubtful, however, whether companies could be expected to accumulate, except during a protracted period of real prosperity—which means an ample margin between costs, including wages, and charges—reserves sufficient to provide against the effects of total war. That would involve, as a minimum, a drastic reform of the taxation of retained profits, in so far as they were necessary to ensure replacement.

### Women in Engineering

Over a third of the workers engaged in the engineering and allied industries are women, compared with 16 per cent in 1940—an increase of 112 per cent. The principle of equal pay for equal work, or the "rate for the job" has been accepted in the industry. Exactly four years ago the Engineering Employers Federation and the Amalgamated Engineering Union concluded the "relaxation" agreement, allowing for the replacement of men by women and providing, among other things, that where a woman does a man's job, without extra supervision or assistance, she should, after 32 weeks, receive the full man's rate. Yet the criticism that this agreement was not being observed was widely made at last week's conference of AEU women, as it was at a similar conference a year ago. It was alleged that the argument was used by some employers that so many new processes have been introduced and jobs broken down into component parts, that it was difficult to determine what the job is, or what the appropriate rate should be. This was the cause of the trouble at a Glasgow aero-engine factory last October, which led to the appointment of a Court of Enquiry under Lord Wark. This court recommended that the jobs in the factory should be graded, and appropriate rates fixed, and the AEU is now negotiating for a national grading of jobs in the industry, according to skill and irrespective of sex. But this may take some time, and in the meantime the union is pressing for the implementation of the 1940 Agreement where it is being evaded, and for women in the industry to be paid the district male labourer's rate when they start work. These negotiations have an important bearing on the post-war position of women in industry. It may be that Mr Jack Tanner was right when, in his Presidential speech to the AEU women, he said that the Government's policy was "cheap tributes to cheap labour" and warned against any tendency to regard women as cheap labour after the war. He was also probably right in estimating that the wartime developments in the direction of simplification and mass production, and the use of new materials and methods (largely originating from the necessity of employing inexperienced labour) would continue into the post-war period, and would make the continued employment of women, not only possible but necessary. Mr Tanner's argument is that these increases in skill and technical efficiency, by raising productivity, should provide the basis for an expansion in exports without raising costs. In other words, the industry could pursue a high wage policy and be prosperous—or, rather, the industry's ability to pursue a high wage policy depends on its being prosperous. In the meantime the union's arguments are being put to the test. The National Arbitration Tribunal on Wednesday heard the claim, affecting 1½ million workers, for a 10s. increase in weekly wages.

### Debate on Electricity

The various sections of the electricity supply industry have all prepared memoranda on the future of the distribution side of the industry. It is reported that the draft proposals published last January under the names of the Incorporated Municipal Electrical Association, the London Electricity Supply Association, and a group of "power" companies has been accepted, in an amended form, by the IMEA, which, though a signatory to the original draft, had not given it unqualified approval. The various reports reveal a substantial measure of agreement on the need for technical and administrative re-

organisation, such as the standardisation of voltages, a speed-up in the changeover from direct to alternating current, greater uniformity of forms of tariff, an extension of supply to unserved streets and rural areas, and, last but not least, the organisation of the industry in larger areas, if this is necessary to realise the technical objectives. Inevitably, they reveal disagreement on the question of ownership, which is an important factor when it comes to organising the industry into larger areas. Broadly, the companies favour the solution suggested by the McGowan Report in 1936. That Report suggested

the retention and utilisation, where possible, of the larger and more efficient of the existing undertakings—both public authorities and companies—and the absorption by such undertakings of the smaller and less efficient undertakings.

Some of the large municipalities appear to be not unfavourably disposed to this solution, but others—that is, those that might be absorbed by company undertakings—are said to be against it. The London and Home Counties Joint Electricity Authority, which distributes electricity in about one-tenth of the London and Home Counties area, apparently sees the solution of the problem in a series of district authorities. The large measure of common ground that exists on the need for technical reorganisation should assist the Minister of Fuel and Power in shaping his policy. But insofar as technical reorganisation requires the grouping of existing undertakings, this should not be delayed by disagreements about ownership. There is little to be said for imposing a system of untied regional boards upon the whole industry, merely for the sake of removing patches of inefficiency. The views expressed by the Association of Electric Power Companies in its reply to the Labour Party's Coal and Power plan will probably be shared by most sections of the electricity industry. It rejects the thesis that state control and monopoly

would provide consumers with better and cheaper service and accuses the Party of arguing from general principles and not from concrete evidence—a change which is not altogether unjustified.

### The Banks' Salute

The clearing banks' returns for April are of particular interest for their revelation of the banks' direct contribution to London's Salute the Soldier week. This is shown in an increase of £16,224.00 in the aggregate holding of investments. The movement is almost exactly balanced by a reduction of £17 million in Treasury Deposit Receipts, and though the correspondence between the two movements is partly accidental, it helps to emphasise the extent to which the banks' direct contributions to Government loans in the Salute week were financed by the pre-encashment of TDRs. The increase in investments is modest, and approximately equals that which occurred a year previously during the Wings for Victory week. The biggest movement revealed by the April returns is a rise of £35,469,000 in bills discounted. This shows that the increase in the weekly issue of Treasury bills by tender is duly making its way to the banking system, though some of the additional bills are remaining in discount market portfolios, as may be seen from the rise of £9,519,000 in the banks' short loans last month. After their considerable expansion over the first quarter of the year, bank advances, last month, fell by £17,948,000. This movement still leaves the total some £11 million above what it was at the end of 1943. The April contraction seems to confirm the view that the first quarter's expansion in this item, unusually large though it was, represented in large part an increase in bank loans to finance tax payments. The net



## THE PENNSYLVANIA RAILROAD SUMMARY OF 97th ANNUAL REPORT

### THE YEAR 1943

The war continued to dominate the ever increasing transportation effort. While performance was highly satisfactory from the standpoint of meeting every demand of the war emergency, it could not of necessity be wholly adequate from the standpoint of the character of the service performed, particularly the passenger service. Nevertheless, considering the abnormal conditions that prevailed throughout the year, the results as a whole can be viewed as a creditable achievement.

### THE NATIONAL EMERGENCY

The ability of the railroads to handle a record volume of traffic was due to further improvements in facilities and operating methods; to splendid co-operation between the railroads, the shippers and employees, the Army and Navy, and other agencies of Government, and to the continued helpful attitude of the Office of Defence Transportation.

### TAXES

Sound public policy not only justifies but should require the accumulation by the railroads of large post-war reserves to meet post-war changes in transportation practices and methods, but the tax policy of the Government is heading them along the same unfortunate path as at the close of the last war, when the rail-

roads had to borrow large sums of money and go into debt to revamp their properties.

Today, while the railroads are doing the largest business in their history, it would be advantageous not only to them, but also to the public at large and to railroad employees as a whole, if the tax laws were amended so as to permit the creation now of the reserves needed for post-war rehabilitation, with resulting greater employment in the post-war period.

### THE EMPLOYEES

The Board takes pleasure in acknowledging the continued efficiency and loyalty of the employees, which made possible the handling of a volume of traffic exceeding that of any year in the history of the Company.

44,448 employees of the System have entered the Armed Forces, serving in every part of the world, of whom 123 have made the supreme sacrifice.

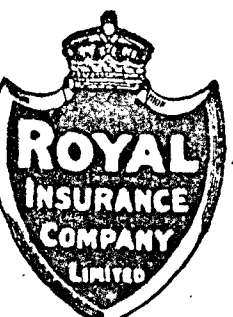
Many thousands of new employees have had to be trained to take their places, including 21,730 women who are now in the railroad service.

Never were the demands upon the employees so great; never have they met the burden more efficiently and more courageously.

M. W. CLEMENT, President.

### OPERATING RESULTS

|                                                                                         | 1943          | Comparison with 1942 |
|-----------------------------------------------------------------------------------------|---------------|----------------------|
| Operating Revenues                                                                      | \$979,773,115 | I \$141,298,532      |
| Operating Expenses                                                                      | 663,510,711   | I 109,369,984        |
| Net Revenue                                                                             | 316,262,444   | I 31,928,548         |
| Taxes                                                                                   | 180,405,491   | I 55,826,689         |
| Railway Operating Income                                                                | 135,856,953   | D 23,898,141         |
| Hire of Equipment and Joint Facility Rents                                              | 8,310,542     | D 6,166,208          |
| Net Railway Operating Income                                                            | 127,546,411   | D 17,731,933         |
| Non-Operating Income, chiefly dividends and interest on securities owned                | 42,503,518    | I 1,406,637          |
| Gross Income                                                                            | 170,049,929   | D 16,325,296         |
| Fixed Charges, chiefly rentals paid to leased roads, and interest on the Company's debt | 84,631,445    | D 274,987            |
| Net Income                                                                              | 85,418,484    | D 16,050,309         |
| Appropriations to Sinking and Other Funds, etc.                                         | 1,924,119     | D 794,112            |
| Retirement of matured Debt—Penna. R. R. Co.                                             | 17,311,000    | D 13,069,000         |
| (Does not include \$28,425,431 of matured debt of leased lines retired)                 |               |                      |
| Dividend of 5% (\$2.50 per share)                                                       | 32,919,385    |                      |
| Transferred to credit of Profit and Loss                                                | 33,263,980    | D 2,187,197          |



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effect of these widely contrasting movements in assets has been to raise the total of deposits by £28,575,000 to £4,016,747,000, a figure which has only been exceeded once before, namely, at the end of 1943.

### Post-War Inflation in US

Mr Marriner S. Eccles, Chairman of the Federal Reserve Board, has recently delivered a lecture on the possibilities of post-war inflation in the United States and on the appropriate taxation policy. The text of the address is reproduced in the March, 1944 *Federal Reserve Bulletin*. As often with American pronouncements, the official views expressed are unexceptionable, in keeping with the soundest fiscal and monetary traditions, but somewhat divorced from current practice. Mr Eccles openly admits this. He points out that "taxation is never neutral" and that "even if levied ostensibly for revenue only, taxes have a direct influence on these basic factors of consumption, savings and investments, which, by getting out of balance, produce economic ups and downs." He then goes on to assert that "our tax effort so far has been entirely inadequate in relationship to our huge wartime expenditures" and urges that the United States should strengthen in every way its stabilisation programme during the war period.

since it will be impossible to do so after the war, when the impulse of the people to return to normalcy will make it very difficult even to maintain established controls.

Mr Eccles thus foresees a period of heavy inflationary pressure immediately after the war, due to the huge purchasing power held by the public (partly the result of the relatively low tax effort made during the war), to the inevitable delay in converting the industrial machine to peacetime production, to the desire of customers to satisfy their deferred demands, and to the maintenance of heavy export demands. Mr Eccles has no doubt that during the transition period

continued rationing and price controls will be needed in the domestic market and licensing control of exports should be retained.

Assurance must be given to the millions of bondholders that they will not lose by delaying their purchases until ample supplies are again available. After the scarcity period, the main problem will be to maintain the high level of expenditure on consumption which will enable the United States national income to hold at a figure of around \$160 billion and to employ at least 55 million people as compared with 46 million in 1940. Mr Eccles does not believe that a permanently unbalanced budget will help to create the required flow of consumer expenditure. But, within the framework of a balanced budget, taxes should interfere as little as possible with expenditure on consumption goods. The first step suggested by Mr Eccles is a substitution of direct taxes on income for indirect taxes on consumption.

The personal income tax should be the main source of Federal revenue in the post-war period because it is the most flexible and equitable type of taxation and because consumption is less affected by it.

The maintenance of the required flow of consumption expenditure should, according to Mr Eccles, be the task of an expanded social security programme.

### CPR Outlook

The decision of the market to mark up the price of Canadian Pacific ordinary shares on the news that there is to be consideration of an interim dividend in August seems a trifle optimistic. The general purport of Mr D. C. Coleman's address at the annual meeting was rather discouraging. As to the immediate future, the company is faced with the demand that wages shall be raised to US levels, while it is felt that, following an excellent first quarter, the rest of the year may bring decreases rather than increases in certain classes of traffic. If this is a true forecast, and unless there is a halt in the upward trend of costs—all evidence points the other way—the peak of net income will have been passed. It would take an average decline against last

year of some 6 per cent in the closing three-quarters of the year to offset the rise in gross traffics of the first quarter, but it is evident that the rise in costs may more than eat up any favourable balance which may be secured in the gross figure. No attempt is made at a general assessment of the less immediate future, but on one point there is a disclosure of some interest. This concerns the Canadian policy for air transport, on which an article appears on page 647. There is intended to be no confiscation, but the railway companies "are to be required to divest themselves of the ownership of airlines within one year after the close of the war." Since the railways have no power to retain the lines, they will be battling on a bowler's wicket in the negotiations. It seems extremely doubtful whether the CPR's feeder lines did in the past, or could in the near future, yield a profit after bearing their due share of charges. But they, presumably, ensured that a certain amount of traffic was brought to the CPR and not to the National system. In the near future, at least, the change of policy will mean a loss to the company of prestige rather than of profit. On the larger post-war issues, it remains as difficult as ever to reach an opinion. Canada will emerge from the war with greatly increased productive capacity and the CPR with an improved financial position. How far political and economic policies at home and abroad will enable the Dominions, or the stockholders, to benefit from this potential productivity remains quite uncertain.

### Accountants and Co-ordination

The most important matter raised by Mr C. J. G. Palmour in his presidential address to the Institute of Chartered Accountants is that of co-ordination within the profession. Unfortunately, the progress made in over a year of negotiations is slight. Virtual agreement has been reached between the Institute and the Incorporated Society, but the Scottish bodies show little desire for a scheme which will include them, while the Association of Certified and Corporate Accountants has recently put forward amendments which cannot be accepted by the two main bodies. While hoping that agreement may still be possible over the wider field, Mr Palmour suggests that, in the event of failure, a joint committee of the Institute and the Society be formed to speak for the two senior English bodies. No information is forthcoming about the scope of the agreement which it was sought to obtain, but it is believed that it dealt mainly, but not solely, with the accountant as auditor. There can be little doubt that to obtain more informative accounts it is necessary to improve the status of the auditor. Nor can it be doubted that a stepping up of the standards required of auditors is a necessary preliminary to that end. It is difficult to see how this can be done without agreement between the principal bodies, and it is probable that in view of the evidence tendered to them by several witnesses the recommendations of the Cohen Committee on Company Law amendment will contain some suggestions on this matter. In dealing with the matter exactly a year ago, *The Economist* supported what it took to be a demand for licensing, subject to action being taken which would prevent the profession from becoming a closed shop and ensure a wider training for both auditors and industrial accountants. The problem of standardisation is much more acute in England than in Scotland, where there exist only the Societies of Chartered Accountants of Edinburgh, Glasgow and Aberdeen, with their co-ordinating body. For them by far the most important aspect of the problem is that it involves some diminution of independence. It is intelligible that they should not be prepared to take definite action until they know what, if any, concessions their brother CAs in England may be prepared to make to secure agreement. It is a pity, however, that, if this is their sole objection, they should not say so.

### New Copper Decision

The statement of Colonel Stanley, Secretary for the Colonies, that the whole question of copper supplies has been reviewed is welcome. The original decision entailed stepping-up production in America, where costs are high, and cutting it in Rhodesia, where they are low. The underlying motive appears to have been to save transport, and one effect was to diminish still further the profits of the Northern Rhodesian copper companies. The revised policy is that production shall be maintained in all areas, as far as is practicable. Any production in excess of requirements from areas previously allocated to the UK is now to be made available to the US or the USSR. This puts an end

to the full rigour of the contemplated cut of 20 to 25 per cent in Northern Rhodesian output—of which only about one-third has so far become effective. It does not, however, mean that there will be no cut, for the UK Government is not prepared to sanction exceptional outlays on plant replacement. Thus, there will be some reduction on the 1943 figure of output for the Rhodesian mines as a whole, but how great it will be, or how distributed, is not clear.

### Rubber in Peace

No tears need be shed over the final dissolution, after four months' reprieve, of the International Rubber Regulation Committee. In its place, as previously announced, it is proposed to put an advisory instead of a regulatory body, and one that, it is hoped, will contain representatives of all interested countries in addition to the three members of the dissolved committee—the United Kingdom, Holland and India. The new committee would contain, if possible, producers of synthetic as well as of natural rubber, and its advice should pay equal attention to the needs of producers, consumers, and the native inhabitants of producing areas. These are the correct principles to work on for securing the equal access to and equal availability of essential raw materials promised by the Atlantic Charter and at Hot Springs. Certainly, there should be no return to the pre-war restrictionist policies. During the period of reconstruction there will be no lack of demand for rubber of all types; but thereafter it may be a different story. It is rumoured that during Mr Stettinius' recent visit understandings were reached between Britain and the United States which included rubber distribution. If so, it is not known in what form or for how long agreement can be expected—nor how the wide divergences of interest between different classes of producers and between producers and consumers are to be resolved. To judge by the recent remarks of Mr Copeman, the chairman of the Rubber Growers Association, the industry is equally in the dark. Mr Copeman was annoyed that the termination of the recent agreement should have been handed to the industry as "a fait accompli," and that while the Government consulted individuals it was less forthcoming towards recognised associations—like his own presumably. But, while Mr Copeman recited past achievements in welfare and research by the British rubber producers, he did not say what it is he wants for the future. The Far Eastern producers, which his association mainly represents, will have many difficulties—among them, the rehabilitation of their plantations; competition both from synthetic rubber and from new sources of natural rubber which have been opened up under pressure of war-time needs; and the loss of such quasi-monopolistic powers of control as they previously possessed. Difficulties of this sort are among the problems which any long-term international agreement must take into account—and for overcoming which the interests concerned should state their policy.

### And Rubber for War

Meanwhile, the problems of overproduction of rubber must seem an ironic mirage to those in charge of wartime supply. Stocks of crude rubber have reached their lowest level both here and in the United States. While supplies from Ceylon and Africa have fulfilled expectations, and several types of shrub rubber have added a further quota, the output of Latin America has been less than was counted on. The disappointment of the United States in Brazilian rubber production is shown in a change over, reflected in the recent revision of its rubber buying agreement with that country, from subsidising Brazil's capital costs to paying more for its current output. In the past, the United States has paid all rubber development costs in Brazil—at a charge to public funds, up to the beginning of this year, of \$83 million—but for the future this will be the concern of the Brazilian Government; on the other hand, the US Government will now pay 60 instead of 45 cents per lb. of Brazilian crude rubber. Current output from Brazil may now increase, but hardly sufficiently to fill the gap in the crude rubber supplies of the United Nations. The development of synthetic rubber in the United States and Canada has nearly reached its peak; all plants have been completed and are expected to be in full production shortly. Various technical obstacles in the utilisation of synthetic rubber have now been overcome. Suitable cords for synthetic tyres are now becoming available, partly due to the compulsory pooling of technical knowledge by rayon manufacturers, who are making good progress in fulfilling the

United States demand for 240 million lb. of high-tensile rayon for use in such cords. The use of Buthyl rubber (one of the principal types of synthetic rubber) for inner tubes, made difficult by the smaller elasticity of synthetic rubber, is now not only possible, but, on some points such as the air retention property and tear resistance of the tubes, preferable to the use of natural rubber for this purpose; and mass production of inner tubes for motor cars and aeroplanes from synthetic rubber has been started in the United States. These technical advances are important, but they do not end the need of crude rubber for admixture with the synthetic. The rubber position of the United Nations will remain tight until the reconquest of at least some of the main centres of crude rubber production.

### Furniture Prices

War-time exigencies have compelled a drastic reduction in the manufacture of new furniture. The small output of reasonably priced utility furniture is quite inadequate to meet the demand. As a result, the prices of second-hand furniture have soared in spite of the Government's attempt to stem the advance. Last week, Mr Craven Griffiths, secretary to the Price Regulation Committee, North Midland Region, compared the cost of furnishing a small home with new furniture in 1939 and with second-hand furniture in November, 1943. These are the figures he gave:—

|                    | Cost of New Furniture in 1939 | Cost of Second-hand Furniture in Nov., 1943 | Percentage Increase |
|--------------------|-------------------------------|---------------------------------------------|---------------------|
| Bedroom .....      | £ 28 14 0                     | £ 86 15 0                                   | 300                 |
| Sitting room ..... | £ 31 5 0                      | £ 94 1 0                                    | 300                 |
| Dining room .....  | £ 26 5 0                      | £ 85 14 0                                   | 325                 |
|                    | 86 4 0                        | 226 10 0                                    | 308                 |

On Wednesday, Captain Waterhouse, Parliamentary Secre-



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tary to the Board of Trade, announced in the House of Commons that the control of the prices of second-hand furniture is to be made more effective by a new Order prescribing schedules of maximum prices for furniture of the types most commonly in use; maximum prices will apply not only to sales by dealers but also to sales by auction and on commission. Administratively, the problem is one of considerable difficulty. Obviously, it would be more economical to enforce a reduction in the prices of second-hand furniture—though this might lead to a reduction in supplies—than to increase the output of new furniture. But, unless the prices of second-hand furniture can be brought within the means of those who need it, the best solution might be to increase the output of utility furniture, at least to the limit of the materials available. Any additional labour required could probably be drawn from that now engaged on the more profitable occupation of refurbishing expensive second-hand furniture.

### Shorter Note

The Board of Trade has so far published only the first three parts of the Final Report on the 1935 Census of Production, the type of Part IV having been destroyed. In view of the widespread demand, however, the Board of Trade is now making available reproductions of the corrected proofs of the reports relating to all the remaining trades. The first section relates to building and contracting, timber and building materials; it forms a volume containing about 200 pages, size 10 in. by 8 in., and the price is 15s. a copy. The other sections, which will be issued subsequently, relate to (1) Paper, Printing and Stationery Trades (5s.), (2) Mines and Quarries (5s.), and (3) Public

Utility Services and Government Departments (7s. 6d.). Copies of these sections will only be obtainable on application to the Assistant Secretary, Statistics Department, Board of Trade, Romney House East, London, S.W.1. A set of Summary Tables, giving particulars for the Census as a whole, can be obtained for 2s. 6d.

## Company Result

|                                           | 1941.      | 1942       | 1943       |
|-------------------------------------------|------------|------------|------------|
| Profit after taxation and war damage..... | 1,838,724† | 2,049,809  | 1,926,575* |
| Depreciation.....                         | 581,279    | 630,183    | 638,609    |
| Special depreciation reserve.....         | 100,000    | 250,000    | 100,000    |
| Fees and staff funds.....                 | 125,249    | 136,668    | 144,409    |
| Debt interest and redemption.....         | 127,500    | 127,500    | 127,500    |
| Preference dividends.....                 | 119,215    | 121,202    | 123,685    |
| Deferred stock and liaison shares:—       |            |            |            |
| <i>Earned</i> .....                       | 785,481    | 784,256    | 792,372    |
| <i>Unearned</i> .....                     | 525,235    | 534,050    | 544,993    |
| <i>Earned %</i> .....                     | 18.0       | 17.9       | 18.2       |
| <i>Unearned %</i> .....                   | 12.1       | 12.4       | 12.4       |
| Contingencies reserve.....                | 250,000    | 250,000    | 250,000    |
| Carry forward.....                        | 192,875    | 193,081    | 190,460    |
| Net fixed assets.....                     | 10,079,337 | 9,708,381  | 9,123,853  |
| Net inter-company items.....              | 6,597,846  | 5,044,040  | 5,114,971  |
| Net liquid assets.....                    | 5,058,730  | 7,445,349  | 7,953,158  |
| Gross liquid assets.....                  | 9,543,968  | 11,193,895 | 11,505,062 |
| Stock.....                                | 4,783,761  | 5,158,827  | 5,568,823  |

\* Including £200,000 taxation reserve no longer required. Consolidated profit for 1943, including the company's full proportion of the profits of subsidiaries, was higher by £353,411 than net profit.

† Including £85,754 A.R.P. reserve no longer required.

‡ Including £265,494 in dividends from subsidiaries.

§ Before deduction of taxation, maintenance, and contingencies, reserve of £5,220,637 in 1941, £4,897,031 in 1942, and £4,910,502 in 1943.

The £1 units of deferred stock, standing at 55s., ex dividend, yield £4 10s. 11d. per cent.

# RAND MINES, LIMITED

(INCORPORATED IN THE UNION OF SOUTH AFRICA.)

| Dr.                                                                                                                                                                                           | BALANCE SHEET, 31st DECEMBER, 1943. | Cr.               |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|-------------------|
| <b>CAPITAL AND LIABILITIES.</b>                                                                                                                                                               |                                     |                   |
| To Capital Account—                                                                                                                                                                           |                                     |                   |
| Registered 2,500,000 shares of 5s. each.....                                                                                                                                                  | £12,500,000 0 0                     |                   |
| Less—                                                                                                                                                                                         |                                     |                   |
| 49,000 shares of 5s. each in reserve.....                                                                                                                                                     | 12,251 5 0                          |                   |
| Issued 2,150,996 shares of 5s. each.....                                                                                                                                                      |                                     | £10,748 15 0      |
| Investment Reserve Account—                                                                                                                                                                   |                                     |                   |
| As per Balance Sheet, 31st December, 1942.....                                                                                                                                                | 3,318,966 13 3                      |                   |
| Add Amount realized by the sale of Investments during the year ended 31st December, 1943, less book value thereof and amount written off Investments.....                                     | 194,464 2 3                         |                   |
| Less Re-transfer to Appropriation Account of amount by which sales of Investments have exceeded purchases during the year.....                                                                | 3,518,430 15 6                      |                   |
|                                                                                                                                                                                               |                                     | 3,407,250 8 7     |
| Shareholders—                                                                                                                                                                                 |                                     |                   |
| For Dividends declared but unpaid.....                                                                                                                                                        | 2,239,729 1 9                       |                   |
| Creditors, Accrued Liabilities and Contingency Reserve.....                                                                                                                                   | 906,636 16 5                        |                   |
| Balance of Appropriation Account—                                                                                                                                                             |                                     |                   |
| Unappropriated.....                                                                                                                                                                           | 1,491,888 11 1                      |                   |
|                                                                                                                                                                                               |                                     | £18,633,283 12 10 |
| <b>Contingent Liabilities.</b>                                                                                                                                                                |                                     |                   |
| There are Contingent Liabilities in respect of commitments to guarantee and subscribe for shares in and to finance certain undertakings and for contracts open for the supply of stores, etc. |                                     |                   |
| <b>PROPERTY AND ASSETS.</b>                                                                                                                                                                   |                                     |                   |
| By Freehold and Leasehold Properties, Reservoirs and Ventures, at cost, less depreciation.....                                                                                                |                                     | £17,812 1 0       |
| Shares, Debentures, etc., at or below market value at 31st December, 1943, or where not quoted, at Directors' Valuation—                                                                      |                                     |                   |
| 365,259 Blyvooruitzicht G.M. Co., Ltd.....                                                                                                                                                    | Shares at 10s.                      | £3,652 5 0        |
| 189,418 City Deep, Ltd.....                                                                                                                                                                   | do. 21                              | £3,977 18 0       |
| 75,307 Consolidated M.R. Mines and Est., Ltd.....                                                                                                                                             | do. 21                              | £1,581 45 0       |
| 571,746 Crown Mines, Ltd.....                                                                                                                                                                 | do. 10s.                            | £5,717 46 0       |
| 83,200 Daggafontein Mines, Ltd.....                                                                                                                                                           | do. 5s.                             | £4,160 0 0        |
| 284,477 Durban Roadpoort Deep, Ltd.....                                                                                                                                                       | do. 10s.                            | £2,844 77 0       |
| 108,820 East Daggafontein Mines, Ltd.....                                                                                                                                                     | do. 10s.                            | £1,088 20 0       |
| 108,291 East Rand Proprietary Mines, Ltd.....                                                                                                                                                 | do. 10s.                            | £1,082 91 0       |
| 27,412 Ferreira Estate Co., Ltd.....                                                                                                                                                          | do. 1s.                             | £274 12 0         |
| 58,904 Geldenhuis Deep, Ltd.....                                                                                                                                                              | do. 17s. 6d.                        | £10,281 10 0      |
| 28,132 Grootevlei Proprietary Mines, Ltd.....                                                                                                                                                 | do. 10s.                            | £2,813 2 0        |
| 60,791 Holfontein (T.C.L.) G.M. Co., Ltd. A.....                                                                                                                                              | do. 10s.                            | £607 91 0         |
| 83,528 do. do. B.....                                                                                                                                                                         | do. 10s.                            | £835 28 0         |
| 14,424 Libanon G.M. Co., Ltd.....                                                                                                                                                             | do. 10s.                            | £144 24 0         |
| 24,575 Marietale Consolidated Mines, Ltd.....                                                                                                                                                 | do. 10s.                            | £245 75 0         |
| 136,772 Modderfontein B. Gold Mines, Ltd.....                                                                                                                                                 | do. 10s.                            | £1,367 72 0       |
| 95,167 Modderfontein East, Ltd.....                                                                                                                                                           | do. 21                              | £951 67 0         |
| 297,035 New Modderfontein G.M. Co., Ltd.....                                                                                                                                                  | do. 10s.                            | £2,970 35 0       |
| 120,113 North Venezuelan Petroleum Co., Ltd.....                                                                                                                                              | do. 13s. 4d.                        | £1,601 11 0       |
| 60,511 Nourse Mines, Ltd.....                                                                                                                                                                 | do. 21                              | £605 11 0         |
| 37,692 Pretoria Portland Cement Co., Ltd.....                                                                                                                                                 | do. 21                              | £376 92 0         |
| 137,065 Rose Deep, Ltd.....                                                                                                                                                                   | do. 21                              | £1,370 65 0       |
| 56,250 Sijaria Trinidad Oilfields, Ltd.....                                                                                                                                                   | do. 21                              | £562 50 0         |
| 78,632 South African Coal Est. (Whitbank), Ltd.....                                                                                                                                           | do. 21                              | £786 32 0         |
| 44,178 The Hume Pipe Co. (S.A.), Ltd.....                                                                                                                                                     | do. 10s.                            | £441 78 0         |
| 12,400 The Anglo-Spanish Construction Co., Ltd.....                                                                                                                                           | do. 21                              | £124 0 0          |
| 258,000 The Anglo-Spanish Construction Co., Ltd. (57½% repaid) 6% Debts.....                                                                                                                  | Shares of 10s.                      | £2,580 0 0        |
| 52,491 Trinidad Con. Land and Exploit. Co., Ltd.....                                                                                                                                          | do. 21                              | £524 91 0         |
| 39,908 Trinidad Leaseholds, Ltd.....                                                                                                                                                          | do. 10s.                            | £399 08 0         |
| 52,408 Van Dyk Consolidated Mines, Ltd.....                                                                                                                                                   | do. 10s.                            | £524 08 0         |
| 16,103 Venterspoort G.M. Co., Ltd.....                                                                                                                                                        | do. 10s.                            | £161 03 0         |
| 17,768 Vlakfontein G.M. Co., Ltd.....                                                                                                                                                         | do. 10s.                            | £177 68 0         |
| 340,812 Vogelstruif G.M. Areas, Ltd.....                                                                                                                                                      | do. 10s.                            | £3,408 12 0       |
| 79,150 Welgedacht Exploration Co., Ltd.....                                                                                                                                                   | do. 10s.                            | £791 50 0         |
| 127,666 West Rand Consolidated Mines, Ltd.....                                                                                                                                                | do. 10s.                            | £1,276 66 0       |
| 46,237 Witbank Colliery, Ltd.....                                                                                                                                                             | do. 21                              | £462 37 0         |
| Sundry Shares, Debentures, etc.....                                                                                                                                                           |                                     | 763,145 4 11      |
| Shares in Subsidiary Companies.....                                                                                                                                                           |                                     | 42,867 10 0       |
| By Buildings, Plant, Stores, Vehicles, Furniture, etc.....                                                                                                                                    |                                     | £4,093 10 0       |
| Debtors and Debt Balances—                                                                                                                                                                    |                                     |                   |
| Advances to Subsidiary Companies.....                                                                                                                                                         | £16,004 9 0                         |                   |
| Advances to other Companies, etc.....                                                                                                                                                         | 26,147 17 6                         |                   |
| Payments on account of mining supplies in stock and in transit for account of sundry mining companies.....                                                                                    | 35,559 18 11                        |                   |
| Current Accounts, Loans and Payments in Advance, etc.....                                                                                                                                     | 27,161 5 0                          |                   |
|                                                                                                                                                                                               |                                     | £84,811 12 6      |
| Deposits, Fixed and on Call.....                                                                                                                                                              | £3,476,682 6 5                      |                   |
| Government Stocks and etc.....                                                                                                                                                                | 710,859 12 11                       |                   |
| Cash at Bankers and in Hand.....                                                                                                                                                              | 93,024 11 5                         |                   |
| Dividends to be received on Shareholdings.....                                                                                                                                                | 297,931 4 1                         |                   |
|                                                                                                                                                                                               |                                     | £4,578,497 8 10   |
|                                                                                                                                                                                               |                                     | £4,688,254 9 2    |
|                                                                                                                                                                                               |                                     | £9,823,282 12 10  |

| Dr.                                                                                                                   | APPROPRIATION ACCOUNT. | Cr.             |
|-----------------------------------------------------------------------------------------------------------------------|------------------------|-----------------|
| To Taxation.....                                                                                                      |                        | £4,639 15 4     |
| Dividend Account—                                                                                                     |                        |                 |
| Dividend No. 80 of 70 per cent. on 2,150,996 shares of 5s. each (£637,745 15s. 6d.), declared 10th June, 1943.....    | £376,424 2 6           |                 |
| Dividend No. 81 of 70 per cent. on 2,150,996 shares of 5s. each (£637,745 15s. 6d.), declared 9th December, 1943..... | 376 424 2 6            |                 |
| Balance Unappropriated—31st December, 1943—                                                                           |                        | 782,848 5 9     |
| Carried to Balance Sheet.....                                                                                         |                        | 1,491,888 11 1  |
|                                                                                                                       |                        | £9,249,438 11 5 |
| By Balance Unappropriated—                                                                                            |                        |                 |
| As per Balance Sheet, 31st December, 1942.....                                                                        |                        | £1,445,925 5 1  |
| Balance of Profit and Loss Account.....                                                                               |                        |                 |
| For the year ended 31st December, 1943.....                                                                           |                        | 869,611 6 4     |
| Fortified Dividends Account.....                                                                                      |                        | 8,039 13 1      |
| Amount retransferred from Investment Reserve Account (See Balance Sheet.).....                                        |                        | 196,150 6 11    |

NOTE.—The Accounts have been drawn up in accordance with the normal practice of the Company, any provision for the depreciation of Property, Shares and Debentures, etc., and the result of transactions therein during the year having been dealt with through the Investment Reserve Account shown in the Balance Sheet.

The Full Report and Accounts may be obtained from the London Secretaries, A. MOIR AND CO., 4, London-wall Buildings, London, E.C.2.

## COMPANY MEETINGS

# SCOTTISH UNION AND NATIONAL INSURANCE COMPANY

## INSURANCE AND THE NATIONAL EFFORT

### AN IMPORTANT EXPORT

#### MR JAMES L. MOUNSEY'S VIEWS

The 119th annual general meeting of the Scottish Union and National Insurance Company was held, on the 10th instant, at Edinburgh, Mr James L. Mounsey, W.S., presiding.

The Chairman said: Gentlemen,—Since last we met to consider our accounts, the company has sustained a sad loss in the death of Mr Colin Mackenzie Black, W.S., who had been a member of our board for 35 years. His wide knowledge and sound judgment were valued by his colleagues, who will miss him very much in their deliberations. To fill the vacancy thus caused, your directors have elected Mr Geo. Francis Henderson, W.S., whose knowledge of the company's affairs covers a number of years, during which time he was law agent for the company. We extend to him a cordial welcome. Consequent upon Mr Henderson's election to the board, Mr A. Logan McClure, W.S., has been appointed our law agent.

During the course of the year the war has taken a further toll of our staff, and I regret to have to report that three have been killed and two wounded. To the relatives of these we offer our sincere sympathy.

The staff remaining to carry on the affairs of the company have given us most loyal and devoted service through an extremely difficult time, and we express to them and to our branch managers, local directors, trustees, representatives and agents, both at home and overseas, our sincere appreciation for all that they have done.

Turning to the accounts, you will notice a slight alteration in their form of presentation. Without omitting any necessary information, the life account has been contracted, and throughout shillings and pence have been omitted. This is largely due to the request to save paper.

### LIFE AND FIRE RESULTS

**Life Department.**—New business, while falling slightly below that for 1942, was well maintained considering the severe reduction in the field staff. The good quality of the business which we have written is reflected in the average rate of premium of £5 per cent. per annum on the business which we have written. The revenue account shows a healthy progress, and the net rate of interest earned on the life funds is £3 3s. 2d. per cent.

Notwithstanding claims due to hostilities, the mortality experience during the year was very favourable. Matured policies showed a large increase over last year's figure, and constituted a record in the history of the company. This figure gives an indication of the growth in the company's business after the last war. The expense ratio at 12.9 per cent. of the premium income is an improvement on last year.

**Fire Department.**—Although the profit realised in the fire department was less than in 1942, the general operations of this department during the year can be regarded as satisfactory. In spite of the restrictions imposed by the shortage of manpower and the Standstill Agreement, our net premiums showed an increase of £56,794. The increase in claims was due largely to the unfavourable loss experience in the U.S.A.

At home our fire loss experience was better than it has been for many years.

Our general manager and this department have devoted considerable time to the campaign against fire wastage which was inaugurated by the companies to assist in reducing damage and destruction by fire of all types of property valuable to the war effort. We are continuing to assist the Government in its various schemes of war risk insurance.

### ACCIDENT AND MARINE FIGURES

**Accident Department.**—In the accident field our trading has followed very much the pattern of the previous year. Every section of the department has contributed towards the aggregate profit. As might be expected, the motor premium income is slightly less than in the previous year as a consequence of the cars being laid up. The total premiums in the accident department show an increase of £26,602.

**Marine Business.**—In the marine account there was a decrease in premiums of £230,000, principally due to three factors—reduction in the amount of tonnage insured in the open market, in the war rates of premium and in the amount of cargo insurances.

On the other hand, there was a reduction in claims of more than £200,000, and after making provision for Excess Profits Tax of £107,000, we were able to transfer to profit and loss account £150,000 compared with £50,000 last year.

### INVESTMENTS AND RESERVES

As regards investments, we have contributed to the maximum extent to the War Loans of our Government. Since the beginning of the war we have subscribed over 2½ million pounds to British War Loans. Substantial support has also been given in the Dominions and the United States. Interest rates everywhere are under tight Government control, and the return from these investments is meagre. These low interest rates are also reflected in high market prices for older securities which provide us with a large margin over book values.

**Balance-sheet.**—It will be noticed that a transfer of £100,000 has been made to general reserve funds. This has been set aside for the benefit of our marine department to strengthen their general reserve and to provide for unforeseen contingencies in respect of outstanding losses. The assets in the balance-sheet have increased by £298,082 to £19,165,289 and the reserve funds of the company have been fully maintained.

### SUPPORT FOR GOVERNMENT FUND

I cannot allow this occasion to pass without making some reference to the great part which the insurance industry is taking in the nation-wide effort to win the war. What the companies are doing cannot be stressed too strongly. The millions of pounds which they have invested in the various Government Funds—the valuable protection which they provide in respect of fire cover for industry generally and the attention which is constantly being paid to the avoidance and prevention of acci-

dents to workpeople are but some of the items which have our continuous care. These matters and many others will be prominently before us when hostilities cease and we are called upon to put our post-war plans, both at home and overseas, into operation. The Government and the public know a good deal about these matters, but they cannot too often be brought to notice.

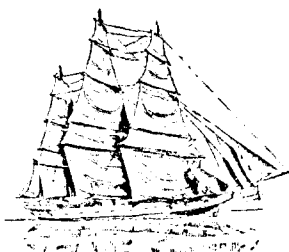
In this connection Colonel Cotton makes reference in his speech at the "Maritime" annual general meeting to points, which I am sure will be of interest to you, and with your permission I will quote them:

"Insurance is one of the largest of our exports, one for which the only raw materials needed, brains and character, are still happily found in great quantity in this country, and it is, I believe, the interest as well as the duty of the Government to see that restrictive and discriminating legislation in foreign countries is not allowed to go unnoticed and unchallenged. British insurance asks for no favours only for a fair field, and I cannot help feeling that if half the time and thought which is given by Government Departments to the nurture of infant and often sickly industries were devoted to the defence of this major existing export against the attacks of excessive nationalism, both time and thought would be well spent."

### TRIBUTE TO MANAGEMENT

Before concluding I would again like to emphasise that for the satisfactory results to which I have referred our thanks are due in no small measure to the drive and energy of our general manager. Despite all his preoccupations in this country, he, with our fire manager, exposed himself to the personal discomfort and risk of Transatlantic travel in order to examine on the spot the progress of our activities in the USA and Canada, and I am glad that he has been able to report on satisfactory arrangements in these countries.

The report and accounts and dividend were approved.



## BECALMED

"As idle as a painted ship upon a painted ocean"—without the motive power of wind the sailing ship is useless. Without adequate funds the Christie Cancer Hospital, the largest Cancer treating hospital of the Empire, is unable to extend its increasing fight against Cancer. Don't let our work falter or fail from lack of your help; send a donation to-day.

**CHRISTIE CANCER HOSPITAL**  
&  
**Holt Radium Institute**  
MANCHESTER, 20



## THE UNION BANK OF SCOTLAND LIMITED

### SATISFACTORY RESULTS

#### SIR A. STEVEN BILSLAND'S REVIEW

The annual meeting of shareholders of the Union Bank of Scotland, Limited, was held on Wednesday, the 10th instant, Sir A. Steven Bilsland, Bt., M.C., D.L., chairman of the bank, in the chair.

The chairman in submitting the directors' report mentioned that the balance-sheet total had now reached a figure of £63,000,000, an increase of nearly £6,800,000 over last year's figure. This was, of course, largely accounted for by the continued increase in the amount of deposits which, at £51,500,000, were £4,900,000 higher than last year. The volume of their note circulation continued to expand, and at £6,100,000 showed an increase of £630,000. For some years prior to the outbreak of war one of the features of the balance-sheet had been the comparative steadiness of the figures of deposits and note circulation; but it was inevitable that the very large increase in Government borrowing for the purpose of meeting war expenditure should result in a considerable expansion of bank deposits and note circulation. In this connection it was interesting to recall that in 1939 their note circulation amounted to £2,600,000, their deposits to £33,000,000 and their balance-sheet total to £40,000,000.

#### STRONG LIQUID POSITION

On the assets side, cash and money at call amounted to £14,670,000, an increase of £1,470,000. Bills under discount, at £1,580,000, were almost entirely Treasury bills. They showed a reduction of £560,000, which was much more than offset by an increase of £1,000,000 in Treasury deposit receipts, which stood at £5,000,000. These liquid resources amounted, in all, to £21,250,000, or 37 per cent. of their liability on deposits and notes in circulation. Taking into account their British Government securities, which stood in the books at £27,850,000—an increase of £4,300,000 during the year under review—it would be seen that they had £49,100,000, or 85 per cent. of their liabilities, in the form of cash or readily realisable securities.

Although they continued to finance to a considerable extent many of their customers who were actively engaged in vital war production, either as main contractors or sub-contractors, they had to record a reduction in loans and advances of £580,000 compared with last year. The decline in advances was, of course, due to the direct financing of commodity purchases by the Government and to the inevitable reduction in war-time of the normal stocks held by traders. Prior to the outbreak of war the assistance afforded to industry and agriculture had been on a liberal scale, and they would be most happy to see a return of conditions which would enable them once again to employ their resources in this way.

#### THE PROFIT

The profit for the year amounted to £313,000, an increase of £7,000 compared with last year. This expansion of profits was entirely due to their increased resources, as the margin of profit was still extremely low and costs continued to rise steadily. A sum of £50,000 had again been placed to reserve fund, making it £2,000,000, and on this occasion it had been thought desirable, in view of the existing restrictions on property outlays, to allocate £20,000 to deferred repairs and renewals, as against a sum of £10,000 applied last year to bank and other premises account. In view of the higher range of salaries, the directors recommended that this year the amount set aside in respect of

their liability for pensions and allowances should be increased from £25,000 to £30,000. As usual, full provision had been made for all bad and doubtful debts, and a valuation of their investments at April 1st showed a considerable surplus over the figure standing in their books.

#### TRIBUTE TO MANAGERS, OFFICIALS AND STAFF

The chairman expressed their most cordial thanks to Mr Norman L. Hird, general manager, and Mr John A. Morrison, assistant general manager, for their valuable services to the bank during these difficult times, and also their warm appreciation of the devoted and efficient service of the officials, managers, agents and other members of the staff, both permanent and temporary, at the offices in Scotland and London.

The report was unanimously adopted, and a dividend at the rate of 18 per cent. per annum declared.

Sir A. Steven Bilsland, Bt., M.C., D.L., was re-elected chairman of the bank.

## THE LIVERPOOL AND LONDON AND GLOBE INSURANCE COMPANY, LIMITED

In a statement circulated with the 108th annual report of the Liverpool and London and Globe Insurance Company, Limited, the chairman, Mr P. R. England, indicated that total fire, accident and marine premiums were £10,244,258 against £10,485,292 in 1942. Underwriting profit was £732,666 against £949,528.

New life business at £1,319,589 was £55,000 higher. Following quinquennial valuation, reversionary bonuses were declared—25s. per cent. per annum for whole life policies and 20s. per cent. per annum for endowment assurances.

Fire premiums at £3,905,437 compared with £3,705,732 in 1942.

Accident department trading was again favourable, premiums at £5,018,075 comparing with £5,045,712.

Marine premiums at £1,320,746 showed a decrease of £413,100 against the 1942 figure.

Net interest was £303,942 against £317,251.

The directors recommended a final dividend of 13s. 6d., making 27s. per share, less tax, for 1943.

## WILLIAM BEARDMORE AND COMPANY, LIMITED

### ORDINARY GENERAL MEETING

The ordinary general meeting of William Beardmore and Company, Limited, was held, on the 11th instant, at the offices of the company in Glasgow.

Sir James Lithgow, Bt., M.C., D.L., chairman of the company, presided.

The secretary (Mr D. M. Cameron, C.A.) read the notice convening the meeting, and the report of the auditors was read by Mr H. MacRobert, C.A.

Resolutions adopting the report and accounts for the year ended December 31, 1943, authorising the payment of the dividend on the ordinary stock and confirming the placing of a further £100,000 to war contingencies reserve were carried unanimously.

The retiring directors (Mr. Wilson Harvey and Mr Frank Hodges) were re-elected, and the auditors (Messrs J. Wyllie Guild and Ballantine) reappointed.

The proceedings concluded with a vote of thanks to the chairman.

## ALLIANCE ASSURANCE COMPANY, LIMITED

### ANOTHER OUTPUT RECORD REVIEW OF DEPARTMENTS

The annual general Court of the members of the Alliance Assurance Company, Limited, will be held at the office of the company on the 24th instant.

The following is an extract from the review by the chairman, Mr Richard Durant Trotter, which has been circulated with the report and accounts: In the life department the net new business completed during the year amounted to £1,210,839, against £1,401,180 for the previous year. In 1942 I foreshadowed the possibility that the amount of new life business might fall off owing to the fact that we had agreed not to use manpower for the purpose of seeking new life business. The fall, therefore, is not entirely unexpected. The claims by death in 1943 amounted to £701,082, which includes £91,969 for war claims. The claims by death in 1942 amounted to £681,444, of which £91,398 was in respect of war claims. The total sum paid in respect of war claims from the outbreak up to the end of 1943 now amounts to £308,459. At the close of the year the "Alliance" Life and Annuity Funds amounted to £23,278,785, in comparison with £23,346,453 on December 31, 1942.

#### QUINQUENNIAL SURPLUS

The quinquennial actuarial valuation of the life and annuity business of the company fell to be made as at the close of the year. The rate of interest used in the valuation of the life fund was 2½ per cent., against 2½ per cent. in 1938, and the rate for the annuity fund was 3 per cent. as before. This has resulted in strengthening the reserves by over £600,000. The total surplus disclosed was £1,498,294, and of this sum £1,042,847 has been divided in the form of a compound reversionary bonus to with-profit policyholders at the rate of 1 per cent. per annum. The quinquennial actuarial valuation of the Economic Life Annuity and Capital Redemption business was also made as at December 31, 1943. The surplus disclosed amounted to £91,424, and of this £75,950 was allotted to the policyholders, the balance being carried forward.

In the fire department, the net premiums amounted to £2,333,122, being an increase of £71,692 over those for 1942. Claims and contributions to fire brigade absorbed £683,255, and after adjusting the reserve for unexpired risks, £327,154 has been carried to profit and loss. The additional reserve in this department has been increased to £3,000,000. The overseas business increased during the year.

#### ACCIDENT AND MARINE FIGURES

In the accident department the net premiums amounted to £1,243,552, showing an increase of £97,056 over those for 1942. After adjustment of the reserves for unexpired risks, the surplus, amounting to £236,440, has been carried to profit and loss account.

In the marine department the net premiums are £1,027,562, £646,642 less than those for 1942, due to the lower rates for war risk insurance, resulting from the improved shipping situation. The underwriting account for 1941 has now been closed, with a balance of £239,545, which is £88,136 more than the surplus on the 1940 account. The reserve fund for previous years has been increased to £425,000 and £139,287 has been carried to profit and loss.

The trustee department continues to make satisfactory progress.

Turning to our investments, the Stock Exchange securities (all funds) again appreciated in value during the year, and we have been able to invest a further £1,475,000 in Government War Loans.

## SUN INSURANCE OFFICE, LIMITED

### 234TH YEAR'S OPERATIONS MR. W. M. PRYOR'S REVIEW

The annual general meeting of the Sun Insurance Office, Limited, will be held, on the 23rd instant, when the usual formal resolutions will be submitted. The chairman has followed the procedure of earlier war years, however, and issued a statement to all shareholders, a summary of which is given below:

Since the last annual meeting the office has suffered an irreparable loss through the death of Sir William Goschen, who first joined the board in 1900 and has been chairman since 1918. To his leadership much of the success achieved is due. The death of Mr Charles V. Sale is reported with deep regret.

Mr H. W. Stokes and Mr J. A. Miller, formerly assistant secretaries, have been appointed assistant general managers. Mr W. R. Stevenson and Mr S. V. Bangert have been appointed assistant secretaries.

Premium income in both the fire and accident sections of the business advanced once more, but in common with the general experience marine premium income showed a recession. In the aggregate there has been a decline in income of only £25,797.

The additional reserves, which have in the past been included in the fire and accident revenue accounts, have been transferred to the general reserve in the balance-sheet as it is felt that no purpose can be served by the continuance of the former practice, and the alteration gives a clearer picture of the position. The general reserve now stands at the substantial figure of £3,250,000.

#### REVENUE ACCOUNTS

The claims experience in the fire account was again favourable, whilst the expense ratio, in spite of the heavy burden of taxation abroad, showed a welcome decline. The underwriting profits at £305,149 amounted to 11.96 per cent. of the premium income.

Notwithstanding a further decline in motor premiums, the income from accident business showed an increase, and the claims experience has been favourable. In this account also the ratio of expenses to premium income was substantially lower. The transfer to profit and loss account amounted to £230,253.

Marine premium income at £986,238 reflected the fall in rates of premium consequent upon the marked improvement in the war risk at sea. After transferring £100,000 to profit and loss account the marine fund stands at £1,719,278, which sum now includes the additional reserve of £130,000.

The transfers from the three revenue accounts totalled £635,404, which compared with £493,683 in 1942. Net interest earnings at £184,528 increased by £3,142. The provision made for British taxation was £300,000, whilst a sum of £50,000 has been transferred to the general reserve. A contribution of £100,000 has again been made to the pension fund.

#### DIVIDEND AND BALANCE SHEET

An interim dividend of 1s. 3d. per share was paid last January and a final dividend of 1s. 6d. per share has now been declared, the cost of these two dividends, which are subject to income-tax, being £176,000.

The book value of the investments at £10,400,968 advanced by £944,238, the market value of the securities being substantially in excess of the figure at which they stand in the books.

In concluding, the chairman pays tribute to the energy, loyalty and whole-hearted efforts of the management and staff. Meetings are sent to all members of the office now serving with the Forces.

## CALEDONIAN INSURANCE COMPANY

### SATISFACTORY RESULTS MR WILLIAM BLAIR'S REVIEW

The one hundred and thirty-ninth annual general meeting of the Caledonian Insurance Company was held within the company's office, Edinburgh, on the 11th instant.

The chairman, Mr William Blair, W.S., in moving the adoption of the report, said:—

In continuation of its support of the Government's financial requirements, the company invested in new Government loans in 1943 the sum of £841,000, raising the total thus invested since the outbreak of war from £1,377,600 to £2,218,600. I may add that our total holdings of British Government securities now amount to over £4,577,000 out of total assets of £13,139,000.

#### LIFE DEPARTMENT

You will observe that the net new life assurances granted during 1943 amounted to £1,137,746, as compared with £886,248 in 1942, which I think shows a satisfactory increase, especially considering that we have now practically no field staff. This clearly shows the measure of the goodwill which exists between the company and its agents. In this connexion may I remind shareholders that they can augment this goodwill greatly by giving all assistance in their power to increase the new business of the company.

There was a decrease of £86,000 in the death claims and a small increase in the surrenders, which latter, however, at £33,723 for the year are very moderate.

The expenses for the year 1943, excluding those applicable to annuities, showed a ratio to the net premium income of 15.0 per cent., compared with 15.2 per cent. for 1942.

The average net rate of interest earned for the year 1943 on the Life Assurance and Annuity Fund was £3 4s. 2d. per cent., as compared with £3 3s. 8d. per cent. in 1942.

As regards the assets the Stock Exchange securities stand in the balance sheet in the aggregate at less than the value at middle market prices as at December 31, 1943. The directors believe that the other assets are in the aggregate fully of the value stated in the balance sheet.

As already announced in the Press, it has been decided to pay, until further notice, an interim bonus of £1 per cent. per annum on ordinary participating whole life, endowment and double endowment Assurances becoming claims by death or maturity in 1944, in respect of each year's premium due and paid for the years 1937 to 1940 inclusive and the year 1944. No interim bonus will be allotted in respect of premiums due and paid for the years 1941 to 1943 inclusive.

#### FIRE DEPARTMENT

The premium income for 1943 was £910,493, as against £883,231 in 1942, and the profit was £57,081, compared with £55,068.

#### ACCIDENT DEPARTMENT

The premium income for 1943 was £485,478, as compared with £489,591 in 1942, and the profit was £48,235, compared with £43,871.

#### MARINE DEPARTMENT

The premium income for 1943 showed a considerable decrease, being £387,292, against £621,315 in 1942. This decrease is not in any way disturbing, as the premium income for 1942 was altogether exceptional owing to the inclusion of certain blocks of war risk business which proved unprofitable and which we are not now writing.

We have not made any transfer to profit and loss account in 1943, but I would mention that the marine fund at £628,001

represents 162 per cent. of the premium income for 1943 of £387,292. This fund, in the opinion of our underwriters, is sufficient to meet all liabilities and to provide a substantial profit. The directors, however, have thought it advisable to retain the profit in the fund until conditions become more stable.

#### PROFIT AND LOSS ACCOUNT

If the recommendations of the directors be approved, the balance to be carried forward in this account, after payment of a dividend of 15s. per share and the allocation of £20,000 to the Staff Pension Fund, will be £72,523, as against the corresponding figure of £89,197 for the previous year.

#### OFFICIALS, STAFF AND AGENTS

During the year Mr W. Graham Robertson, formerly branch manager at Nottingham, was appointed branch manager at Glasgow in succession to the late Mr Aird, and Mr D. M. Reid, formerly Superintendent at our Inverness office, was appointed to succeed Mr Robertson at Nottingham. Mr W. M. Shepherd, who was formerly chief assistant in the Foreign Accident Department, was appointed Foreign Accident Superintendent.

I feel it would be ungracious to close my remarks without referring to the loyal service to the company on the part of our general manager, Mr Cameron, and of the other officials at head office and the branches, as well as to the interest and devotion displayed by our local directors, staff and agents at home and abroad.

I now beg to move that the report be adopted, that the allocation of £20,000 to the Staff Pension Fund be approved, and that a dividend of 15s. per share, subject to deduction of income tax, be declared for the year 1943, payable in equal half-yearly instalments on May 15th and November 11th next.

The report and accounts were unanimously adopted.

## STEEL BARREL SCAMMELLS SUSTAINED WAR EFFORT

The seventh annual general meeting of Steel Barrel Scammells and Associated Engineers, Limited, was held, on the 10th instant, in London, Mr H. R. Hood Barrs (chairman and managing director) presiding.

The following is an extract from the chairman's address circulated with the report:

The directors have made payment of two interim dividends at the rate of 6 per cent. and 9 per cent., together with a bonus of 5 per cent., making a total of 20 per cent. for the year. The combined net profit of the three subsidiaries subject to tax amounts to £80,314. This shows a satisfactory increase of £7,104 on the profits of the previous year. The financial position of the group is indeed very strong, and will be most gratifying to all shareholders.

The very considerable volume of work on which all the companies are now engaged is largely attributable to the high standard of design and technique for which the companies have held a leading reputation in their respective fields for so many years. The name of Steel Barrel is known not only in this country but in many others for its specially improved containers of all types, and the many thousands of Steel Barrel tankers on the roads of the world are proof of the high quality and specialisation of this company in these productions. Similarly the names of Scammell and Carrimore are foremost in their fields, and shareholders can look forward with confidence to those great names drawing a very large volume of business on the cessation of hostilities.

The directors regard production efficiency as of first importance. The introduction of the latest methods and the installation of modern plant at all the companies' works are the subject of continuous attention. The report was adopted.

## E. POLLARD AND COMPANY, LIMITED

### ANOTHER OUTPUT RECORD

The thirty-second annual general meeting of E. Pollard and Company, Limited, was held, on the 10th instant, at 159, St. John Street, Clerkenwell, E.C.

Mr H. E. Pollard (chairman and managing director) presided.

After the preliminary proceedings had been concluded, the chairman said: Gentlemen,—You will see from the printed accounts that the trading profit for the year ended December 31, 1943, was £112,866, after provision for Excess Profits Tax. From this is deducted the usual charges of depreciation, amortisation, and interest, etc., leaving £89,258 to be dealt with in the appropriation account. This compares with £62,497 in 1942, when the amount carried forward after the appropriations was £34,783. This amount, added to the 1943 profit, gives £124,041 to provide for income-tax, reserves, war damage and dividends.

Your directors have placed £10,588 to reserve, which now stands at £31,000. They have paid the 7 per cent. on the preference shares and they propose to recommend a dividend of 7½ per cent. on the ordinary shares. The reserves for income-tax and debenture redemption and the war damage contribution are provided for, and we have left a carry forward of £35,827. Once again we have experienced a year of record output, and, as the work in progress figure of £588,557 net—as against £430,992 last year—suggests, we had a large number of valuable contracts in hand at the turn of the year.

### PROVISION FOR TAXATION

The increased bank overdraft is due to the cash requirements to meet taxation and to the accumulation of outstanding settlements of some of the larger uncompleted contracts. All taxation liabilities in respect of profits earned up to the end of 1942 have been agreed with the Inland Revenue, and tax on these profits has been discharged. In the 1943 accounts provision has been made for the estimated liability for Excess Profits Tax based on the profits of that year. In addition to this, a further provision has been made increasing the income-tax reserve to cover £36,000 of tax on these profits. This does not become due for payment until January 1, 1945. The corresponding figure at the end of 1942 was about £10,000.

After protracted negotiations, it was found that a comprehensive pension fund scheme to cover all grades and trades was too costly, and your directors therefore decided to return to the discretionary system used in the past and so avoid a guarantee of an ever recurring annual payment. The amount shown at December 31, 1942, has been incorporated in the present accounts.

### A SATISFACTORY STATE OF AFFAIRS

Taking the accounts as a whole, I think you will agree that they show a satisfactory state of affairs, and whilst your directors give continual thought to the prospects of peace-time trading, they do not let this interfere in any way with the present essential production. Undoubtedly we shall then experience difficulties of material shortages, but with reasonable substitutions and not too severe control we can turn our production over to our peace-time products, as existing contracts drop, without any serious difficulty.

The report and accounts were unanimously adopted and the dividend of 7½ per cent. on the ordinary shares for the year was approved.

Mr M. J. Larkin and Mr B. L. Marley, the directors retiring by rotation, were re-elected, and the auditors, Messrs A. R. Welchman and Company, reappointed.

## ROYAL INSURANCE COMPANY, LIMITED

### 99th ANNUAL REPORT

#### MR P. R. ENGLAND'S SURVEY

In a statement circulated with the 99th Annual Report of the Royal Insurance Company, Limited, the chairman, Mr P. R. England, said that fire premiums, at £6,575,895, were higher by over £200,000 than in 1942. Underwriting profit was £612,343 (9.31 per cent.) against £548,084 (8.61 per cent.) for the previous year.

Accident and General premiums were also higher by more than £200,000. Underwriting profit was £916,648 (12.93 per cent.) against £876,392 (12.75 per cent.).

The 1942 Marine Account had been closed with a loss of £172,857—not unexpected, for war losses falling upon American business in that year were heavy. Premiums for the 1943 account, at £2,736,367, were less by £1,200,000, but the results so far were promising.

Total premiums were £16,399,000.

Total Underwriting profit after deducting the Marine loss, amounted to £1,356,000, compared with £1,762,000 for 1942.

New Life business was completed for net sums assured of £2,750,145 (against £2,664,759). War claims increased to £88,000 (compared with £48,000); but even so, total death claims, at £767,311, were the lowest for any year since 1937.

Net interest in profit and loss account, at £866,000, was practically unchanged since the previous year.

### NEW INVESTMENTS

New investments consisted largely of subscriptions, which had been substantial, to Government War Loans in this country, in U.S.A., and the Dominions.

The company's capital position was strong, the market value of its securities showing a substantial margin over book value. Its funds were increasing, but the advantage to the company's interest account therefrom was offset by the lower rates obtainable on re-investment of maturities.

### ROAD ACCIDENTS

In reference to road accidents in this country, the chairman mentioned that according to the figures of the Ministry of War Transport, over 588,000 people had been killed or injured on the roads of Great Britain since the war began, compared with total British casualties on the fighting fronts—killed, wounded and missing—of 388,000. No protest could be too strong or too insistent.

The post-war outlook was particularly disturbing in its potential aggravation of the problem. The first flush of new motor-ing liberty might be fraught with serious risk to drivers, passengers and pedestrians. Numbers of drivers would take to the roads again—possibly with a dimmed appreciation of the hazards to be met; vehicles would be brought into use in poor condition, may be with inadequate brakes, and tyres aged to the point of danger; long stretches of road would be in urgent need of repair; adequate road signs might, for a time, be lacking; and the civilian population—above all, the children—might have lost their awareness of danger, in the diminished traffic we had seen during the war, and possibly in their temporary evacuation from cities to the country.

It was encouraging to know that the Ministry of War Transport, through the Road Safety Committee, was alive to these dangers, and was preparing a programme to cope with the situation. It needed to be a programme of propaganda and education—particularly for children; of careful and strict regulation, especially in built-up areas; and above all, of intelligent road policy—providing for the construction and layout of roads on modern lines, with lanes to segregate different kinds of traffic, fly-

over crossings, subways, and other safety devices. Only when the question was handled as incisively, from the safety aspect, as in the case of railways, should we hope to put an end to the destruction and maiming of life which was wasting one of our most precious national assets. The design, and safety record of the Liverpool-Birkenhead Tunnel under the River Mersey was a shining example of the high standard of safety which was attainable.

### POST-WAR PROBLEMS

Post-war problems were gradually assuming greater reality and urgency. British insurance was part of the Empire's financial armament, and had an essential job to do in the work of world reconstruction. Consideration was already being given to some of the broad questions, both imperial and domestic, which will arise in the years ahead.

### BUSINESS OVERSEAS

The need to develop the country's exports took a high priority in its post-war programme, and the chairman pointed with pride to the record of British insurance in that direction. Its net contribution to the country's available foreign exchange was comparable with any single exporting industry. It acquired a special value in time of war, for it called for no import of raw materials and demanded no shipping space. Insurance was one of the few exports—if not the only one—whose foreign exchange earnings had been maintained and even enhanced during the war. That enviable position was no accident. It had been achieved by the world-wide reputation which British insurance had built up for integrity, technical skill, and financial stability. It reflected a world-wide faith in the British "promise to pay"—a faith firmly based on confidence.

## JOHNSON AND PHILLIPS, LIMITED

### INCREASED TRADING PROFIT

The thirty-ninth annual general meeting of Johnson and Phillips, Limited, was held, on the 11th instant, in London.

Mr G. Leslie Wates, J.P. (the chairman), said that they were again able, for the eleventh successive year, to report an increased trading profit. Their activities had been solely aimed at the manufacture of goods for the prosecution of the war, directly and indirectly, and the company had well justified its existence in this connection and had made a not inconsiderable contribution to the nation's effort. During the year the standard profit allowed to the company had been increased by some £17,000. The balance-sheet figures reflected the continued expansion of the company's business. It had been decided to transfer this year the sum of £15,000 out of profits to research and development account, and they had further increased the contingencies reserve by £30,000, bringing it up to £170,000. The board recommended the same final dividend as last year, namely, 7½ per cent., which made 15 per cent. for the year. This was the fifth year they had paid that dividend.

The amount of debentures now outstanding was £356,792. The board felt that with a company of their standing and total assets it was hardly appropriate to have any capital raised on debentures and, further, that the rate of interest of 4½ per cent. was higher than they ought to pay. It was therefore proposed to give notice to repay the present issue on January 1, 1945. Arrangements to finance the repayment for the time being would be made with their bankers at a substantial saving of interest, which would automatically enure for the benefit of the shareholders. The permanent re-financing might be accomplished in many diverse ways. It would be premature to attempt to settle the matter now.

The report was unanimously adopted.

## JOHN SUMMERS AND SONS, LIMITED

### RESULT OF YEAR'S OPERATIONS

The annual general meeting of John Summers and Sons, Limited, was held on the 5th instant at the company's offices at Lawarden Bridge Steelworks, Shotton.

Mr. Richard F. Summers, the chairman presided.

The proceedings were of a formal nature, covering the adoption of the report and accounts, the re-election of retiring directors and the re-appointment of the auditors.

No detailed review of the operations of the company was given by the chairman either at the meeting or in circulation form to the shareholders.

The following are extracts from the report:—

### PROFIT AND APPROPRIATIONS

The profit for the year and the appropriations recommended by the directors are summarised as follows:—

|                                                                                                         |                       |
|---------------------------------------------------------------------------------------------------------|-----------------------|
| Balance of profit after providing for depreciation and taxation...                                      | £ 451,173             |
| Balance from last account .....                                                                         | 185,183               |
|                                                                                                         | <hr/> 636,356         |
| Provision for war damage insurance ...                                                                  | 23,210                |
| Transfer to general reserve including £43,681 covering debenture stock redeemed December 15, 1943 ..... | 160,000               |
| Transfer to war contingencies reserve .....                                                             | 50,000                |
| Dividends on ordinary stock—                                                                            |                       |
| A" stock, 8½ per cent., less income tax 170,000                                                         |                       |
| B" stock, 4½ per cent., less income tax 45,000                                                          |                       |
|                                                                                                         | <hr/> 215,000         |
|                                                                                                         | <hr/> 448,210         |
|                                                                                                         | <hr/> <u>£188,146</u> |

In arriving at the above profit, depreciation of £350,174 has been written off in the accounts of the various companies and all provision has been made for all known liabilities and contingencies, including provision at the current rate for all taxation—respective of when payable—on the profits earned up to December 31, 1943.

### DEATH OF SIR ROBERT HILTON

The directors record with much regret the death of Sir Robert S. Hilton. Although he had only been on the board for a comparatively short time, his wide experience of the steel industry has proved of the greatest value to the company and his loss will be keenly felt by all those who were privileged to work with him.

The directors wish once more to place on record their appreciation of the sustained efforts that have been put forward by all the company's staff and employees. The report and accounts were adopted.

(Continued from page 664)

"The Economist" Sensitive Index.—There was no change in the index during the week ended May 10th. The complete index (1935 = 100) was 158.6; crops 135.6; and raw materials 85.5.

Labour for Cotton Trade.—About a year ago, under the auspices of the Cotton Board, there was formed a Recruitment and Training Department for the industry, and since then a large amount of work has been done by the director, Mr E. M. Gray, and his colleagues. The labour shortage in the cotton industry has been serious for a long time, but there are now signs of some improvement. According to the Ministry of Labour, 716 juveniles under 18 years of age entered the industry through the employment exchanges and the juvenile employment bureaux in the first quarter of 1944, compared with only 245 in the same period of 1943. The increased recruitment of juveniles may be a reflection of the improvement in working conditions.

## PINCHIN, JOHNSON AND COMPANY, LIMITED

### RECORD YEAR

#### MR EDWARD ROBSON'S REVIEW

The annual general meeting of Pinchin, Johnson and Company, Limited, was held, on the 10th instant, at Tigbourne Court, Witley, Surrey. Mr Edward Robson (the chairman) presided.

The directors' report stated that trading during the year continued under the difficulties of extended control of essential materials and labour, but despite such difficulties the company's turnover expanded satisfactorily.

All foreign and overseas units, with the exception of those in enemy occupied territories, continued to operate successfully.

The chairman's statement was as follows:—

Although present conditions require my survey to be as short as possible, there are one or two features which I should like to emphasise.

Firstly, the amount of net profit reported for the year constitutes a record for the company, although taxation absorbs the whole of the increase over 1942. Secondly, the further addition this year of £60,000 to the reserve for contingencies raises that fund to a total of £260,000, and, thirdly, the balance forward to 1944 is slightly increased to £173,343.

Your directors consider last year's results to be satisfactory, and it gives them pleasure to be able to recommend a small increase of 1½ per cent. in the dividend for the year.

You will note that changes have taken place in the board of the company. In addition to the appointment of two new working directors, I have to tell you that, owing to the many very important technical and other developments which are taking place, considerably increased demands are being made upon the time of Mr C. G. Heywood, your technical director, so much so that he has felt impelled to relinquish his day-to-day duties as a managing director in order that he may devote his time to technical developments and trade association activities of great importance to the industry, especially in its relationships with the Government.

### PLASTICS INTERESTS

Another point which will interest you is that your board has not been unmindful of the increasing importance of the development of plastics in association with the paint industry, and steps have been taken to ensure that your company will participate in the eventful benefits which will accrue to either industry.

Finally, I wish to pay tribute to my co-directors and the staff for their loyalty and unstinting efforts which have made the year 1943 an outstanding one in the company's history.

The report and accounts for the year 1943 were adopted, and a final dividend of 7½ per cent., less tax, was declared on the ordinary shares, making 10 per cent., less tax, for the year. The retiring directors were re-elected and the auditors re-appointed.

## MOSS' EMPIRES, LIMITED

### INCREASED PROFITS

The forty-fifth general meeting of Moss' Empires, Limited, was held in London on the 10th instant.

Mr R. H. Gillespie, the chairman, presided, and the following are extracts from the chairman's statement which was issued with the report: The trading profits for the year have increased from £326,355 to £332,238. Certain theatres are still closed owing to enemy action and otherwise. The provision for Imperial taxation for the year amounts to £227,763, an increase of some £25,000 over last year. In addition, the company paid almost £450,000 in Entertainment Tax, making a total of over four and three-quarter million pounds since the tax came into operation in 1917. In view of the present war situation and of what the future operations may be, the directors have decided to make a reserve for future taxation and not to declare any further dividend on the ordinary stock at this time beyond the 10 per cent. already paid. Additional provision has been made for sinking fund policies. Investments have been increased by the purchase of £50,000 National War Bonds.

The company have presented at their theatres throughout the country the best entertainment available, including ballet, opera, high-class musical plays and plays by Shakespeare and distinguished modern dramatists, as well as variety and revues, and have provided artistes and shows for the entertainment of many thousands in the camps and war factories and also for war charities.

Normal income has been considerably curtailed by Government restrictions on the sale of ices, teas, etc., and the limitation of bar and other supplies.

In the present year to date our business has been satisfactorily maintained, and every step was being taken to meet the difficulties which arise from time to time.

The report was unanimously adopted.

## CAMP BIRD LIMITED

The forty-second ordinary general meeting of Camp Bird, Limited, was held, on the 11th instant, in London, Mr F. W. Baker (the chairman) presiding.

The following is an extract from the chairman's statement circulated with the accounts: Profit for the year at £15,307 is slightly in excess of last year. The reserve fund, which has been increased by the year's profit to £241,580, has been utilised to write down investments and advances to market or estimated values. Our interests compared with last year are substantially unaltered. In South Africa we have added a minor interest in option and prospecting contracts in the Orange Free State. Our large holding in West Witwatersrand Areas, Limited, is retained.

Recent advices from the operating company in Australia of Lake George Mining Corporation, Limited, report the location by diamond drilling of a new ore shoot below the eighth level near the main shaft, which may prove to be of major importance.

The report was adopted.

### INDICES OF WHOLESALE TRADE IN TEXTILES IN GREAT BRITAIN • (1937=100)

|                | Stocks (end year and month) | Home Trade | Total Index | % Change from a Year Ago |
|----------------|-----------------------------|------------|-------------|--------------------------|
| 1937.....      | 100                         | 100        | 100         | + 1.0                    |
| 1938.....      | 94                          | 94         | 93          | - 7.0                    |
| 1939.....      | 86                          | 105        | 103         | +10.7                    |
| 1940.....      | 93                          | 117        | 115         | +11.7                    |
| 1941.....      | 83                          | 98         | 98          | -14.8                    |
| 1942.....      | 95                          | 104        | 102         | + 4.1                    |
| 1943.....      | 108                         | 96         | 93          | - 8.8                    |
| 1943, Feb..... | 111                         | 112        | 108         | - 7.7                    |
| Mar.....       | 105                         | 115        | 111         | -12.6                    |
| 1944, Feb..... | 116                         | 123        | 118         | + 9.3                    |
| Mar.....       | 103                         | 133        | 129         | +16.2                    |

Indices calculated by Wholesale Textile Association in collaboration with Bank of England.  
Purchase Tax is not included; figures are therefore comparable throughout.  
Publication of Indices of Export Sales suspended in September, 1942.  
Source: Board of Trade Journal.



# RECORDS and STATISTICS

## INVESTMENT

### Stock Exchanges: London

#### "FINANCIAL NEWS" INDICES

| 1944      | Total<br>Bargains<br>in S.E.<br>List | Corres.<br>Day<br>1943 | Security Indices   |                   | Yields         |                |
|-----------|--------------------------------------|------------------------|--------------------|-------------------|----------------|----------------|
|           |                                      |                        | 30 Ord.<br>shares* | 20 Fixed<br>Int.† | Old<br>Consols | Ord.<br>Shares |
| May 4.... | 7,090                                | 5,373                  | 108.1              | 134.7             | 3.17           | 3.87           |
| " 5....   | 7,244                                | 5,443                  | 108.1              | 134.7             | 3.17           | 3.87           |
| " 8....   | 8,069                                | 5,669                  | 108.1              | 134.7             | 3.17           | 3.86           |
| " 9....   | 6,630                                | 5,789                  | 108.2              | 134.8             | 3.17           | 3.86           |
| " 10....  | 6,413                                | 5,867                  | 108.3              | 134.8             | 3.17           | 3.85           |

\* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1944: highest, 108.3 (May 10); lowest, 103.0 (Feb. 28). 20 Fixed Int., 1944: highest, 138.4 (Feb. 23); lowest, 134.0 (Jan. 3).

## New York

### STANDARD STATISTICS INDICES

#### DAILY AVERAGE OF 50 COMMON STOCKS

| 1944         | Average | Transactions | 1944      | Average | Transactions |
|--------------|---------|--------------|-----------|---------|--------------|
|              |         |              |           |         |              |
| April 28.... | 116.3   | 561,000      | May 2.... | 117.9   | 571,000      |
| " 29....     | 116.8   | 246,000*     | " 3....   | 117.8   | 626,000*     |
| May 1....    | 116.8   | 571,000      | " 4....   | 118.6   | 513,000      |

1944: High, 121.2 (Mar. 18). Low, 113.8 (Feb. 8). \* Two-hour session.

#### (WEEKLY AVERAGES) (1935-36=100)

|                     | 1944              |                    | April<br>19,<br>1944 | April<br>26,<br>1944 | May<br>3,<br>1944 |
|---------------------|-------------------|--------------------|----------------------|----------------------|-------------------|
|                     | Low<br>Mar.<br>15 | High<br>Mar.<br>15 |                      |                      |                   |
| 37 Industrials..... | 95.1 (a)          | 99.7               | 95.3                 | 95.7                 | 97.5              |
| 32 Rails.....       | 88.9 (a)          | 101.2 (c)          | 95.1                 | 95.9                 | 97.7              |
| 40 Utilities.....   | 85.0              | 88.9 (d)           | 86.7                 | 86.9                 | 87.2              |
| 419 Stocks.....     | 93.6 (a)          | 97.9               | 94.0                 | 94.3                 | 95.9              |
| Av. yield %*.....   | 4.83 (e)          | 4.60               | 4.83                 | 4.80                 | 4.69              |

\* Common Stocks. (a) Feb. 9. (b) Jan. 5. (c) Mar. 22. (d) Mar. 8. (e) Feb. 23.

## Capital Issues

| Week ending<br>May 13, 1944 | Nominal<br>Capital<br>£ | Con-<br>versions<br>£ | New<br>Money<br>£ |
|-----------------------------|-------------------------|-----------------------|-------------------|
| By Permission to Deal.....  | 19,750                  | ...                   | 94,800            |

Particulars of Government issues appear on page 665.

#### Year†

|           | Including<br>Conversions<br>£ | Excluding<br>Conversions<br>£ |
|-----------|-------------------------------|-------------------------------|
| 1944..... | 540,723,274                   | 530,030,618                   |
| 1943..... | 637,887,076                   | 622,537,992                   |

#### Destination\*

#### Nature of Borrowing\*

| Year†     | U.K.        | Brit. Emp.<br>ex. U.K. | Foreign<br>Countries | Deb.        | Pref.     | Ord.      |
|-----------|-------------|------------------------|----------------------|-------------|-----------|-----------|
|           |             |                        |                      |             |           |           |
| 1944..... | 529,699,897 | 330,721                | Nil                  | 526,297,999 | 2,015,289 | 1,717,330 |
| 1943..... | 630,523,630 | 1,375,053              | 638,677              | 615,512,165 | 659,837   | 6,365,990 |

\* Conversions Excluded. † Includes Government issues to May 2, 1944, only. Above figures include all new capital in which permission to deal has been granted.

## FINANCE AND BANKING

**THE MONEY MARKET.**—The authorities have throughout the week kept the credit position somewhat strained. The banks had to pay £80,000,000 against Treasury Deposit Receipts, while current maturities, allowing for pre-encashments, amounted to about £55,000,000. In addition to the £25,000,000 of net additional money found in this way, the Treasury bills to be paid for again exceeded maturities by £20,000,000. Government outlays up to the middle of the week did not altogether justify this volume of floating debt borrowing, and the Bank return shows £12,144,000 immobilised in Public deposits, an unusually high figure in these days. The total of bankers' deposits has risen by £7,560,000, but at £166,145,000 is still at a level denoting a bare sufficiency of bank cash. This figure, moreover, was only reached as a result of considerable special purchases of bills from the market earlier in the week. These open market operations are reflected in the rise of £12,655,000 in Government securities. By the second half of the week the position was easing appreciably and the clearing banks were again buyers of bills from the market. The note circulation over the past week has hardly shown any movement, though the latest total of £1,129,223,000 is a new high record.

## MONEY RATES, LONDON.

The following rates remained unchanged between May 4th and May 11th:—  
Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days, 1½%; 3 months, 1½%; 4 months, 1½%; 6 months, 1½%; 1½%. Treasury Bills: 2 months, 1½%; 3 months, 1½%; Day-to-day money, 1½%. Short Loans, 1½%. Bank deposit rates, 1%. Discount deposits at call, 1%; at notice, 1%.

**Exchange Rates.**—The following rates fixed by the Bank of England remained unchanged between May 4th and May 11th. (Figures in brackets are par of exchange).  
United States. \$ (4.86) 4-02½-03½; mail transfers 4-02½-03½. Canada. \$ (4.86) 4-43-47; mail transfers 4-43-47. Switzerland. Francs (25.22) 17-30-40. French Empire. Francs 1971-2001. Syria. P. 8-81-85. Sweden. Krona (18.15) 16-85-95. Dutch West Indies. Florin (12.11) 7-58-63. Portugal. Escudos (110) 99-80-100-20; mail transfers 99-80-100-30. Panama. \$ (4.02-04) 4-02-04. Brazil. 83-64½ cr. (buying); mail transfers 83-56½. Uruguay. 7-6597 p. (buying).  
Fixed Rates for Payment at Bank of England for Clearing Offices. Spain. Pesetas 44-00. Turkey. Piastres 520. Italy. 71-25 lire.  
Market Rates.—The following rates remained unchanged between May 4th and May 11th.  
Egypt. Piastres (971) 971-8. India. Rupee (18d. per rupee) 17½-18½d. Belgian Congo. Francs 1761-2. China. National \$3-3½. Iran. Rl. 128-130. Special Accounts are in force for Chile, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London. Rate for payment into Argentine special account: 16-13 pesos.  
Forward Rates.—Forward rates for one month have remained unchanged as follows: United States. ½ cent pm-par. Canada. ½ cent pm-par. Switzerland. 3 cents pm-par. Sweden. 3 ore pm-par.

## NEW YORK EXCHANGE RATES

| New York on         | May 3  | May 4  | May 5  | May 6  | May 8  | May 9  | May 10 |
|---------------------|--------|--------|--------|--------|--------|--------|--------|
| Cables London.....  | 402½   | 402½   | 402½   | 402½   | 402½   | 402½   | 402½   |
| Montreal.....       | 90-125 | 90-125 | 90-125 | 90-125 | 90-125 | 90-125 | 90-125 |
| Zurich.....         | 25-50  | 25-50  | 25-50  | 25-50  | 25-50  | 25-50  | 25-50  |
| Buenos Aires.....   | 24-97* | 24-94* | 24-94* | 24-94* | 24-98* | 24-98* | 24-98* |
| Rio de Janeiro..... | 5-16   | 5-16   | 5-16   | 5-16   | 5-16   | 5-16   | 5-16   |
| Lisbon.....         | 4-09   | 4-09   | 4-09   | 4-09   | 4-09   | 4-09   | 4-09   |
| Barcelona.....      | 9-25   | 9-25   | 9-25   | 9-25   | 9-25   | 9-25   | 9-25   |
| Stockholm.....      | 23-86  | 23-86  | 23-86  | 23-86  | 23-86  | 23-86  | 23-86  |

\* Official Buying Rate 29-78. † Free Rate. \$ Bid.

## CLEARING BANK COMPARATIVE FIGURES

|                                              | Apr. 1943 | Dec. 1943 | Jan. 1944 | Feb. 1944 | Mar. 1944 | Apr. 1944 |
|----------------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Capital and reserves.....                    | 140.9     | 142.5     | 142.4     | 142.5     | 142.5     | 142.5     |
| Acceptances, etc.....                        | 92.6      | 100.6     | 100.8     | 99.4      | 97.8      | 96.3      |
| Notes in circulation.....                    | 1.6       | 1.5       | 1.5       | 1.5       | 1.4       | 1.4       |
| Current, deposit and other accounts.....     | 3,545.1   | 4,031.7   | 3,962.2   | 3,896.8   | 3,988.2   | 4,016.8   |
| Total liabilities.....                       | 3,780.2   | 4,276.3   | 4,206.9   | 4,140.2   | 4,229.9   | 4,257.0   |
| Cash, balances, and items in transit.....    | 374.9     | 422.2     | 415.8     | 414.2     | 423.4     | 430.0     |
| Cheques, balances, and items in transit..... | 119.0     | 200.6     | 133.7     | 130.0     | 135.6     | 131.3     |
| Money at call.....                           | 142.3     | 151.0     | 157.4     | 149.6     | 154.8     | 164.3     |
| Discounts.....                               | 128.4     | 132.6     | 138.1     | 123.5     | 113.1     | 148.6     |
| Treasury deposit receipts.....               | 963.5     | 1,307.0   | 1,305.0   | 1,264.0   | 1,331.0   | 1,314.0   |
| Investments.....                             | 1,136.8   | 1,153.6   | 1,148.6   | 1,141.0   | 1,136.2   | 1,152.4   |
| Loans and Advances.....                      | 756.4     | 743.0     | 741.8     | 752.7     | 772.2     | 754.3     |
| Investments in affiliated banks.....         | 23.9      | 24.1      | 24.1      | 24.1      | 24.1      | 24.1      |
| Cover for acceptances, premises, etc.....    | 135.0     | 142.2     | 142.4     | 141.1     | 139.5     | 138.0     |
| Total assets.....                            | 3,780.2   | 4,276.3   | 4,206.9   | 4,140.2   | 4,229.9   | 4,257.0   |

## INDUSTRY AND TRADE

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

|                             | Daily Average Sales |        |        | Stocks<br>(at Cost)<br>End Mar. |
|-----------------------------|---------------------|--------|--------|---------------------------------|
|                             | Jan.                | Feb.   | Mar.   |                                 |
| Non-food Merchandise:—      |                     |        |        |                                 |
| Piece-goods.....            | + 6.4               | + 38.0 | + 5.7  | - 5.1                           |
| Women's Wear.....           | + 2.9               | + 64.4 | + 15.0 | - 23.5                          |
| Men's and Boys' Wear.....   | + 7.1               | + 82.2 | + 22.5 | - 15.4                          |
| Boots and Shoes.....        | + 14.5              | + 32.0 | + 0.5  | - 6.6                           |
| Furnishing Departments..... | + 12.4              | + 14.9 | + 8.1  | - 23.4                          |
| Hardware.....               | + 0.6               | + 8.2  | + 1.9  | - 10.7                          |
| Fancy Departments.....      | + 2.2               | + 3.0  | + 2.0  | - 20.2                          |
| Sports and Travel.....      | + 16.6              | + 16.1 | + 19.8 | - 5.9                           |
| Miscellaneous.....          | + 1.0               | + 1.6  | + 5.2  | + 0.3                           |
| Total:—                     | + 3.2               | + 21.7 | + 7.4  | - 18.1                          |
| Food and Perishables.....   | + 4.2               | + 5.1  | + 6.8  | - 3.9                           |
| Total:—                     | + 1.2               | + 11.6 | + 7.0  | - 16.9                          |

#### (a) By Commodities

|                             | Daily Average Sales |        |        | Stocks<br>(at Cost)<br>End Mar. |
|-----------------------------|---------------------|--------|--------|---------------------------------|
|                             | Jan.                | Feb.   | Mar.   |                                 |
| Non-food Merchandise:—      |                     |        |        |                                 |
| Piece-goods.....            | + 6.4               | + 38.0 | + 5.7  | - 5.1                           |
| Women's Wear.....           | + 2.9               | + 64.4 | + 15.0 | - 23.5                          |
| Men's and Boys' Wear.....   | + 7.1               | + 82.2 | + 22.5 | - 15.4                          |
| Boots and Shoes.....        | + 14.5              | + 32.0 | + 0.5  | - 6.6                           |
| Furnishing Departments..... | + 12.4              | + 14.9 | + 8.1  | - 23.4                          |
| Hardware.....               | + 0.6               | + 8.2  | + 1.9  | - 10.7                          |
| Fancy Departments.....      | + 2.2               | + 3.0  | + 2.0  | - 20.2                          |
| Sports and Travel.....      | + 16.6              | + 16.1 | + 19.8 | - 5.9                           |
| Miscellaneous.....          | + 1.0               | + 1.6  | + 5.2  | + 0.3                           |
| Total:—                     | + 3.2               | + 21.7 | + 7.4  | - 18.1                          |
| Food and Perishables.....   | + 4.2               | + 5.1  | + 6.8  | - 3.9                           |
| Total:—                     | + 1.2               | + 11.6 | + 7.0  | - 16.9                          |

#### (b) Districts

|                                  | Daily Average Sales |        |        | Stocks<br>(at Cost)<br>End Mar. |
|----------------------------------|---------------------|--------|--------|---------------------------------|
|                                  | Jan.                | Feb.   | Mar.   |                                 |
| Scotland.....                    | + 3.1               | + 11.5 | + 6.7  | - 11.8                          |
| North-East.....                  | + 3.8               | + 10.5 | + 6.2  | - 18.7                          |
| North-West.....                  | + 0.3               | + 14.1 | + 10.9 | - 12.3                          |
| Midland & S. Wales.....          | + 0.3               | + 8.5  | + 4.4  | - 21.1                          |
| South England.....               | + 0.2               | + 9.2  | + 7.2  | - 25.7                          |
| Central and West-End London..... | + 5.3               | + 21.7 | + 10.8 | - 13.3                          |
| Suburban London.....             | + 3.6               | + 12.6 | + 7.2  | - 18.7                          |
| Unallocated.....                 | + 8.0               | + 25.9 | + 2.1  | - 12.3                          |

Source: Board of Trade Journal.

(Continued on page 663)

## GOVERNMENT RETURNS

For the week ended May 8, 1944, total ordinary revenue was £54,679,000, against ordinary expenditure of £128,090,000, and issues to sinking funds of £255,000. Thus, including sinking fund allocations £487,965, the deficit accrued since April 1st is £37,799,000 against £374,752,000 for the corresponding period a year ago.

## ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

| Revenue.                        | Receipts into the Exchequer (£ thousands) |                        |                        |                        |
|---------------------------------|-------------------------------------------|------------------------|------------------------|------------------------|
|                                 | April 1 to May 8, 1943                    | April 1 to May 6, 1944 | Week ended May 8, 1943 | Week ended May 6, 1944 |
| ORDINARY REVENUE                | 78,500                                    | 68,471                 | 7,681                  | 12,702                 |
| Income Tax.....                 | 4,902                                     | 4,077                  | 450                    | 477                    |
| Sur-tax.....                    | 10,660                                    | 11,073                 | 1,932                  | 1,665                  |
| Duties.....                     | 590                                       | 452                    | ...                    | ...                    |
| Stamps.....                     | 2,093                                     | 1,861                  | 315                    | 470                    |
| N.D.C.....                      | 37,501                                    | 36,073                 | 8,166                  | 6,949                  |
| E.P.T.....                      | 60                                        | 10                     | ...                    | ...                    |
| Other Inland Rev.....           | 134,306                                   | 122,017                | 18,544                 | 22,263                 |
| Customs.....                    | 51,505                                    | 55,252                 | 16,016                 | 15,139                 |
| Excise.....                     | 49,800                                    | 56,200                 | 7,809                  | 13,500                 |
| Total Customs & Excise.....     | 101,305                                   | 111,452                | 23,825                 | 28,639                 |
| Motor Duties.....               | 1,617                                     | 1,810                  | 602                    | 598                    |
| Post Office (Net Receipts)..... | 2,100                                     | 1,400                  | 1,700                  | 1,400                  |
| Wireless Licences.....          | 300                                       | 320                    | ...                    | ...                    |
| Crown Lands.....                | 140                                       | 140                    | ...                    | ...                    |
| Receipts from Sundry Loans..... | 672                                       | 750                    | 327                    | 689                    |
| Miscellaneous Receipts.....     | 7,779                                     | 5,861                  | 1,269                  | 1,089                  |
| Total Ord. Rev.....             | 248,219                                   | 243,750                | 46,268                 | 54,679                 |
| SELF-BALANCING P.O. & Brdcastg. | 10,150                                    | 10,700                 | 1,450                  | 1,700                  |
| Total.....                      | 258,369                                   | 254,450                | 47,718                 | 56,379                 |

## Issues out of the Exchequer to meet payments (£ thousands)

| Expenditure                     | Receipts into the Exchequer (£ thousands) |                        |                        |                        |
|---------------------------------|-------------------------------------------|------------------------|------------------------|------------------------|
|                                 | April 1 to May 8, 1943                    | April 1 to May 6, 1944 | Week ended May 8, 1943 | Week ended May 6, 1944 |
| ORDINARY EXPENDITURE            | 55,790                                    | 59,037                 | 2,121                  | 20,358                 |
| Int. & Man. of Nat. Debt.....   | 671                                       | 664                    | 336                    | 332                    |
| Payments to N. Ireland.....     | 267                                       | 266                    | ...                    | ...                    |
| Other Cons. Fund Services.....  | 56,728                                    | 59,967                 | 2,457                  | 20,690                 |
| Supply Services.....            | 565,265                                   | 521,094                | 98,700                 | 107,400                |
| Total.....                      | 621,993                                   | 581,061                | 101,157                | 128,090                |
| SELF-BALANCING P.O. & Brdcastg. | 10,150                                    | 10,700                 | 1,450                  | 1,700                  |
| Total.....                      | 632,143                                   | 591,761                | 102,607                | 129,790                |

A change has been made in the method of showing an excess of Post Office Expenditure over Post Office revenue. Such excess is now included as ordinary expenditure (under "Total Supply Services") instead of being shown, as up to July 24 inclusive, as a deduction from ordinary revenue.

After decreasing Exchequer balances by £33,215 to £2,876,749, the other operations for the week (no longer shown separately) raised the gross National Debt by £72,379,705 to £19,929 million.

| NET ISSUES (£ thousands)       |     |
|--------------------------------|-----|
| P.O. and Telegraph.....        | 120 |
| Overseas Trade Guarantees..... | 7   |

| NET RECEIPTS (£ thousands) |       |
|----------------------------|-------|
| War Damage Act.....        | 505   |
| Life Act.....              | 575   |
| Total.....                 | 1,080 |

## FLOATING DEBT (£ millions)

| Date       | Treasury Bills |        | Ways and Means Advances |                 | Treasury Deposits by Banks | Total Floating Debt |
|------------|----------------|--------|-------------------------|-----------------|----------------------------|---------------------|
|            | Tender         | Tap    | Public Depts.           | Bank of England |                            |                     |
| 1943       |                |        |                         |                 |                            |                     |
| May 8 1944 | 1020-0         |        |                         | Not available   |                            |                     |
| Feb. 5     | 1170-0         |        |                         | " "             |                            |                     |
| " 12       | 1170-0         |        |                         | " "             |                            |                     |
| " 19       | 1170-0         |        |                         | " "             |                            |                     |
| " 26       | 1170-0         | 1946-9 | 340-3                   | " 32-3          | 1376-0                     | 4865-5              |
| Mar. 4     | 1170-0         |        |                         | Not available   |                            |                     |
| " 11       | 1170-0         |        |                         | " "             |                            |                     |
| " 18       | 1170-0         |        |                         | " "             |                            |                     |
| " 25       | 1170-0         |        |                         | " "             |                            |                     |
| " 31       | 3,149-1        |        |                         | 394-5           | " ... 1389-5               | 4933-1              |
| April 6    | 1170-0         |        |                         | Not available   |                            |                     |
| " 14       | 1170-0         |        |                         | " "             |                            |                     |
| " 21       | 1180-0         |        |                         | " "             |                            |                     |
| " 28       | 1220-0         | 2018-3 | 410-4                   | " ... 1431-0    |                            | 5059-7              |
| May 5      | 1220-0         |        |                         | Not available   |                            |                     |





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(1943 Accounts)

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Intermediate Examination: 3rd and 4th August, 1944

Final Examination: 2nd, 3rd and 4th August, 1944

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Incorporated Accountants Hall, Victoria Embankment,  
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FOUR PER CENT. INSCRIBED STOCK, 1954.  
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NOTICE is HEREBY GIVEN that in order to prepare the  
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Accounts in the above-mentioned Stocks will be STRUCK on the  
night of the 1st June, and that on and after the 2nd June  
Stocks will be transferable ex-dividend.

For Barclays Bank (Dominion, Colonial and Overseas),  
C. D. ALCOCK, Manager.  
Circus Place, London Wall, E.C.2, 10th May, 1944.

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FIVE PER CENT. INSCRIBED STOCK, 1960.

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dividend due 30th June next the BALANCES of the several  
accounts in the above-mentioned Stock will be STRUCK on the  
night of the 31st May, and that on and after the 1st June the  
Stock will be transferable ex-dividend.

For Barclays Bank (Dominion, Colonial and Overseas),  
C. D. ALCOCK, Manager.  
Circus Place, London Wall, E.C.2, 10th May, 1944.

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# THE ECONOMIST

ESTABLISHED 1843

Vol. CXLVI No. 5256

REGISTERED AS  
A NEWSPAPER

MAY 20, 1944

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

ONE  
SHILLING

The Cart and the Horse - 669

Icelandic Independence - 683

Liberation: First Phase - 670

Propaganda to Europe - 684

Restraint of Trade - 672

US Wage Rates - 687

NOTES OF THE WEEK - 673

LETTER TO THE EDITOR - 685

The Italian Overture; Poles and Russians; The Polish Crisis; To Heel?; Parliament and the Executive; Security and Politics; Teachers for the Services; The Educational Dilemma; Training for Public Service; The BMA and the White Paper; Von Papen's Secret Weapon; Russia and the Vatican; Civil Air Transport; Air-Borne; The Cost of Planning; Labour on Employment; The Philadelphia Charter; A Caribbean University; Mobilising Millions; War Workers; Aid for the Farmer; War-damaged Churches; Shorter Notes.

Invasion Exchange Rates.

### THE BUSINESS WORLD

BUSINESS NOTES - 688

Back to Normal; Abnormal Sterling Balances; Argentina's Sterling; India's Dollars; Training of Craftsmen; National Defence Bond Drawings; Co-operative Movement; ICI Results; Turnover Split-Up; Lampport and Holt Enquiry; Cotton Mill Amalgamations; Engineering Wages; Accountants and Co-ordination; Veterinary Education; Capital Issues in India; Shorter Notes; Company Results.

AMERICAN SURVEY - 679

Industrial Effects of War; Inquest on Willkie; The Foremen Go to War; Gauleiters' Round-up; Imperial Headache; Isolation in Wisconsin; Relaxing the Draft.

THE WORLD OVERSEAS - 683

Icelandic Independence; Allied Propaganda to Occupied Europe; Portuguese Wolfram Exports.

COMPANY MEETINGS - 693

RECORDS AND STATISTICS - 695

THE ECONOMIST, BRETTENHAM HOUSE, LANCASTER PLACE, STRAND, LONDON, W.C.2. TELE: TEMPLE BAR 3316. ANNUAL SUBSCRIPTION £3.

## The Cart and the Horse

A DEBATE was initiated in the House of Lords on Tuesday by a motion of Lord Bennett's which asked the Government for information on their general economic policy, as a preliminary to next week's debate on the international currency proposals. Lord Bennett's case was that there is an inseparable connection between currency matters, on the one hand, and tariffs, preferences, bulk purchasing, export policy and the like on the other. There was rather more than a hint in several of the speeches—as there was in last week's debate in the Commons—that to discuss currency before trade is to put the cart before the horse.

In the particular form in which the criticism has been put forward in recent weeks, it is easily answered. It is perfectly true that all these subjects are closely interconnected. The currency proposals, as Lord Woolton pointed out, are specifically declared to be part of a general plan for international co-operation. But it is also perfectly clear that all these matters cannot be discussed at once. "It is perhaps an accident," said Lord Keynes, "that the monetary proposals got started first and are therefore more fully developed. . . . As we cannot talk about everything at once, let us talk about these first."

This is the plainest common sense. Nevertheless, there is a serious problem lurking behind the conflict of priorities. Priority of time is one thing; and there is no

reason why the bits of the jigsaw puzzle that at first should not be fitted into place first. But priority of importance is another matter; and if the procedure of going ahead with some matters leads to a belief that they are the more important, real damage may be done. This is the danger that is now being run. Economic questions are being handled in advance of political problems, and within the economic sphere, it is the financial aspect that is being treated before the industrial and commercial. If these are merely accidents of chronology, well and good. But they must not be allowed to obscure the basic truth that, as a matter of relative importance, the financial should be entirely subordinate to the economic, and the economic to the political. The financier can go ahead on certain assumptions about the movement of goods, the state of employment and the volume of production; but his work is entirely dependent on those assumptions. Similarly, economic plans can be laid in advance of political decisions, but they necessarily depend upon, and may be upset by, the politicians' labours. Politics, economics, finance is the order of dependence.

There are many who would take issue with this statement. There is a widespread tendency to argue that, if only the Versailles settlement had paid proper attention to economic questions, this second war would never have occurred, and that the shortest path to a stable world

order lies through a solution of economic problems. It is argued that the peacemakers, if they had wished, could have prevented the Great Depression, and that without the mass unemployment of the years from 1929 to 1933, there would have been no Nazi regime. All that is needed, this time, is to concentrate on the solution of a few simple economic problems, and political problems will look after themselves. The view has even been expressed, from time to time, that no attempt should be made to draw up a political settlement for several years after the war, in the expectation that economic measures would, in the interim, produce such a state of contentment that political difficulties would disappear.

This is the argument. So far as it relates to the past, it is a distortion. So far as it relates to the future, it is escapism. It is wholly wrong to suppose that the Treaty of Versailles ignored economic problems. It was shot through with economics and finance. Moreover, the efforts, and the controversies of the succeeding years were very heavily economic. The first international conference to be held after the Paris Peace Conference itself was a meeting at Brussels convened to discuss such matters as exchange rates, the gold standard and central banks. Of all the post-war problems, Reparations got more attention than any other. It is true that the solutions proposed to the economic problems now seem to us to be imperfect. But it simply is not true that economic matters were not given the proper amount of attention. Indeed, it can more truthfully be argued that if an equal amount of care had been devoted to building up the political foundations of peace there would have been no war in 1939. It may or may not be true that the Great Depression spawned Hitler. It is certainly true that he made great play with economic slogans. But his crimes against the world were political crimes and it was a sound political order that would alone have stopped him.

Very little of the doctrine that economic arrangements alone, without a political framework, can ensure a workable world order comes from the economists. Most of it comes from the politicians who, perplexed by the difficulty of their problems, find it consoling to believe that there is some magic in economics which will release

them from their painful duties. This is, of course, a pure delusion. Economic policy-making cannot proceed without a secure political framework. Nor is it only the preservation of law and order that is necessary. Before a country can determine how much self-sufficiency to plan for, it must be in a position to form a judgment on the risks of war, and with which of its neighbours it is likely to have to fight. Employment policy will be radically affected by the level of armaments and the form of military service that it is decided to adopt. There are those who believe that a working international order can be built up by a number of functional organisations for transport, for industry and for commerce. But before these organisations can come into existence, political decisions have to be taken. Nothing, it might have been supposed, was more appropriate for international, functional handling than relief and rehabilitation in the immediately post-war period. But at the Atlantic City conference political decisions were taken which will very largely confine UNRRA within a number of separate national compartments. There is no economic backdoor to European integration or federation. So long as the political framework is that of sovereign states, these states will be just as able, and just as willing, to slam their back doors as their front to any infringements or abatements of their sovereignty. Economic possibilities will continue to depend upon political decisions.

This is not a pessimistic view, for it serves to clarify the region in which progress must be made if it is to be made at all. That region is the political, and until the politicians have made up their minds about the relationships that are going to exist between the nations after the war, nothing that the economist and the financier can do will be other than provisional and hypothetical. That does not mean that work should not proceed. In the making of a moving picture, the later scenes are often photographed before the earlier ones, with the purpose of economising the time of the stars. But the picture stands and falls by the performances in the lead parts. Sooner or later the stars will have to play their big scenes, and unless they do it well, some of the minor incidents that are now being enacted will never appear upon the screen at all.

## Liberation—The First Phase

AGREEMENTS have been reached between the Governments of Belgium, Holland and Norway and the British and American Governments covering the steps to be taken immediately after the Allied landings. Norway has also signed a parallel agreement with Soviet Russia. The question of the status of the French National Committee and the Committee's resentment of the withdrawal of cypher privileges between Algiers and London still prevent the conclusion of similar agreements with the French, and this gap is the most alarming political phenomenon of these pre-invasion weeks. All the agreements are said to follow the pattern of the Soviet agreement with the Czechs. It is unfortunately impossible to verify this, for such is the Western Democracies' devotion to "open covenants openly arrived at," that not one word of the agreements is to be made public, ostensibly on grounds of military security. Such a liberal interpretation of security bodes nothing but evil for the future of democratic discussion on foreign politics. It is impossible to believe that the agreements contain anything which might not be published from the house tops. Certainly the Russo-Czech agreement was a model of political propriety. The peoples of Britain, America and Western Europe are thus left to imagine the worst either of their governments' intentions or of the intelligence of the military censorship.

Even though it is impossible to verify the assumption, it seems likely that the new agreements differ in one important respect from the Soviet treaty with Czechoslovakia. There was no mention there of any technical or political activity to be carried on by the Red Army on Czech soil. Even in the actual zone of operations, Czech

authorities are apparently to undertake all civilian tasks, though under the jurisdiction of the Soviet High Command. In Western Europe, a period is envisaged between the Allied landings and the setting up of effective local administration. During this time, Allied officers are to see that the work of civilian government is carried on. A Civil Affairs Division with its own separate staff—G5—has been attached to General Eisenhower and its officers are specially trained to deal with all civil emergencies in the rear of the advancing armies.

What conditions will the G5 officers find in Europe when they land and begin their operations? Obviously the most staggering confusion and dislocation will go in the train of the fighting. Economically, the structure of all the Western nations, with the partial exception of Denmark, has undergone a revolutionary change. The old trade unions and employers' associations, the old markets, the old distribution of industry, the old balance between industrial and agricultural production have all been disrupted. In their place is a highly artificial but highly organised imitation of the German totalitarian economic system. The task of reorganising each national economy is a long-term issue; but certain aspects of the Nazis' economic revolution will be relevant at once and will be among the first problems with which the G5 officials will have to deal. Every country, again with the exception of Denmark, is already short of food. Fighting may mean that this year's harvests will not be brought in, in which case, the shortage will be catastrophic. To counter this, it will not only be necessary to bring in foodstuffs, but also to maintain rationing and price control. The staffing of a

cumbrous system of economic control will entail some reliance on the officials who were working it before. In most countries, the civil servants belong to the great mass of passive citizens who have not "collaborated" in the strict sense but have carried on with their jobs, and in most cases to use them will not involve unfortunate political precedents. But there is a danger here for which the Civil Affairs Division must be prepared and to which there is no "technical" answer.

It is, indeed, on the political side that the Civil Affairs Division will face the real test, and it is much harder to make a really balanced and well-informed judgment on the political outlook in Western Europe than on the economic. One or two points are, however, certain. The first is the disintegration of the quisling movements. In Norway, in Holland and in Belgium, the followers of Quisling, of Mussert, of the Rexist Degrelle and of the *Vlaamsche National Verbond* are fading away and the movements themselves are split between an extremist wing—the various *Waffen S.S.* groups, for example, or Jonas Lie and his Norwegian police or the *Deutsch-Vlämische Arbeitsgemeinschaft*—which supports full co-operation with the Nazis and a more moderate group who are looking with feverish anxiety for opportunities to prove that they are not really "collaborationist" and have only temporised with the Germans for the good of their country. The position is different in Denmark where the Germans have at no stage relied on a quisling movement, and in France, where Vichy is not as discredited as neighbouring quisling movements, and there has been no split in the collaborationist ranks. On the contrary, the extremist, Deat, has joined Laval's government. Yet here, too, the disintegration is rapid. Laval had recently to admit that the Gendarmerie could not be trusted in the event of an invasion.

Between the quislings and the active resisters lie the passive mass of the people. There is no doubt that, though their chief concern is simply to live, in itself a full-time occupation, their sympathies are pro-Allied and their hatred of Germany is intense. In the last year, however, they have been influenced by bombing, and there is a good deal of evidence to suggest that the destruction of life and property has weakened somewhat the people's sympathy for Britain and America. This tendency appears to be very marked among the active resistance movements. It is the inevitable result of their long vigil, and will disappear when the real day dawns at last. But it will leave a critical flavour in their attitude towards the Allies, with which G5 must reckon, especially since it is coupled with an intense desire to control their own contribution to the war effort. Resisters of four years' standing feel that they are the veterans of the struggle against Germany, and are prepared to resent any "talking down" or any patronising on the Allied side. The Germans and the quislings have done all they can to encourage this state of mind. Henriot, the Vichy Minister of Information, recently described the invasion in these terms:

Should the landing take place, the occupied territories

would be administered by a British general, assisted by a US officer: that is the liberation.

In France, this fear of dictation is very strong. Unhappily, Britain and America have done little to reassure their Allies. The refusal to give the status of a provisional Government to the French National Committee at Algiers and the cypher difficulty appear to have given rise to very sinister rumours inside France. The decision to exclude French war correspondents—and all other Allied correspondents, except the Russians—from the Second Front may yet be rescinded. Even so, it is an almost unbelievable psychological blunder.

This growth of a critical attitude towards the policy of Great Britain and the United States is probably the most significant change in the attitude of the resistance movements. There are others. All show a slight tendency to divide. With victory in sight, their differences are beginning to break through the old unity of resisting the Germans. This fact has complicated the always difficult problem of securing any sort of unified control inside the country. Local leadership tends to be strong, centralised direction weak. This is especially true in Norway. Finally, the degree of contact between the resistance movements and their governments abroad varies greatly.

This, then, is a general and very inadequate review of the political and psychological conditions awaiting G5 in Europe. The aim of their activities is obvious—to prevent any interference with the smooth working of the military machine and to avoid if possible any decisions which might prejudice the final right of the liberated people to choose their own forms of government. The problems which await the officials of G5 will all have a local and specific context. It is therefore difficult to generalise over the kind of decisions they ought to take. Yet it is possible to lay down some broad principles. The first and most important is to treat the liberated peoples as allies, to accept them as fellow-fighters and to avoid at all costs the impression that liberation means what the Germans say it means—occupation by another foreign Power. The wave of enthusiasm for the Allies will be tremendous. For a time it will sweep away all reservations, but the hesitations will return if there is any hint that the British and Americans have arrived to "run the show" and mean to exclude the people from the management of their own affairs. It may seem an obvious point, but too much has been done already to make the peoples of Europe—particularly the French—feel that they count for too little. It is, therefore, essential that G5 should be thought of as the most ephemeral institution the Allies can contrive to make it. Amgot lasted a few months. In any one locality, the Civil Affairs Division should last at the most a few weeks and, better still, a few days. The moment the local authorities can function, G5 must disappear. There is no other way of restoring self-confidence and securing the maximum co-operation and support.

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local people becomes G5's central problem. Admittedly, some mistakes will be made, for the confusion will be very great, yet it is possible, once again, to establish some general principles. There can be no parleying with proved collaborationists. No matter what appeal they may make to the soldier's instinct for law and order, the local quislings must be arrested and held for trial. Unless some promise of justice is held out to the people, they will relapse into apathy, which is bad, or they will take justice into their own hands, which is worse. But there must be no general indictment of every citizen and every official who has not actively proved himself a hero. The great mass of the people have simply survived. They cannot be blamed or penalised. The Dutch Government has already made a very sensible statement on these lines, reserving punishment only for proved collaborators, and offering an amnesty to the average unheroic man and woman.

The most difficult task will be the positive choice of administrators. Three groups are concerned, the active resisters, the representatives of the government abroad, and the ordinary people. If the system is to function, officials must be drawn from all three groups. The task of G5 will be to persuade them to work together. The resisters may not always see the value and the claim of the government representatives. The government representa-

tives may claim an authority which the local people are not prepared to accord to them. The secret lies in persuading each to accept the usefulness of the other's contribution and to recognise to the fullest extent the provisional nature of their own authority and the extent to which they hold it on trust for the people.

The real factor—both for G5 and for the local national administration—is their provisional status. If the emergency is used either by the Allied military authorities or by the governments or the resistance movements to jockey for position and to attempt to perpetuate their power, then the outlook for peace behind the lines and co-operation after victory is slight indeed. The British and the Americans can give the example of self-effacement by securing from the very first hour the full co-operation of their allies, and they can try by tact and persuasion to secure a co-operative and generous attitude among the liberated peoples themselves. But, in the last analysis, in this, as in the immediate tasks of invasion, the British and Americans must trust their allies. Democracy, free government, the rule of law will be reborn in Western Europe if the peoples of Western Europe so desire. The Allies can frustrate freedom by wrong decisions, by exciting distrust and xenophobia, by bungling. This, at all costs, they should avoid. But they cannot destroy freedom if the will to it is there.

## Restraint of Trade

THERE are many economists who believe, with good reason but not a great deal of actual evidence, that the restraint of output by restrictive and monopolistic practices before the war caused a greater curtailment of national income than unemployment itself. The Government, it is now forecast, is to make the control of monopoly an important, but not very satisfactory, part of its proposals for achieving the highest possible employment of national resources. Yet Government spokesmen, when approached about the desirability of an official factual enquiry into the extent of monopoly and the restraint of output and trade before the war, have replied that such a proposal would be a delay, and would not help. The view of Dr Dalton, who is said to be primarily responsible for the anti-monopoly proposals of the coming White Paper on full employment, is that the demand for an enquiry would merely postpone remedial action. In other words, the official view is that sufficient is known about monopolistic and restrictive practices to make preventive legislation possible forthwith. The trouble is that the legislation proposed is not likely, in fact, to be preventive; and that, in spite of official optimism, it would not be effective, even if it were preventive, because of the prevailing ignorance of the precise facts.

In general, restraints upon the use of national resources for the efficient production of goods and services are grave offences against the national wealth and well-being. But it is doubtful whether sufficient is yet known about the restrictive practices of manufacturers and traders to make a completely watertight programme of punitive measures and regulations immediately practicable. It would be easy—indeed, it is essential—to draw up an anti-monopoly programme that would make the fixing of maximum prices, the restriction of output, the restraint of trade or the limitation of entry into a trade, punishable offences, unless they had been specifically licensed after full consideration of the national interest. Unfortunately, from all reports, the Government is not willing to go anything like as far as this, even in general principle. But, even if these necessary steps were taken, it would still be very difficult, on the present knowledge of what goes on in industry and trade, to decide upon the range of organisations, practices and agreements to which this legislation would have to apply. It is for this purpose that considerably more information is required. The present danger is that any anti-monopoly laws, effective or ineffective, may so easily be directed against the shadow

rather than the substance of restriction; that price fixing and the rest might be prevented in the conduct of formal trade associations and legal trade agreements, while actual cartels and combinations in restraint of trade continued to exist on the unrecognised fringe. Moreover, even in the interests of those who contend that the extent of restrictive practices has been much exaggerated, it is only fair that the true facts should be collected and made known.

This point is well illustrated by the most recent publication of Political and Economic Planning, which in its examination of the structure and techniques of legally constituted trade associations, finds the questions of monopoly and restriction singularly elusive. This pamphlet expresses the view that trade associations—"non-profit making associations of financially sovereign business enterprises formed to protect and advance the trading interests of their members"—have increased five-fold in number since the Committee on Trusts reported in 1919. But these associations are, according to this account, in themselves largely innocuous. Their expressed policy is simply to pursue the interests of their members; their membership is usually voluntary; their purpose, according to the terms of their association, is merely to secure co-operation between firm and firm and between capital and labour, and to advance efficiency in technique. All these characteristics are unexceptionable and exemplary. It has never been denied by any reasonable critic of trade combinations that associations of this kind can do very much good in achieving better methods of manufacturing and distribution, and in carrying through joint schemes of research.

The authors of this enquiry frankly admit that the net which they have cast has failed almost entirely to catch the kind of association and agreement for which they were seeking. The fact is that restrictive combinations are what they do, not what they are, nominally, at law. This is why much closer and more authoritative scrutiny is needed. There is one striking contrast in the findings of this enquiry which gives clear proof of the need for an objective investigation of the facts of the case and for the examination of witnesses on oath. On the one hand, PEP's sample enquiry deals almost exclusively with registered companies, which by definition leaves out most of the combinations that in fact operate agreements to hold up prices or hold down output. These are, on the face of it, bodies which are genuinely and usefully con-

cerned with matters of trade technique, with the pooling of information, the settlement of disputes, the standardisation of products and the development of good relations with the Government on the one side and the public on the other—all estimable purposes in themselves. On the other hand, the investigators have collated considerable scattered evidence of other habits and objectives among organised manufacturers and traders and write, with some regret, that

it is of course not possible to give any existing indication of the quantitative importance of price regulation.

In other words, it is well known that, in addition to the formal activities of trade associations, many of which are most useful for the expansion of output and sales, there is a penumbra of informal understandings directed towards quite different purposes. It is pointed out, for instance, in the PEP pamphlet, that, in the rubber, glass, gas and electrical industries, while there is no compulsory price control among the members of the respective trade associations, there are agreements which effectively enforce minimum prices over a wide range of production and trade. In many vital materials and components there is a system of rebates, tied contracts and resale price maintenance agreements which determines the prices paid by consumers. This is as true of heavy steel making as it is of books and radio equipment. Moreover, there are agreements for the restriction of sales or output in industries ranging as widely as tinplate, steel sheet and wire, engineering and many chemicals. Finally, in retail trade itself, where the remaining number of independent traders is largest, there is virtual control through these and similar means by trade associations such as the Proprietary Articles Trade Association, the Motor Trade Association and the embryonic Hardware Trade Association. By means of boycotts, price lists, black lists, stop lists and the like, the price and quantity

of a majority of goods and materials are—according to the suggestion of the scanty evidence so far available—controlled in the interests either of producers or of an alliance between producers and distributors. It is obviously of enormous importance that the evidence should cease to be scanty, and that its sifting should not be left exclusively to the zeal and insufficient resources of even such competent private investigators as, say, Dr Hermann Levy (retail trade) and Mr D. L. Burn (steel-making). It is obviously in the highest public interest that a investigation should at once be set on foot, not simply to examine the formal constitutions of trade associations, but to find out what in fact association of manufacturers and distributors are doing by agreements of varying formality and by practices of varying degrees of tyranny. It was reported thirteen years ago by the Committee on Restraint of Trade that

the imposition of conditions upon retailers and wholesalers regarding the resale price to be charged is a widespread and growing practice among manufacturers.

It was asserted that the method of enforcement was normally that of boycott, by one means or another. Plainly this charge requires the most careful documentation with reference to the latest evidence, which can only be collected with official power to require disclosure.

If the Government could, after all, be persuaded to set its face against the bolstering of prices, the restraint of output or trade and the restriction of entry, this would be a most important step forward. But it would still miss its mark if the facts of the case were not fully known. It would be a sad dissipation of good intentions if, sooner or later, a code of legislation against monopoly and restrictive practices were to be laid down without sufficient knowledge of the actual evils that have to be combated to make the programme good in fact.

## NOTES OF THE WEEK

### The Italian Overture

The Germans have acknowledged both the rupture of the Gustav Line and the evacuation of Cassino. The fall of the latter, the site of so many massive attacks and so dogged a defence, is symbolical of the strong probability that General Alexander's tremendous overture to even bigger events elsewhere may have broken the spell which has brooded for so long upon the Italian military scene, with its harsh terrain, its bitter clashes, and its several disappointments. Symbol of the uprising of all Europe is the new fame won in this fighting by Frenchmen and Poles. The enemy is under no illusions about this so-called "sideshow." He has stout positions to retire to, and a belt of fortresses, natural and made, to defend; and there is a long way yet for the advancing Allies to go. But, in weight of metal these are major battles in a major campaign. What the ultimate objective may be, beyond Rome, to the north, north-west or north-east, the Germans cannot make out; and as they go back, tenaciously fighting, they look over their right shoulder to the Anzio beach-head and, far away, to the hosts gathered here in Britain, and over the left shoulder to the mighty Russian array in the east.

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### Poles and Russians

A fresh diplomatic attempt to break the Polish-Soviet deadlock has apparently been made by the Americans. The Polish Government is reported to have received informal proposals for a solution that might be acceptable to the Russians. Obviously the value of those proposals depends upon whether the Russians will be ready to put them forward formally and officially. If they are, then—provided the Poles can accept the proposals—a solution may be in sight. The proposals are reported to envisage the return of Lwow to the Poles, and possibly also Vilna or parts of the Vilna area. This would represent an advance on the "Curzon line" proposals of last January—though it was then reported that, given "goodwill" on the part of the Poles, a concession

in the case of Lwow might be "considered." In exchange for these territorial concessions, the Russians are said to demand the inclusion of representatives of the Russian-sponsored Union of Polish Patriots in the present Polish Coalition Government in London, and the unification of the Polish armed forces in Great Britain, Russia, Italy and the Middle East, under one collective High Command. Opposition to the inclusion of the Polish Patriots in the Government is extremely strong among the Poles. During the two decades of Polish independence the Communist Party was illegal in Poland. It was politically beyond the pale, both as a revolutionary organisation and as an agency of a foreign power. The Union of Patriots is a body much "broader" than the Communist Party. It propagates no revolutionary doctrine; but in the eyes of the Poles it is still a foreign agency. The fact that it is regarded as the instrument of a neighbouring Power makes it even harder for these Poles to accept its presence in the Government than it was, say, for Badoglio to bring in the Communists into his Government. The same sentiments apply, though to a lesser extent, to the Polish army in Russia. But it is doubtful, to say the least, whether the Poles in Britain and the United States are either right or wise to wage the present campaign of abuse and denigration against this Polish Army in Russia. Whatever its origins, this "other army" has become a factor in Poland's political life, largely through the faults of Polish policy. Most important perhaps, it is shedding its blood in the fight against the German invader. A unification of the Polish Armies would seem to be a reasonable step. Similarly, even the objections to the inclusion of the Union of Patriots in the Polish Government, in which they would in any case form a small minority, might perhaps be waived—provided that the territorial concessions are real and that, in their desire to secure Poland's friendship, the Russians are satisfied with "good neighbourly" influence and abstain from interference in internal Polish affairs. These are, admittedly, two big provisos. So far the "style" of Russian diplomacy has not persuaded the Poles that the risk is a reasonable one to take.

### The Polish Crisis

The new Soviet proposals for a settlement with Poland have coincided with an internal crisis in the Polish Government in London. For a fortnight the Polish National Council has been discussing a motion—tabled by the Socialists—of non-confidence in General Kukiel, the Minister of War. The immediate occasion of this was the recent happenings with Ukrainians and Jews in the Polish Army. But a deeper reason is the constant tension between M. Mikolajczyk's administration and the Army leaders. This tension has also been reflected in another Socialist motion which demands the separation of the post of Commander-in-Chief from that of President-Designate of Poland—both posts are at present held by General Sosnkowski. The motion of non-confidence in General Kukiel does not seem to have much chance of being passed by the National Council, because opinion as to responsibility for the political troubles in the Army is divided. The Socialists insist on the formal responsibility of the Minister of War, General Kukiel, whereas the Peasants and the Christian Democrats attribute it to the Commander-in-Chief, General Sosnkowski. As the various groups find it difficult to agree where the blame lies, probably neither general will be brought to account. The motion which demands the removal of General Sosnkowski from the post of President-Designate has been passed unanimously, but the appointment of his successor is a prerogative of the Polish President, whom the Polish Constitution has invested with the powers of an absolute monarch. It remains to be seen whether the Polish President will accept the verdict of the Parliament in exile. The evolution of the present crisis, though it has arisen over internal issues, will one way or another affect also Poland's foreign policy. The two generals criticised by the National Council are precisely the two personalities against whose activities the Russians have raised the strongest objections. General Sosnkowski's reputation of being anti-Russian is well known. General Kukiel, a historian rather than a militarist, and belonging to the supporters of the late General Sikorski, very unwisely put his signature to the Polish appeal to the Red Cross in the matter of the Katyn murders, and so he, too, has incurred Russian wrath.

### To Heel?

The crisis in the Labour Party is temporarily over. On Tuesday a joint meeting of the National Executive of the Labour Party and the Administrative Committee of the Parliamentary Labour Party passed a resolution deploring Mr Aneurin Bevan's repeated acts of indiscipline and calling upon him, on pain of expulsion from the Party, to give a written promise that in future he will obey its standing orders. There are two interpretations of this edict, which was unexpectedly severe in tone. One is that Mr Bevan is merely being asked to confirm in writing the assurance that he gave verbally last week at the meeting of the Parliamentary Party, when Mr Shinwell's motion to refer the matter to a joint conference with the National Executive was carried against the wishes of the Administrative Committee. In this interpretation, which on the face of it has much excuse, it was primarily the business of the joint meeting to settle the matter of party discipline, if possible without expulsions. According to the other interpretation, however, this threatening resolution offends against the spirit, if not the letter, of Mr Shinwell's motion, which was definitely worded to deprecate any question of expulsion. What has happened, in this view, is that the Administrative Committee, baulked of its prey by the fact that, last week, the Parliamentary Party did not even discuss the motion to expel Mr Bevan, has now returned to the hunt—emboldened, so it is suggested, by the fact that the Whitsun Labour Conference has been cancelled to spare Second Front transport. The Conference would have been the final court of appeal, and there was the possibility of the election of an appreciably more Bevan-disposed Executive. As it was, the Administrative Committee could press its case against Mr Bevan without the immediate prospect of an open split in the Party as a whole—though if Mr Bevan had stood fast and taken with him the fifteen MPs who voted with him on the amendment against Regulation 1A(a) which precipitated the crisis, the consequences would have been no less serious in the long run. The easiest way out, of course, was for Mr Bevan to sign on the dotted line, which he did on Wednesday. It was, after all, a question of whether he wished to stay a member of the party as it is or not—and apparently he does. It would be very unwise for the Administrative

Committee to assume that they have heard the last of this affair; standing orders can be tricky things.

### Parliament and the Executive

A notable example of the healthy working of the Parliamentary method, even in wartime, was given on Wednesday when the Home Secretary announced the Government's agreement, in principle, to the setting-up of a Select Committee to scrutinise the statutory Rules and Orders made by the Executive in the process of delegated legislation. A year ago both Parliament and the Government were in the wrong in this important matter. On the one hand, the Parliamentary critics of delegated legislation, then drawn mainly from a single group on the Conservative back benches, seemed more anxious to get rid of the practice altogether—an entirely impossible task—than to check or scrutinise it more effectively. On the other, Mr Morrison on behalf of the Government was then unwilling even to consider the establishment of any scrutinising committee that might delay or impede the business of government. Now greater common sense has prevailed on both sides, and the Conservative "agitators," to whom the Tory Reformers and many Liberals have added their aid, are to be congratulated on both their success and their moderation. The experiment is to be made of trying to combine more effective Parliamentary vigilance with the administrative expedition and efficiency that make the granting of these powers to Ministers quite essential in modern conditions. Without a very large amount of delegated legislation the King's Government could not be carried on. Four or five major Bills are about all that Parliament can get through in a session even in peacetime, and many matters are too technical for Parliament to deal with in detail. It is essential, as the Government has contended, that nothing should be done to lessen that power to act which, backed by a majority in the Commons, is the leading mark of the British system of Parliamentary and Cabinet government. It is no less essential, however, that nothing practicable should be left undone to enable Parliament to speak its mind on the way in which this power is used.

### Security and Politics

No voice of importance has been raised against the cancellation of Whitsuntide, and Summer conferences because of the further need to cut down rail traffic in view of coming military events. This is, no doubt, as it should be. There is no sacrifice that the people of this country would not make in order to speed and assure the success of the Second Front, and this particular deprivation is not in itself considerable. Some, who were not to have shared in the junketings, will even welcome the scratching of a dreary annual procession. On the other hand, the political implication of this security measure has no doubt been carefully weighed. By a coincidence the Labour Party Conference has been put off at a moment which is most fortunate for the present leaders of the Party, and it is hard to escape entirely the suspicion that an additional argument for its cancellation was the undesirability of heated controversy at this critical time. A feature of the war so far has been the continued freedom of discussion and criticism, and it should at least be reckoned a disadvantage that it should now prove necessary to restrict, even in the slightest, the public exercise of this freedom. This may not be the last measure tending in this direction. There is, for instance, a strong view—and in *The Economist's* opinion, a pernicious view—among certain of our more important Allies that any discussion of the political implications of the arrangements which are now being made for the liberation of Europe, the occupation of enemy territory and the re-establishment of peace should be treated as matters of military security. It would be vastly unfortunate if, in the long and bitter hour of victory, we were to have to accept limitations upon essential democratic processes which, even in the worst hours of possible defeat, nevertheless remained intact. Moreover, it is obviously not wise to keep plans and projects a secret from the very people who later on will be expected to carry them out.

### Teachers for the Services

The pre-war period of training for teachers was two years or, for graduates, one year after graduation. The McNair Committee has proposed, on very good grounds,

that the duration of training should be raised to three years, with one-year courses for graduates or for others with previous qualifying experience. This week the Board of Education has published its own plan, worked out in discussions with local education authorities, teachers' associations and training colleges, for the emergency recruitment and training of teachers, to fill the post-war gap before the McNair scheme (or some other similar scheme) can be put into practice. There are to be many emergency training centres, in urban areas and associated with existing universities and colleges. They are to be staffed with an existing combination, both full-time and part-time, of seconded lecturers, teachers and qualified persons from other occupations. The period of training proposed is one year, half the present duration and only one-third of the normal course recommended by the McNair Committee. It is doubtful, however, whether—even apart from the urgency of the demand, which is decisive—the McNair Committee would demur from this proposal for brief intensive training; certainly they will approve the spending of one entire term of the four in continuous teaching practice at a school. The recipients of the training will be mature students from the Forces or other forms of national service. They will be precisely of the kind for whom the McNair Committee proposed special short courses in order to widen the range of choice for teaching personnel beyond merely the products of secondary schools. Moreover, it is definitely laid down in the Board's proposals that the one-year course should be supplemented by a two-year part-time course of study, in order to place these teachers on a par with their colleagues both in status and in eligibility for promotion.

### The Educational Dilemma

Both in the short run emergency period and in the longer term, it will be a great gain to teaching that a leaven of men and women with maturer experience and more varied qualifications than most schoolchildren should be introduced. But it would be disingenuous to ignore the fact that the prime reason for this wide recruitment is sheer shortage of teachers. The authorities are conscious of the dilemma in which they may find themselves. On the one hand, there is an over-riding need for more teachers. Local education authorities and the governing bodies of secondary schools have been urged to draw the possibilities of teaching as a profession to the attention of all pupils and to encourage, by this means and by maintenance grants, the continuance of schooling with training to teach in mind. On the other hand the authorities are equally aware of the dangers of "dilution," of the output of very large numbers of inferior teachers. Perhaps the most important educational problem of the near future—apart from the subjects which are to be taught in post-war schools which has still not been settled—is which of these will prevail: the disadvantages of mass production or the advantages of recruitment from a new and broader field?

### Training for Public Service

Some attempt to tackle the problems of improving the efficiency and adaptability of the public servant has been made in the recently published Report of the Ascheton Committee on the Training of Civil Servants. The Committee has been well aware of the many criticisms levelled at the Civil Service, but it has been equally aware of the limitations imposed by its terms of reference.

Our terms of reference restrict us to the question of training. Training cannot, however, be considered in isolation; it involves consideration of such matters as recruitment, allocation, probation, transfer and promotion.

The Civil Service must not only train its members in the best possible way, but must also get the best possible people to train in the first place. Having got them, it needs to revise the machinery which puts them in positions where they are most suited and most valuable. And it needs to overhaul the nature and methods of their work. Ultimately, these matters are of far greater importance than the methods of training. As a first step, however, the Committee proposes that general control over training, which should form part of a planned scheme for each Department, should be entrusted to the Treasury, as the central Department on all Civil Service questions. The report proposes that departmental training officers should be carefully selected, to supervise the instruction of new entrants and

the extension of background and vocational training to those already in the public service. The Government should arrange for free compulsory part-time education of all Civil Servants up to the age of 18 as soon as possible after the war. In addition to fairly detailed proposals for the clerical and executive grades, the Committee has suggestions for broadening the outlook of members of the administrative grade. Sabbatical leave for research and study, opportunity to study specific aspects of Government administration abroad, and two-way exchanges with local government should all add to the interest and scope of the public service. The Committee do not recommend a national administrative staff college, and feel that the training it would provide would be better organised within the Civil Service itself. Nor do they believe that it would be practicable to second Civil Servants to commerce and industry. Clearly, such temporary transfers would present innumerable difficulties. Their purpose would be far better served if the process were reversed, and the Civil Servant recruited from the ranks of industry rather than given the responsibility and then asked to absorb the necessary technical knowledge by a temporary transplantation into alien corn.

### The BMA and the White Paper

There will be disappointment at the report of the Council of the British Medical Association on the health services White Paper, which is submitted for the consideration of the profession. Only too clearly does it seem that what happened in 1911 is to happen again. Criticism from the doctors about a service for the success of which they will be mainly responsible is natural and welcome and has been invited by the Government. But criticism of the sort expressed in this draft statement of policy is not likely to do anything but intensify the differences between those in favour of a whole-time state service and the extreme individualists, and drive the moderates into one or other of the opposing camps. It is true that the Council's report contains what it calls "some positive proposals" for the implementation of the general principles of the White Paper, and that some of the details of these proposals are constructive and tenable. Its criticism of the White Paper's proposed joint authorities, for instance, is justifiable, and its suggestions for making the central advisory council more independent are sound. But the "positive proposals" are prefaced by "some general considerations" and "some criticisms," which can only be described as an attack on the whole of the White Paper's scheme. Its two main objections on specific proposals are to the powers to be granted to the Central Medical Board, particularly to the power of requiring a doctor intending to take up public practice in any area to obtain in advance the Board's approval, and, secondly, to the policy adopted towards the voluntary hospitals. On both these points there is certainly room for a great deal of discussion before legislation should be formulated. But the BMA's report seems to be using these and other controversial points in the White Paper to turn down any form of planned health service—other than its own. It declares itself opposed to any service which would be available and free to all, irrespective of means. It proposes instead that the service should only be available to those who need it. Since the Government is not thrusting the national health service down everybody's throat but is putting it in precisely the same position as education, with private practice and the voluntary hospitals taking the place of the public schools, this proposal of the BMA Council is tendentious in the extreme.

### Von Papen's Secret Weapon

The Germans have naturally protested at the Turkish ban on chrome exports, and are demanding the repayment of the balance of their chrome credits; but it is possible that their retaliation is taking a deadlier shape. In the last week, the Turkish Government has been very alarmed by mass demonstrations, largely drawn from Ankara University and led by a group of professors. The students took to the streets, demanding the resignation of the Government, the setting up of a totalitarian regime and the adoption of extreme racist policies—discrimination against all non-Moslem and non-Turkish minorities and the recovery for Turkey of the Turanian diaspora—in other words, the provinces of Soviet Russia inhabited by people of Turkish race. The demonstrations have been countered by mass



arrests. The Turkish Government is obviously much perturbed—and with good reason. The continuance of the Turkish experiment of benevolent autocracy depends upon its ability to keep a middle road between the rival totalitarianisms, and although a mass demonstration from the university may not seem very formidable, it must be remembered that the politically effective groups in Turkey are very small, and that after the army the universities probably provide the largest educated and self-conscious grouping in the country. Above all, to raise the question of the Turanian lands is dynamite to the delicate balance of Turkish-Soviet relations. Yet the Turkish Government has to some extent brought these troubles on itself. The laws of 1943 which expropriated a large section of the foreign community in Turkey, gave a vivid example of effective racialism; while the continuance of friendly relations with Germany has given a position of power and prestige for Von Papen which he has, very naturally, abused.

### Russia and the Vatican

At a press conference in Chicago, on his return from Russia, Father Orlemanski reported that he had asked Marshal Stalin two questions, to which Marshal Stalin had replied, giving Father Orlemanski, in a signed statement, complete freedom to publish the questions if he thought fit. To the first question:

Do you think it admissible for the Soviet Government to pursue a policy of persecution and coercion with regard to the Roman Catholic Church?

Marshal Stalin replied:

As an advocate of freedom of conscience and of worship, I consider such a policy to be inadmissible and precluded.

To the second question:

Do you think that co-operation with the Pope in the struggle against the coercion and persecution of the Roman Catholic Church is possible?

Marshal Stalin said:

I think it is possible.

The fact that the local bishop and the Apostolic Delegate suspended Father Orlemanski from his priestly functions was widely interpreted as a Vatican rebuff to Stalin's peace offer. Now, however, the suspension has been raised. Yet it is obvious that the Vatican would not accept a gesture of reconciliation made, from the Catholic point of view, in so indirect and tortuous a manner. It is only a few weeks since the Russian Patriarch (who has since died) was attacking the position of the Vatican in the *Moscow Church Bulletin*. The Church authorities may be excused if they doubt whether the new line of reconciliation is likely to be sustained. However, it should not be thought that doubts about the sincerity of Marshal Stalin would deter the Catholic Church from reaching an agreement, if the interests of the Soviet State and its own interests could be reconciled. The reason why the Orlemanski gesture has met with this rebuff is first of all because of the unofficial and unrepresentative character of the intermediary so naively chosen by Marshal Stalin, and, secondly, because the Vatican is very doubtful whether the interests of Russia and the Church can be reconciled. This is primarily a question of the Polish dispute. The Vatican would do nothing at this moment to weaken the authority of the Polish Government.

### Civil Air Transport

One of the most useful and lively of recent House of Lords debates was held last week on the Government's policy for civil aviation. The occasion was the signal for Lord Beaverbrook to make clear the nature and results of his discussions with Mr Adolph Berle. It was as well that the statement should come now rather than later, since it has revealed certain misunderstandings which were current in the United States. The sooner these are resolved before the impending international conference the better. Particular objection appears to have been taken to two of Lord Beaverbrook's assertions—that the United States had agreed to grant the "four freedoms of the air" to foreign aircraft, and that the right of cabotage—that is, the right of a country to reserve to itself its internal traffic—had been extended, by agreement, to traffic between a country and its dependent colonies. It would seem to be fair to conjecture that wishful thinking has had something to do with the interpretation given by some Senators to Mr

Berle's testimony. It seems unlikely, to say the least, that he could have concealed the fact that the right of colonial cabotage has been accepted by both parties. The whole affair reveals all too clearly how much ground has still to be covered before American opinion accepts the fact that American aviation cannot expect more privileges in foreign territories than will be conceded to foreign aircraft in the United States.

As for the vexed and familiar question of an international authority, a compromise between the American and Canadian ideas of its functions was found in the outline agreement reached during the Commonwealth conversations of November, 1943. The American approach was too narrow, suggesting only a non-executive technical authority with no power to enforce its regulations, the Canadian too rigid, giving power to the international authority to allocate national quotas of participation and to regulate the frequency of services. The Commonwealth programme, on the other hand, is really too vague to be completely satisfactory. Its very "flexibility," which made it an acceptable basis of Anglo-American agreement, also lays it open to widely different interpretations. It is clear that there is still a great deal of work to be done before there is complete agreement. But it is also clear that some general principles are beginning to emerge. For example, it is apparently agreed that an international authority, part technical, part regulatory, should seek to eliminate uneconomic competition and uncontrolled subsidies, should work out for each nation an equitable part in world air transport, and should maintain broad equilibrium between transport services and traffic on offer. The basic principle for operation is neither internationalisation nor any of the usual meanings of the "freedom of the air" (Lord Beaverbrook's four freedoms were apparently a rhetorical flourish), but the right of innocent passage, subject to a minimum of control. This may not be all that has been hoped for, but it is at least an improvement on the 1930's.

### Air-Borne

There are three views about the request of both the railway and shipping companies for the opportunity to run air lines after the war. The most natural reaction is to ask "Why not?" Neither the railways nor the shippers ask for either subsidies or a monopoly of routes, and their request is, in fact, in the form of a challenge—"Give us the chance and see what we can do." The other two views are more cautious. They are also contradictory. One says that these older forms of transport, in fact, want to stifle air travel and traffic as the railways once stifled the canals. The other says that their object is to skim off the profitable cream of the business, leaving the rest to be borne on public funds. Unless the Government's policy is to plan and run all air lines, internal and external, these arguments are not convincing. If there is competition it will not be possible for particular railway or shipping companies either to stifle air transport or to skim off the cream of profitable business. In fact, on the face of it, this request for opportunities to fly represents enterprise, and should not be prejudged unfavourably. The real obstacle is the supply of aircraft. What will these, or any other, companies fly with? And, for some time after the war, whether it is home-made or American-made machines that are in question, the Government will be compelled to allocate and apportion them where they will be most needed on national grounds.

### The Cost of Planning

The latest news of the Government's preparations to produce a policy for the planning of land use does not bear out recent optimistic reports. It is still the intention of the Government to bring before Parliament both a Bill to give powers to rebuild bombed areas and a White Paper stating its views on the wider questions of land planning, including industrial location, decentralisation and compensation. But both the Bill and the White Paper have been held up, the former by the not unnatural insistence of the local authorities (afraid that 1944 values might make local rebuilding prohibitively expensive) that the price of the land to be publicly bought for reconstruction should be pegged, as promised, at the 1939 level, and the latter by the persistent inability of the Cabinet to make up its mind. In

the latter as well as the former case finance is a crucial factor, for the chief obstacle now to an agreed scheme for compensating the owners of land reduced in value by planning is the failure to find a price that appears both fair to the landowners and reasonable to the Treasury. So the planning programme limps along. Either both Bill and White Paper will be further delayed, it is reported, or even when the Bill does emerge, the White Paper will still not be ready—which would mean that all the really important planning legislation, and the plans, will be indefinitely held up.

### Labour on Employment

It is difficult to express a single opinion on the Labour Party's report on "Full Employment and Financial Policy." On the one hand, it has a number of good points and is certainly a great improvement on previous documents of the sort from the same source. There is no attempt to hold that unemployment would automatically disappear after a few doses of nationalisation. There is a most welcome insistence on the necessity for raising the level of production to the maximum—a change since the days when the Labour Party thought that the problem of production had been solved and that the chief purpose of employment policy should be to make an equitable distribution of leisure. There are some sensible paragraphs about the location of industry. On the other hand, there is much that is calculated to hinder rather than to help the development of an effective policy. A certain amount of party fustian is perhaps to be expected, and even perhaps to be excused, in such a document, and it may be wrong to take offence at the suggestion that everything the Labour Party (which presided over the Great Depression) has ever done was right, and everything that everybody else has ever done was sinister or stupid. A becoming humility is not to be expected of a political party; but this attitude will be the ruin of employment policy if it is persisted in. The Labour Party admits in one place that the modernisation of "the machinery of every industry" should be one of the objects of policy, and in another place that "increased expenditure on development can take place either in the public or in the private sector of the national economy," but the only treatment it prescribes for the private sector is an apparatus of controls that are apparently expected to be restrictive, if not punitive. The Labour Party is still prescribing for a dream world, not for the Britain of 1944 or 1954.

Apart from these comments on the politics of the report, there are some criticisms of its economics. According to the Labour Party, the whole problem is a purely financial one.

Blame for unemployment lies much more with finance than with industry. Mass unemployment is never the fault of the workers; often it is not the fault of the employers. All widespread trade depressions in modern times have financial causes.

This is simply untrue. And not only is it untrue, it is mischievous. For what conclusion will be drawn from it? That there is some monetary magic (iniquitously monopolised by the bankers) that can put everything right, and that no effort of mind or body is required from anybody else. And what will some future Labour Chancellor of the Exchequer make of the statement that

We should give people more money, and not less, to spend. If need be, we should borrow to cover public expenditure.

The cranks have captured the Labour Party with a vengeance. The second criticism is that the Party, as always, is obsessed by institutions and their powers and ignores their policies. It affects to believe that changing the brass plate at the entrance will alter the way in which an institution acts. Thus, in the present report there is a great deal about the exercise of control by the state over the

Bank of England and the joint stock banks, but hardly a word about the different way in which they are expected to behave. This attitude reaches sublimity with the paragraph devoted to the International Development Board.

It would be the business of this body to use the immense industrial resources of the wealthier parts of the earth to raise the productivity and purchasing power of the thousand million human beings who live in China, India and Africa, and who are at present without the elementary means of subsistence. Foreign lending has been accompanied by great evils in the past. But the time has come to destroy these evils by international control and at the same time to create a great instrument of human progress.

Magnificent, but what does it mean? And how can it be done? On these matters, the Labour Party is silent.

### The Philadelphia Charter

The ILO Conference at Philadelphia has crowned its discussions by framing and adopting a Charter that goes farther than any previous international document in recognising the rights of Labour and underlining the need to raise the status and prosperity of the working man. It is mainly concerned with such matters as the Right of Association, free Trade Unionism, welfare and social security, but it also launches out into the wider and more ambitious field of full employment. A motion was passed recommending representatives of the Governments of the United Nations to confer with the ILO as soon as possible to draw up plans for world-wide full employment. The British delegates abstained from voting on this motion and their hesitation was probably one of the reasons why some criticism has been directed against the British delegation for "obstructing the Conference" and preventing delicate questions from being pushed to a decision. The criticism is an unfair one, for the record of the British in social security, labour relations and the elaboration of full employment policies is well ahead of any other state represented at the Conference. Idealism apart, it is not in Britain's interest to see other countries keep down their labour costs by restricting the rights of labour. But the British delegation seemed to have realised more clearly than any other that the ILO is not an executive body, cannot bind Governments and, indeed, may be doing itself harm by launching out so ambitiously into the realms of general economic problems. In the past, the ILO has been effective because its sphere of action has been circumscribed and its activities mainly advisory. It is more likely to secure lasting influence by specialising on questions of labour policy and labour-management relations than if it undertakes to discuss problems which go to the roots of economic sovereignty—which questions of full employment obviously do.

### A Caribbean University

Probably the greatest single evil in the West Indies is the illiteracy of the population, which blocks progress towards self-government and is a formidable obstacle in the way of all schemes of development and welfare. In the face of this illiteracy, the proposal of a committee appointed by the Commission on Higher Education in the Colonies that a university should be set up to serve the West Indies area seems, at first sight, to be beginning at the wrong end. As the Stockdale Report on development and welfare in the islands pointed out (Colonial No. 184), what is primarily wanted is more teachers for elementary schools. To provide a 90 per cent attendance of children aged 6-15 in classes of 40, the report estimates that 17,580 teachers are required, whereas there are at present no more than 8,500, including pupil-teachers, quite apart from the deficiencies in buildings and equipment. To obtain the needed teachers in elementary schools means more secondary schools from which they could be recruited, and this again involves more staff—with qualifications which the islands' resources can ill afford to recompense adequately, with the result that in some schools there is only one university graduate. Against this background, the proposed university, which would only cater for 500 students in residence, with an annual recruitment of 120—for all faculties—hardly seems to touch the main educational problems of the area. Yet there is both a short-term and a long-term need for it. In the short term, it will help to satisfy the aspirations of the intellectuals among the young West Indians, who at present can, for the most

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part, only take a course in higher education by obtaining one of the few colonial scholarships to a university abroad. In the long term, its influence should be two-fold. It should help to create an informed and educated body of leaders, at present badly needed in an area where an illiterate population with highly developed political aspirations is at present too easily swayed by demagogues. And, since it is to be a central institution, to serve the whole area, and not only individual islands—though there will be extramural centres in the larger ones—it may well foster a wider nationalism, and promote a political consolidation, to the advantage of them all.

### Mobilising Millions

The pamphlet "Manpower—the story of Britain's mobilisation for war" (Stationery Office, 9d.), whose publication coincides with the fourth anniversary of Mr Bevin's appointment as Minister of Labour, is timely. Earlier pamphlets from the Ministry of Information have described the achievements and heroism of the Armed Forces and of civil defence workers; the parallel achievements and sacrifices of industrial workers have not been so generally recognised. It is also most useful to have set out in popular language the various stages in the process of total mobilisation and the machinery by which it was accomplished. But the story still lacks precision. None of the intricate pattern of recruitment and labour supply, one of the marvels of war management, really emerges from this general account. The real powers of mobilisation—starting with periodic budgets of all labour available and demanded for all purposes, going on to its apportionment from the top and its allocation locally, and kept in motion by the constant replenishment of wastages in every factory and district—is the cardinal operation of war. It remains to be recorded by the historians, with all its new findings, under pressure, about the possible mobility of both industries and workers. The total numbers engaged in one kind of war work or other have often been given; but it seems a pity that the Government cannot lift the statistical veil still further and give more exact facts about the numbers in the different industries and the proportion of women employed. Thus something of the most fascinating of war stories might be seen; and it could surely be of little assistance to the enemy at this stage.

### War Workers

This manpower pamphlet is, not unnaturally, primarily a tribute to Mr Bevin and the Ministry of Labour. It will be conceded that the process of mobilisation has been accomplished on the whole without tears and that the Department deserve the highest credit for their part. Very real benefits have been secured by the workers—the guaranteed week, improvements in security and conditions, encouragement to joint consultative machinery, as well as the £105 million in wages for which the Chairman of the TUC has thanked Mr Bevin—and much of the wartime labour legislation could with advantage to the whole community be carried over into the postwar period. But there are certain statements in the pamphlet which gloss over facts. The call-up of miners during the summer of 1940 is vindicated, despite the subsequent course of events. Too rosy a picture is painted of welfare arrangements; in spite of the Minister's edict, many factories have unsatisfactory provision for health and welfare, as well as for training and upgrading. Some, again, still say that Mr Attlee's pledge in May, 1940, that the Government would assume "complete control over persons and property . . . all persons, rich and poor, employer and workmen, man and woman, and all property" has been operated somewhat one-sidedly.

### Aid for the Farmer

Mr Hudson pointed out, at its second reading on Tuesday, that the Agriculture (Miscellaneous Provisions) Bill is more than a collection of bits and pieces and that it contains two measures of major importance. The first of these is the setting up of a national advisory service for agriculture, to be under the direct control of the Minister and to be paid for by the Exchequer. General advice is to be given over county areas, and more specialised advice by provinces, although these are not to be reduced to the six large areas suggested by the Luxmoore

Committee. Mr Hudson argued that if, as he trusted, agriculture was to be stabilised after the war, it was essential that the same authority which helped the farmers should be able to see that they were efficient. For this purpose a national advisory service is essential. Mr Hudson's constant pressure for more efficient farming is most praiseworthy and most necessary. At the same time, the farm institutes are not to be put under central control. This step was recommended by the Luxmoore Committee, but, as *The Economist* pointed out at the time of its Report, this would involve a dangerous split between responsibility for general and technical education. Instead, a more uniform service is to obtain under the Education Bill, which requires each county to have at least one farm institute. But responsibility for education remains with the education authority. The second main provision of the Bill is to facilitate agricultural loans on mortgage. Farmers are urgently demanding better credit facilities with which to finance the work of replacing and modernising their buildings and equipment. Owing to an unlucky financial history, the Agricultural Mortgage Corporation, which was formed in 1928 for this purpose, has so far been a failure. It can lend at no lower than 4½ per cent, and borrowing from it has progressively decreased. Further Exchequer assistance will now enable its rate to be lowered to 3½ per cent, and the amount that can be lent to be expanded from £13 to £31 million. All of this money will be needed after the war.

### War-damaged Churches

A new category of war damage payment, known as "church payments," has been defined in an agreement between the War Damage Commissioners and a committee representing the Christian churches. The hypothetical nature of the market price of a church has rendered any "value payment" inappropriate, and the "church payment" has been defined as the smaller of either (1) the reasonable cost of "plain repair" of the war damage; or (2) the reasonable net cost of building a "plain substitute" church. The most significant word is "reasonable," since a "plain repair" to one church might well involve many times the cost of a "plain repair" to another church, although the original damage might be equally extensive. It is comforting to learn that the situation, character and tradition of the damaged buildings are to be taken into account, and that allowance is to be made for the cases in which for architectural, historic or other reasons, "it may be in the public interest to secure exact reinstatement." In a similar way, the building of "plain substitute" churches does not imply the planting all over the country of standard or utility churches. The new churches will vary in type or size according to the needs of the congregation, and consideration will be given to the environment in which the new church is to be built, as well as to the type of building previously standing. For example, where in rural areas the church forms an integral feature of the landscape, it is laid down that replacement should be in materials and style to suit its situation. Wherever appropriate the aim will be replacement in the former materials.

### Shorter Notes

The following table gives the number of civilian casualties in air-raids since September, 1939:—

|                         | Killed | Injured and Detained in Hospital | Total Serious Casualties |
|-------------------------|--------|----------------------------------|--------------------------|
| Sept., 1939-Aug., 1940. | 1,494  | 1,980                            | 3,474                    |
| Sept.-Dec., 1940.....   | 22,282 | 28,522                           | 50,804                   |
| Total, 1941.....        | 20,863 | 21,839                           | 42,702                   |
| Total, 1942.....        | 3,221  | 4,149                            | 7,370                    |
| Total, 1943.....        | 2,357  | 3,462                            | 5,819                    |
| November.....           | 119    | 238                              | 357                      |
| December.....           | 10     | 41                               | 51                       |
| 1944—                   |        |                                  |                          |
| January.....            | 107    | 270                              | 377                      |
| February.....           | 961    | 1,712                            | 2,673                    |
| March.....              | 279    | 633                              | 912                      |
| April.....              | 146    | 226                              | 372                      |
| Totals to date.....     | 51,710 | 62,793                           | 114,503                  |

Those killed during last month's air-raids included 65 men, 63 women and 18 children under 16.

## AMERICAN SURVEY

### Industrial Effects of War

(From a Correspondent in Ohio)

*Cleveland*  
THE outline of principles for the termination of war contracts contained in the recent Baruch-Hancock report urges that legislation for such settlement ought not to be delayed—"The result, should Germany collapse suddenly, might be calamitous." Ohio manufacturers, among others, are in accord; they believe that businessmen should be prepared for quick changes in outlook, no matter what they may be.

Businessmen in the Cleveland and Detroit districts have been particularly concerned with the making of two immediate arrangements: for prompt payments on war contracts in order that the funds may be used in restoring establishments to civilian work; and for the prompt removal, by the procurement departments of the forces, of Government-owned machinery from private premises formerly under operation for civilian goods. Compared with these concerns, the problem of the ultimate disposition of the entirely Government-owned plants is of less serious moment for the months immediately ahead, even though about \$16 billions' worth of plant is involved. Many thousands of special tools, obtained from the Defence Plant Corporation, many of them of no use after the war, have been set up in factories which were, before the war, privately owned and managed. Last fall, Detroit manufacturers began to wonder whether it would be possible for their industries even to plan the resumption of peacetime production until they knew how soon after the war these machines would be taken out of the way of a reconverted production flow.

Questioned recently on reconversion plans, Charles F. Kettering, vice-president of General Motors, said the automobile industry could not guess what parts of its organism would first be released from war production. It would depend, he said, on what the armies and navies are using in largest quantities at the end of the struggle. It might not be airplanes, which are most often mentioned in this connection; but if airplanes still have to be produced in great quantity the automobile industry may be among the last in this country to return to normal products.

About half the motor industry's equipment and personnel is now engaged on aircraft work. The entire eastern system of General Motors is thus employed, and much of the central group of plants. Large sections of Ford, Chrysler, Packard, Studebaker are similarly engaged. Of all the automobile plants, Packard is said to be the most completely engaged on aero-engine (Rolls Royce) and marine engine work; the company is regarded in Detroit as having turned out more production per square foot of space than any other automotive plant. Chrysler divisions have so many different contracts in each plant that each would have to have three cancellations before it could move on car production. Where special works have been built, like Henry Ford's engine plant near Detroit and his airplane plant farther west, operations could be continued while the older plants returned in part to automobile manufacture—Ford is believed to be as well situated as any manufacturer for a quick return to normal work. Other concerns with their war production so arranged as to make partial resumption of civilian production not too difficult are Studebaker and Willys-Overland. It is possible that the latter firms, since they are smaller than the industry's leading three, may be given preference from Washington in the form of releases and quotas which will enable them to get away first in the race for the postwar market.

The order of return to peacetime production is of serious concern to many industries, not only to the makers of automobiles. A company which is allowed to bring out its own brand of product ahead of its competitors will have a

considerable and perhaps long-enduring advantage. Manufacturers themselves are in no agreement as to how this question should be handled.

Passenger-automobile production is unthinkable for the near future, due to shortages of bearings, electrical equipment, carburetors and tyres. (The synthetic-rubber programme went along well enough on the chemical end, but the commodity developed "bugs" in the Akron tyre factories.) Yet even if all these parts were obtainable, as they would be if the aircraft programme were tapered off, automobile plant reconversion would be slowed because the companies would be able to get all-metal bodies only from one or two sources. It is estimated that three to six months would be required for the industry to get into volume production even if its entire organism were released at one time.

### Changes in Design

The industry's intention is to resume production with 1942 model cars, simultaneously starting its designing departments to work on improvements. What types of changes are apt to occur as a result of war experience?

Though the automobile and other metal-working industries of this part of the country have been able to make considerable savings in time and cost in the production of weapons, they have not hit upon methods of a great deal of peacetime value. They have achieved short cuts in airplane output, but they expect airplane production to drop to 15 per cent of what it is to-day. They have learned to produce tanks with great efficiency, but tank orders have been cut back. Changes instituted in the motor lorry have been almost entirely for military purposes, although the industry will henceforth be much more readily able to furnish motors which can withstand tropical heat and arctic cold. The automobile engine can be redesigned to generate much more power in proportion to its weight, and to use fuels of 100-octane anti-knock equivalent or higher, provided these fuels are to be available. It is expected the much smaller motor will eventually go back under the seat, where it was in the first passenger automobiles, but parts-makers, engineers and representatives of the petroleum industry who have questioned the automobile company officers say changes so radical are five years away. However at least one airplane company is likely to start making automobiles, and since it has no automobile reputation to lose, it may furnish competition in design.

The proposed redesigning of engines reflects the vastly increased yield of aluminium and magnesium that will be available to the metal trades. Economies in the metallurgical processes, particularly the newer ones, appear to be responsible for the statement occasionally made that technological unemployment will be accelerated after the war, but this would be true only if employment for a given tonnage of new material were comparable with employment for the same tonnage before the war.

The old bolt and nut industry has been watching the wartime inroads of welding with some concern. Chief recent applications of the process have been in the manufacture of tanks and ships, products not likely to be made later in very large quantities; but such postwar items as railroad box cars will be welded, and the spread of the process to civilian items will be accelerated by the availability of great quantities of new machinery.

The industries that have furnished the new machinery and workshop equipment seem likely to have a small market for which to reconvert, at any rate for several years after the war—their members have made an unsuccessful effort, in the renegotiation of their war profits, to get the probability recognised that they will have worked themselves out of their market for a long time. These trades



have been the backbone of industry in Cleveland and Cincinnati for two generations, and to a lesser extent in Chicago, and if the world now has all the machine tools and other capital goods of metal working that it needs, the older manufacturing sections of these cities are likely to compose a depressed area. Some American manufacturers have been arguing that all special machines should be held by the Government, and that a good deal of the existing Government-owned plant should be kept intact to meet any future emergency.

Changes in processes are only part of the wartime changes that are likely to carry over into reconversion. The method of sub-contracting, whereby a manufacturer took an order from the Army or Navy and divided the parts work among scores and even hundreds of other manufacturers, was derived from the automobile, household appliance and other industries of this section. It has been carried further in munitions work than ever before, and may persist in a number of chains or associations of companies.

## Inquest on Willkie

(From a Political Correspondent)

MR. WENDELL WILLKIE gave up his fight for the Republican Party nomination for the Presidency nearly three months before the June 28th Convention which makes the choice: it was obvious he was not going to get anywhere, and further struggle within the party would only compromise the principles he championed by identifying them irrevocably with a losing faction.

As a contender, Mr Willkie had many disadvantages besides his liberal and internationalist principles. For one thing, he was a defeated candidate. Now a defeated Presidential candidate in the United States is nominally leader of the party until the next nominating Convention, but this is strictly a courtesy title. The legal and actual control of the party's central headquarters rests in the National Committee of the party. The party's representatives in the Senate and House elect their own leaders and obey them or not, and act as a party or not, as they wish. State Governors are their own masters. America's two major parties are not close-knit organisations with a recognised leader at all; they are loose federations of office-holders and local get-out-the-vote organisations which work together in election years but have very few bonds of principle or interest apart from this. Party regularity means rallying around the standard in election years; both parties contain the most diverse regional elements and interest groups.

Before and after 1940, the bulk of the Republican delegation in Congress and the Republican National Committee held views violently different from Mr Willkie's; the Congressmen acted on theirs even during the 1940 campaign. Mr Willkie's defeat destroyed what little authority he had then, and not even the Japanese attack on Pearl Harbour and the declarations of war restored it.

Presidential politics in America shares the rule of the prize ring: once defeated, the champion "never comes back." It becomes his duty to step aside and give some other contender a chance. The repeated defeats of Democratic candidate William Jennings Bryan in the years before the previous war confirmed the maxim. Mr Willkie chose to disregard it: he was overruled.

Another fundamental maxim of politics Mr Willkie disregarded was that of the election-year virtue of party regularity. He himself had been an active Democrat as late as 1932. Deliberately he sought to appeal chiefly to the "tired New Dealers" and the voters independent of party among whom his greatest strength lay, and sought to convince the party regulars that they could win only by such tactics—which is probably true, but bitter medicine for the regulars. In an election year, in a primary campaign, Mr Willkie publicly praised the historic revolts within the Republican Party—Horace Greeley's in 1872, Theodore Roosevelt's in 1912, the elder La Follette's in 1924.

Mr Willkie did not indeed say in advance that he would bolt the party or sulk in his tent if he were not nominated, but he did say, "If my hand is not upheld, the Republican Party will go down in defeat" in the November election. He may be right, but you cannot run a party on that basis, and party men knew it, chiefs and followers both. One minor party chieftain refused to meet him on his campaign

Within individual plants training methods have been perfected to a great degree. Personnel work is greatly improved. Techniques of negotiation between unions and employers have been vastly elaborated, though the number of possible "grievances" has grown and strikes in this area frequently lead the nation in numbers. Factory workers have obtained a versatility of skill they never enjoyed before, although many of them are now trained in specialties which will have little market in peacetime. The numbers employed in the metal-working industries to-day are far larger than required for a well-balanced economy after the war. Most of the women and older people are expected to leave the shops at the end of the emergency, but there may remain a good many men for whom places will have to be found outside the metal industries, and even outside of industry. Some private advisers have been telling industrialists they should explain to their employees that industry's redundant employment will have to be shared with the mercantile and service trades and building construction.

tour because Mr Willkie had not recognised the obligation of the party hack to support anyone the Convention might nominate. On the contrary, Mr Willkie made it tolerably clear that he would prefer another four years of Mr Roosevelt to a nominee of Col. Robert R. McCormick.

Now the *Chicago Tribune* is the daily morning fare of nearly a million mid-western families, most of them good Republicans who are kind to children and animals, who enjoy the *Tribune's* comic strips, ignore its leaders, and soak in the poison from its cartoons and "slanted" news stories without noticing it. It surprises and annoys them when eastern Liberals denounce the *Tribune* as near-traitorous—the *Tribune*, which wraps all its insinuations in the flag. Incidentally, the *Tribune* has a substantial circulation in parts of Wisconsin, where Willkie campaigned before giving up.

### The Amateur Candidate

Nomination for President is the supreme honour a party can give, so normally it is reserved for those who have spent their lives in its service and attained some such high rank as Senator, Governor of a state, or Cabinet Member. While occasional exceptions are made for successful generals, there is a blue moon rareness about taking a nominee straight from business, as the scared Republicans did in 1940 amid the thunder of the Fall of France. Mr Willkie made light of the objection to his non-political past, saying if it was experience the party wanted President Roosevelt had had more than any of them. But custom is custom, and this one has a sound psychological basis. There are profound differences between politics and business, though each has its "bosses," its bureaucratic aspects, its horse-trading aspects. A man cannot learn the trade of politics quickly, as many brilliant outsiders have discovered to their sorrow. The "party of business" has always found it necessary to maintain and subsidise a whole class of professional politicians to carry out its policies: it works better so. Mr Willkie worked hard at learning the trade of politics and made substantial progress, but not progress enough to satisfy Republicans who had got over their 1940 scare.

These various objections alone would have been enough to make his nomination very difficult; it is notable that some of the leading Republican internationalists were keeping aloof or rallying to Commander Harold Stassen (who left the Governorship of Minnesota for active service in the Navy) or to Governor Dewey, rather than supporting the party's most prominent internationalist. Moreover, the Gallup sampling polls showed Dewey rather than Willkie the second choice of most Stassen supporters, though Stassen is committed to more thoroughgoing international government than Willkie is, and Dewey to much less.

But if there was no complete fusion between Willkie supporters and the internationalist wing of the party, it is nevertheless no use denying that his defeat is a big blow to Republican internationalism. There is still an element, particularly strong in the mid-west, which thinks the United

States could have remained neutral if its policies had been less provocative. Some parents of boys in the armed Services still think this and cannot forgive President Roosevelt for "taking their boys," and Willkie comes in for the same condemnation. The unfortunate doubletalk to soothe isolationists indulged in by both candidates toward the end of the 1940 campaign gives such people a passionate personal conviction that both broke their word. Willkie's later statement that one such bit of doubletalk was "just campaign oratory" has been deliberately distorted and disseminated to make this point stick.

Larger and more important is the group of pre-Pearl Harbour isolationists who say there are no isolationists any more, but whose newfound internationalism is a pale and tentative affair beside Willkie's. This group probably makes up the bulk of the Republican Party. Governor Dewey belongs to it. So does Mr Spangler, chairman of the National Committee. The Mackinac resolution of the Republican Advisory Committee represents about the limit of their venturesomeness.

Both groups joined with Col. McCormick's extreme "nationalists" to freeze Willkie out of the nomination. They did a good job of it, leaving the party's internationalists little to do except string along with those who give at least lip service to some sort of internationalism. That, however, is what the Republican internationalists did in the 1920 elections, with disastrous results.

On the economic issues, Willkie's fight has made more headway. However much they may denounce the New Deal and all its works, Republican regulars know that its major reforms are here to stay. And however much they would like to go back to the comfortable old Republican way of settling economic policy simply by dishing out favours to groups of supporters in the form of tariffs and subsidies, they are scared—scared of the economic consequences of the peace, as in 1940 they were scared of the military consequences of the fall of France. They are convinced that President Roosevelt is completely bankrupt as an economic statesman, and secretly they have lurking doubts of themselves. They know they will have to avail themselves of the best brains in the country in industry, agriculture, and, through them, even of the universities and labour unions to avoid disaster. One of their quarrels with Willkie was that he seemed to them too tolerant of President Roosevelt's makeshifts and too much a doctrinaire Liberal about substitutes. The fellow said the President wasn't all bad and that the republican tariff policy was.

The mid-west, now the most solidly Republican area of the country, was from the start the area in which Willkie was weakest as an aspirant for the nomination, not only among the professional Republican politicians and their regular cohorts, but also among the great mass of voters who were leaning Republican. Willkie's Indiana accent and heartiness never made him seem one of them. The "bare-foot boy of Wall Street" epithet told sharply. Not that Wall Street is any longer an effective bogeyman in a mid-west that is paying off its mortgages instead of having them foreclosed; but Willkie is so definitely an intellectual New York Liberal lawyer that his mid-west ties seem merely accidental. He gets excited about the civil liberties of Communists, the position of General de Gaulle, and all sorts of things that seem very remote to mid-west Republicans. "He talks too much" is a common mid-west comment; he also reads and writes a great deal more than is considered the thing to do for politicians in the mid-west.

It is possible to poke all sorts of fun at Governor Dewey for obstinately refusing to admit his candidacy for the nomination, but that appeals to the mid-west sense of fitness better than the frank and obvious pursuit of the nomination by Mr Willkie up to April 6th. Willkie's was too much a one-man show.

## American Notes

### The Foremen Go to War

The foremen's strike in Detroit, involving about 3,300 men in 13 war plants, has been called off, after unprecedentedly sharp official rebukes. Both Mr Patterson and Mr Forrestal, the newly appointed Secretary of the Navy, have pointed out that it threatened to stop the production of Mustang fighters and important parts for almost every American military aircraft. Mr Patterson commented bitterly, "We have bombed the Germans' aircraft engine factories: they do not need to bomb ours." The foremen's

strike had been going on for more than two weeks, and was reported to have caused minor riots at a Chrysler plant. The union's leader puts at least part of the blame for the stoppage on the War Labour Board's delay in handing down a decision. It is admitted by the Board itself that delay is made inevitable by the pressure of cases, many of which never would have been brought to it at all had the law been clearer. But in this instance there is an additional complication in the insistence of the companies that the foremen's organisation is attempting to "unionise management" and that if it is not halted, collective bargaining will become a farce through the presence of union men on both sides of the conference table. The Automotive Council—an employers' association—has taken space in a number of newspapers to put this view of the case. It no doubt will come as a welcome surprise to the foremen to discover that one of their duties is to carry on collective bargaining for the company; and if they are not to be allowed to organise it would be only logical for them to press for an adjustment of salaries and privileges in accordance with their enhanced status. The hearings being held this week by the War Labour Board may be somewhat inhibited by the public hostility still aroused by the Montgomery Ward case, although most of this animus now is directed against Mr Biddle, the Attorney General, and his insistence on the "great constitutional reserve of power enjoyed by the President as Commander-in-Chief." Mr Roosevelt in his press conference expressed the view that the election at Montgomery Ward's, which the union won by 1,750 votes to 1,230, would end the incident, as the company had agreed to sign a contract if the union was victorious. This appears optimistic. The company has now fallen back on a refusal to include the maintenance-of-membership provision required by the WLB—which it insists on calling the closed shop; and two parallel investigations into all aspects of the case are going forward in the Senate and the House. It is clear gain for the Administration that Senator Barkley has persuaded the Senate committee to inquire into the labour background, for this will include Mr Avery's intransigence; but there seems to be no good ground—except from a partisan standpoint—for a duplication of proceedings in the House.

## MILK CHOCOLATE & the Nation's Milk Supply

THE contribution of the Milk Chocolate Industry in ensuring Britain's milk supply during these critical war years is not generally realised.

Before the war this industry was using 40 million gallons of milk a year. Cadburys took more than half of this vast quantity. It came from the counties of Hereford, Gloucester, Salop, Stafford, Flint and Denbigh where Cadburys have consistently encouraged dairy farming over a number of years. In these areas they have established four Milk Factories which have greatly assisted in developing milk production. Today these four factories alone collect and distribute sufficient fresh milk for well over a million people.

## Cadbury means Quality

### Gauleiters' Round-up

The biggest round-up of foreign and native Fascists in United States history is now on trial in Washington, charged with conspiring to overthrow the American Government for a Nazi dictatorship and trying to demoralise the armed forces. In extremis, the accused have shown a devotion to democratic safeguards and due process of law new to their careers. Their lawyers have even objected that a fair trial was impossible, because the court reporter worked for a firm with a Jewish executive; and that there were too many policemen in court for a "relaxed" trial. The case has been a long time coming to judgment, and postponements are still the order of the day. Early in the war the Attorney-General, with the admirable intention of preventing the persecution of Left-Wing elements which characterised the last war, announced that only where there was "clear and present danger" would prosecutions be undertaken. This display of tolerance only served to encourage men like Joe McWilliams, the Brooklyn fuehrer; and by the summer of 1942 a first indictment, in the Winrod case, was drawn up. One of the legal difficulties has been the fact that most of the overt acts committed by the defendants took place before the war, so that the present trial relies upon the Smith Act for Alien Registration, passed in 1940, for a conviction. Proof of sedition therefore depends upon establishing a connection with the enemy as well as showing intent and a good chance of success. What Mr Biddle called "a most difficult, a terrible problem"—the distinction between legitimate free speech for critics of the Government, and spontaneous sedition—remains unresolved. No definition has yet explored the no-man's-land between sincere isolationism and the incitement to resistance to lawful authority which constitutes sedition. Even now, the *Chicago Tribune*, with more sensibility than sense, describes the trial as a New Deal attempt to "smear" isolationist Congressmen. How widely the net has been cast appears from the list of defendants, which includes Mrs Dilling, George Deatherage (Knights of the White Camelia), Joe McWilliams (Christian Mobilisers), William Dudley Pelley (Silver Shirts), Lawrence Dennis, the intellectual apologist for Fascism, and James True (America First). Whether any of the fish get away depends upon the ability of the prosecution to establish their connection with the absentee principals named in the indictment—the Nazi Party, the League for Germandom Abroad, the German Embassy, and others.

### Imperial Headache

It was reported from Washington recently that a Puerto Rican source had accused Governor Tugwell of living in palatial luxury, and averred that he was so hated in Puerto Rico that he had to travel with an armed guard. This is a new variation on an old theme. Mr Tugwell has been attacked, from time to time, as dictatorial, socialistic, and inefficient. Such stories do less than justice to the quality of American imperial administration over the 19 million souls in the dependencies. Admittedly Puerto Rico is a sore spot. Immensely overcrowded, with few resources besides sugar cane, riddled with disease and lacking elementary sanitary and educational facilities, the island presents an economic problem of great difficulty which can be solved only by taking thought and action over a long period. Unfortunately the execution of such a plan is impeded, not only by lack of widespread interest in the United States, but by the internal politics of both countries. Puerto Rican affairs in Washington are handled by an under-staffed and under-financed branch in the Interior Department's Division of Territories, and by committees on territories in the House and Senate. Indifference competes in the latter with an irresistible temptation to use Puerto Rico and its New Deal Governor as sticks to beat the Administration which appointed Mr Tugwell; and in this, ready assistance is offered by the representatives of Puerto Rican interests opposed to the reforms and enterprise of the island's present Government. An article in *Fortune* for May, by Joseph M. Jones, catalogues the results of Congressional wrath, from the cutting off of funds from the Puerto Rican Reconstruction Administration in 1940, the stopping of relief funds in 1943, despite unemployment of 200,000, to the mutilation of last summer's Home Rule Bill. The Puerto Rican Government has a three-point programme for land resettlement, industrialisation, and welfare which it is endeavouring to finance with the war increases

in the rum revenue. For its success, however, it needs the continuous participation of the United States rather than alternations of generosity, indifference, and interference, and machinery in Washington less sensitive to domestic politics. Imperial headaches are not exclusively British.

### Isolation in Wisconsin

Much ink was spilt six weeks ago in the American press to explain that Mr Willkie's catastrophe in Wisconsin was due, not to his internationalism, but to his own political ineptitude. New doubts about the degree of conversion in this traditional centre of self-sufficiency are raised by Senator Robert LaFollette's speech last week to the State Convention of the Progressive Party—a third party which exists in this state alone, but has considerable strength there. Senator LaFollette's address was frankly isolationist; he warned his audience against the dangers of buying "an international pig in a beautiful poke." Senator LaFollette's father was one of the "little group of wilful men" who opposed the last war and America's entry into the League. The present Senator carries on the family tradition. With Senator Taft's recent acknowledgment of the need for American participation in some sort of international machinery, isolationist sentiment appeared to have lost its intellectual leadership. It may be that "Young Bob" aspires to the mantle. It is too soon, however, to say that Mr Willkie did so badly because of his views on foreign policy. The very existence of the Progressive Party in Wisconsin—battered though it has been—has deprived both the national parties in that state of their brightest and best, the forward-looking element which would almost certainly have preferred Mr Willkie to Governor Dewey. The Wisconsin Republicans are for that reason regular and conservative to a degree remarkable even in their party. Nor does it follow, because Senator LaFollette remains true to the creed of his father, that the Progressives he was addressing are equally filial. In Chicago this week Governor Dewey received a dubious accession of strength. The *Tribune*, despairing of a candidate more unequivocally Nationalist, has decided to support the New York Governor.

### Relaxing the Draft

It is only a month since the Services pleaded with Congress to pass a National Service Act in order to maintain war production and essential civilian services, from which they would be forced to draw vast numbers of men in the near future. The prospects for the Austin-Wadsworth Bill were not brightened noticeably, but substitute measures were introduced in both Houses. The aim was to induct men classified as unfit for military service—the 4F's—into army labour battalions if they refused to enter essential industry. In the Senate a more extensive Bill was submitted by Senators Bailey and Brewster, which would freeze all essential male workers in their present jobs and would force non-essential workers into war jobs at the penalty of being forced to serve in army work battalions without gaining any of the perquisites of military service like mustering-out pay or military life insurance. Its sponsors claim that the Bill would reduce the waste now caused by the high rate of labour turnover and that it would be fairer than the House Bill, as well as more productive, because it would apply not only to the 4F's, but to men from 38-45 who are in no danger of induction because the Army does not consider them battle-worthy. Both Bills suffer from the fact that the Services, while all in favour of a labour draft, are not anxious to assume responsibility for the recalcitrants in any capacity. Nor does either appear very likely to overcome the hostility of both trades unions and employers, or the antipathy of the public. Their chances were not improved this week by the announcement of Major-General Hershey, the Director of Selective Service, that because the Services have an "entirely adequate reserve of manpower in the 18-25 age-group"—men over 30 in essential jobs may expect to be deferred indefinitely; and that those in the 27-30 age-group may rest easy for at least another six months. The resemblance to a complete somersault in Service policy may be greater in appearance than in reality. There is to be a tightening of deferments for men under 26, and this will leave both industry and agriculture short-handed. But the announcement can hardly fail to blunt the apparent urgency of measures for industrial conscription.

## THE WORLD OVERSEAS

### Icelandic Independence

THE common sovereignty of Denmark and Iceland, soon to be ended by unilateral action on the part of the Icelandic Government, has long been one of the curiosities of the political map of Northern Europe. Not since the peaceful division of Norway and Sweden in 1905 has a similar case arisen where the bond imposed by historical accident is to be peacefully severed. The circumstances in which the link to Denmark is to be dissolved serve, unfortunately, to obscure the true pattern of Icelandic development over the past century. An Icelandic government under American military and British naval protection would be, in any circumstances, in a position to cut loose from German-occupied Denmark with complete impunity. The possible misinterpretation abroad of Iceland's action is probably the only valid argument for waiting, as the King has urged, till each country is no longer occupied by a foreign power and is at liberty to conduct full negotiations on the subject.

Even if the final act of Icelandic separation is not carried through, for any reason, on June 17th, as the Icelandic Government proposes, there can be no doubt that it cannot long be postponed. To begin with, the union is an artifact of history, and originated in the tripartite union of Norway-Iceland-Denmark which dated from the fourteenth century. In 1814, Norway left the union and became part of the kingdom of Sweden. The sovereignty of Iceland was then left with the King of Denmark. A long struggle for independence through the last century at last gained Home Rule for the Icelandic Parliament, or "Althing," in 1904. The last step, by which Iceland became a free and sovereign state united with Denmark by a common king, was gained in 1918. Since then, Iceland has been independent and sovereign in domestic affairs. But the Act of Union laid down that the foreign affairs of Iceland were to be conducted by Denmark and that the citizens of each country were to enjoy civic rights in the other.

It is these limitations on independence which the Icelanders seek to remove. Cancellation of the union by either side was in any case provided for in the terms of the Treaty of 1918. It was arranged that either party could demand negotiations for revision after 1940. If these failed to lead to a renewed agreement within three years, unilateral cancellation could take place subject to a certain majority of agreement in the assembly and in a subsequent plebiscite. This clause providing for abrogation of the treaty was a clear recognition of the Icelanders' ambition for independence, and of the inevitability of separation if the threat of war between the Great Powers were to be continued. The experience of the Napoleonic war and of the two major wars of this century has shown only too clearly that in the event of a major European conflict the geographical separation of the two small states is of greater importance than their political unity. In each case, Iceland and Denmark have been forced to take a different way; Denmark can never be strong enough to dissociate itself entirely from a continental belligerent, while Iceland is equally unable to resist the nation exercising the greatest power at sea. In the present war, the truth of this conclusion has been demonstrated more clearly than ever. The German invasion of Denmark in April, 1940, made it impossible for the King to exercise his functions in respect of Iceland. The Althing decided to allow his responsibilities to devolve, first, on to the Icelandic Cabinet, and later on to a Regent, elected by the Althing. In May, 1940, the German consolidation of the western coast of Norway led the British Government to extend its occupation of the Faroe Islands to Iceland.

In May, 1941, the Althing decided upon the policy of securing complete independence from Denmark. A declaration was made of Iceland's right to make a unilateral break with Denmark according to the Act of Union. On the

grounds that Denmark had not fulfilled her obligations to Iceland under the Act, and that the provisions for abrogation now enabled the Icelandic Government to take unilateral action, the Althing announced its intention to exercise its right and to cancel the Treaty and establish a Republic after the lapse of three years. One month later, the British Government expressed its desire to remove its troops, provided they could be replaced by American troops, but since the United States was not then at war this could only be done if Iceland would invite the United States to assume the protection of the country. This invitation was issued, but only on certain conditions. The American troops will be withdrawn immediately after the end of the war and during their stay will not interfere in the national administration of the country.

The United States and British Governments have also given their full recognition of the absolute independence and sovereignty of Iceland and have given their promise to exercise their best efforts with the Powers making the Peace Treaty to gain universal recognition of Icelandic independence. Thus, the Anglo-American attitude to the impending action of the Icelandic Government has already been assured. In the present circumstances, little else is of major political importance. It had been intended to make the formal change on June 17th next, the anniversary of the birth of Ján Sigurdsson, the leader of the independence movement. This plan will probably be carried through, but a new element has arisen in recent weeks through the King's plea for delay. It is, however, only the date that is in question; there is no intention of withdrawing the decision to seek independence.

### Problems of Government

Once complete independence has been established, however, the future is less certain. In its foreign relations the security of Iceland, like that of every small nation, will depend almost entirely on the powers and duties allotted to an international organisation for maintaining peace. Iceland has to face the problem of government in a multiple-party Parliament. Some way of reconciling a multiplicity of parties with a firm Government will have to be found if the long tradition of Icelandic democracy is not to end in a series of weak, short-lived and ineffectual cabinets. Before 1942, a Conservative majority was able to gain sufficient support to maintain itself in power, under conditions roughly similar to those in Great Britain. A revision of the constituencies in that year, however, completely upset the balance. Some of the larger urban and coastal constituencies were split up to give a greater equality of representation compared with the very small rural constituencies. As a result, the members returned by all parties were increased, with the exception of the Farmers' Party.

Moreover, the old balance was further upset by the rudimentary machinery of proportional representation, whereby a certain surplus of seats in the Althing are distributed between the parties in proportion to the total votes recorded by each party. This mechanism resulted in 6 out of the 11 surplus seats being allotted to the Communist Party, 3 to the Labour Party, 2 to the Conservatives and none to the Farmers. The total distribution is now Conservatives, 20; Farmers' Party, 15; Communists, 10, and Labour, 7.

Since the Farmers refuse to co-operate with a party which brought about the change in constituencies, the only remaining combination that could command a majority are politically unworkable. The Communists could hardly work happily in a Conservative Government, and even the Labour Party cannot accept the Conservative policy towards wage disputes. Out of this impasse, the Althing achieved a temporary solution. The elected Regent was able to construct a Cabinet of six Ministers, none of whom are elected members of the Althing. Their political sym-



pathies being known, however, the Cabinet has been made to reflect the proportions of parliamentary parties. The present Prime Minister being conservative in outlook, two of his Ministers are sympathetic to the Farmers' Party and one each to Conservative, Labour, and Communist. The rigidity which such a solution imposes on the structure of democracy cannot, obviously, be maintained indefinitely. The establishment of a new and stable balance of political parties can be counted one of the main tasks before the independent Iceland soon to be created.

This latest recruit to the ranks of fully sovereign and independent states is one of the smallest. The population of the whole country is only 124,000. But the standard of education is high and the tradition of democratic government is very firmly rooted. Isolation would in any case make a high degree of local self-government inevitable and the chief effects of the coming change of status must be expected to be in the realm of sentiment. The events of the war and the growth of transatlantic aviation are bringing the Icelanders more closely into contact with the great society of nations than ever before. It is as well that they should henceforward conduct their own affairs.

## Allied Propaganda to Occupied Europe

[FROM A CORRESPONDENT LATELY IN NORWAY]

In the free world, Allied propaganda to occupied countries is discussed only sporadically. In occupied territory, it has, at any rate until recently, been a subject of daily discussion. To the free world, the subject is theoretical; critics and defenders alike lack first-hand knowledge of the conditions under which it is received and of its effect on its public. People under occupation know this, but for their part are in ignorance of the general background of events from which propaganda agencies select and adapt their material; nor do they know the policy guiding propaganda. In either case, discussion of the subject is handicapped. Given good will, some of the difficulties might be overcome, but it is necessary for people in the free world to try to acquaint themselves with the fundamental experiences and views of people living under occupation and to bring an open mind to the problem.

It is impossible in a short article to give people in the free world an adequate impression of the circumstances and attitude of the recipients of propaganda. It would involve trying to correct and supplement the picture the free world has constructed for itself of people under occupation, and which on so many points differs from reality. Active patriots, who come out from the stimulating, rich and alert political and intellectual life in an occupied country, feel astonishment, then consternation, and ultimately despair when they fully realise what assumptions neutrals and Allies have made about them.

Nazi occupation and democratic resistance is an experience with a deep and far-reaching effect on the community

and on individuals. The citizen has had to face fundamental ethical and political problems, and individually to make up his mind about them; he has in consequence acquired a deeper insight and a clearer realisation about what those values are for which we fight. Political consciousness is found in wider circles than ever before. And it is not merely a primitive, emotional, nationalistic attitude; there has developed a calm, reasoned, democratic conviction, an open mind, and a readiness to discuss fundamental and controversial matters without prejudice. It is true that the loss of normal, ordered society may give rise to moral problems, but it is overwhelmingly clear that the self-discipline, co-operation, and mutual helpfulness which have risen out of the background of official lawlessness give great promise for further constructive developments; official lawlessness has created a heightened regard for constitutional law. A characteristic feature is also a strong and growing internationalism. The problems of state sovereignty and of the sovereignty of the people are regarded with deep interest, and a constructive attitude is prevalent.

### Freedom of Information

The first of the four freedoms, that of speech and opinion, is at the centre of interest. Circumstances have given an added perspective to the discussion, and the concept has received a twentieth-century interpretation. The primitive right to speak one's mind is not felt to be the central issue—experience has proved that it is difficult to prevent people from expressing an opinion—but the essence of the problem is felt to be the right of access to information. Even under oppression man finds ways of saying what he thinks and of influencing the views of others, even if it cannot be done publicly. But the use of power to withhold, or pervert, essential information is looked upon as the sin against the Holy Ghost.

Much disappointment might have been avoided if the policy behind the Allied propaganda services had been made available in a clear form. Recently *Time* described the function of the Office of War Information as being to supply "the truth, but not the whole truth." This tallies perfectly with the conclusions arrived at after four years' observation of Allied propaganda. Its underlying assumption is, presumably, that the whole truth would have a weakening effect. It is, of course, realised that some information has to be withheld for military and security reasons. But the restrictions operate more widely than that, with the result that people have to brave the Gestapo and listen in all day and night in the hope of collecting valuable items from all the different broadcast services. The answer to the assumption about the dangerous effect of truth on morale was given by an old politician, who said in a discussion of whether it would be wise to circulate secretly a straightforward statement about a patriotic reverse, "Truth has never weakened the front." His view was not followed, for fear of such a weakening, and the result was uncontrolled rumours which had a depressing effect.

### Nazi and Allied News

In practice, wartime information, both of the Nazis and the democracies, has two aspects: the provision of news, and political influence combined with the stiffening of morale. News is given the greatest space, and it also serves the other objective. The Allied news services aim at providing a corrective for the Nazi news services by publishing true items. This corrective function had a complete success over two years ago in the field covered, which is mainly that of military news. Until nearly the end of 1941, the German news services provided communiqués and other information with fictitious items. But the German propaganda authorities came to realise that too wide a discrepancy between their news and Allied news was a bad thing for them, and were sufficiently realistic to act accordingly. The unrestrained flights of imagination were given up, and since 1941-42 German communiqués have been materially correct. It must be considered a real victory that Allied information has forced the enemy to a complete reversal of his policy with regard to facts. But it is precisely after this achievement that the importance of the Allied news service has been constantly on the decline. Until 1941-42 it was in combat with the Nazi service in the field of war news. Now the enemy keeps quiet, although he still continues to be a menace, and the Allied news service is in a situation similar to that of "a fleet in being," which by merely existing blunts enemy forces. It is strange that the BBC should rest content with being a "propaganda machinery in being."

and that no forward move has been made. Or has it not noticed the victory?

The principles of selecting news material have caused comment. The ideal has been to provide encouraging military news in every programme, whether the whole of the news is good or not. The complete picture presented over a longer period may in consequence be distorted. Statistics about losses in Allied air raids made up of BBC figures can give curious results. It may happen that three raids are reported in the same transmission, and that the number of planes lost is mentioned for two where the figures are low, but passed over in silence for the third where the figure may be high. The policy with regard to military news has a hand-to-mouth character. This has shaken confidence, not in the truth of the details given, but in the whole picture they present. The effect is illustrated in a remark by a shrewd peasant woman. When asked whether she had had the day's news she said that she had not, but that that did not make much difference, "for the London news is always good." The cumulative effect of these daily doses of "good" news, which do not add up to great achievement, is that people begin to wonder whether there are forces making the Western Allies hold back.

### The Effects of Isolation

Other types of news have been entirely put in the shade by the military news. On the political side, the Germans almost have the field to themselves. Democratic institutions and functions hardly play any part in the propaganda of the democratic states. It is clearly impossible for those who have not experienced a long term of total isolation to realise what isolation means, or what the cumulative effect of omissions in Allied information can be. By these omissions, four years of Allied information leave listeners under occupation with the feeling that in the fight for democracy, democracy itself has gone under. In the political field, the right of access to factual information is denied us by our own Allies and compatriots, who keep us under a total blockade of ideas. The picture of the free world inferred from this is that politically and intellectually it has grown stale. This again undermines confidence in the prospect of constructive co-operation afterwards. We are becoming afraid of our Allies.

The attitude of propagandists to their Allies or compatriots under occupation causes concern. We are almost invariably talked down to. A recent report from a regular listener begins: "The circumstance which has caused the gravest difficulties in radio work is the feeling that they did not take their task seriously enough." Keen observers record that there is a remarkable difference in tone and frankness between the formulation of news in the BBC home service and in the European service. The motive for this must be that the European public is rated lower than the public at home. In occupied territory, one has a feeling of being treated like a child—patronised, encouraged and praised, but kept outside when serious matters are discussed. From one point of view the effect may be disastrous. In the propaganda directed to themselves occupied people are flattered more than they like, and nothing is revealed to them of the views held about them in the free world, as shown in a number of articles in periodicals and dailies. When the frontiers are opened, and the occupied peoples realise how their free Allies regard them, their reaction may be violent.

It is true that Allied propaganda works under great difficulties. Propaganda to neutrals, to free Allies, and to Allies under occupation present three entirely different problems. Contact with the public under occupation is meagre. The Allied propaganda agencies do not have the advantage of daily free criticism and interchange of views, and thus come to work in a somewhat rarefied atmosphere. And in the loud exchange of opinion in the free world it is difficult for the still, small voice from inside occupied territory to make itself heard, even when suggestions and requests have been got through the barrier. The result is that whereas as late as 1943 people were still eager to make and pass out suggestions and proposals for the radio, in 1944 there is a marked falling-off. It seems as if information workers inside the barrier, who are as active as ever, have resigned themselves to obtaining their material in other ways. The BBC seems to have been written off as a constructive collaborator in the political war. Its importance for military news is recognised. But it is difficult to understand why Allied propaganda has no higher ambition than to remain as "a propaganda arm in being."

## Portuguese Wolfram Exports

[FROM OUR LISBON CORRESPONDENT]

FOREIGN trade has recently been the subject of criticism, and the doyen of the Lisbon press, *O Jornal do Comercio*, in a series of articles, discusses the extent and distribution of both imports and exports. From figures published by the National Institute of Statistics, the returns for January and February, 1943 and 1944, are as follows:

| (Contos = £10)     |                 |                 |                 |
|--------------------|-----------------|-----------------|-----------------|
|                    | Exports<br>Tons | Value<br>Contos | Imports<br>Tons |
| Jan.-Feb., 1943... | 71,500          | 569,300         | 88,700          |
| " 1944...          | 74,000          | 609,500         | 168,500         |
|                    |                 |                 | Value<br>Contos |
|                    |                 |                 | 280,000         |
|                    |                 |                 | 345,500         |

The increase in imports is not so important as the export position, which is affected by wolfram shipments. Although there is admittedly some diminution of these, if the January-February, 1943, figures (1,764 tons) are contrasted with those for the same months of 1944 (964 tons), it should be borne in mind that these figures only relate to the ore that has passed through official channels. The point stressed by the journal already mentioned alludes to the undue importance of wolfram values in the current export returns. For January-February, 1944, they are put at 113,395 contos, a sum which is second only to the 170,000 contos brought in by sardines, and is even higher than the sum attributed to exports of wines and spirits, 92,000 contos. With some justice does *O Jornal do Comercio* say:

Unfortunately, whoever has visited the regions where wolfram has been found sees no trace of a general improvement resulting from receipts from this Eldorado. Nothing has been done to improve agricultural activity, either in methods or in tools. Wolfram has so far been but a factor of crisis . . . It is the major event in Portuguese mineral exploitation, yet it cannot be described as really beneficial.

This considered and wholly Portuguese opinion has, it must be conceded, a very special importance at this moment, both for Portugal and for her allies among the United Nations.

## Letter to the Editor Invasion Exchange Rates

TO THE EDITOR OF THE ECONOMIST

SIR,—A note in your last issue (p. 653) suggests that, in pleading for rates of exchange in Western Europe on the basis of "establishing socially sound relations between the armies of liberation and their civilian Allies" (in an article in the current *Bulletin of the Oxford Institute of Statistics*), I wish to fix "rates of exchange at variance with every economic criterion," hoping "to maintain the chaos and confusion in which the continuance of wholly centralised control is the only method of making the machine work."

This inference is unjustified. My argument in favour of a "high" franc rate was based on the internal policy of the British Government which successfully stabilised wages and prices and maintained the sterling exchange. A devaluation of the franc under present social conditions would lead to violent wage demands and thus nullify the "adjustment" to "every economic criterion." The restoration of "laissez faire" equilibrium in war is not likely to be hastened by the policy.

On the other hand the foreign income derived from Allied expenditure in terms of goods of the liberated territories would be cut. As, moreover, a rationing of the expenditure of the Allied soldiers is not likely, post-war relations between the Allies and Western Europe (so supremely important for Britain) are likely to be endangered.

This potential threat would be further aggravated by the fact that a policy which favours the speculator and the equity holder against the small rentier and wage-earner is likely to lead to further political extremism. The unfortunate diplomatic tactics of the US State Department, unhappily followed by Britain, increase this danger.

Far from speeding the return to "normal" as the Note suggests, the policy criticised by my article would in all probability end all hopes of a moderate solution. A return to pre-1939 is neither possible (c.f. your article p. 650) nor desirable.—Yours, etc.,  
T. BALOGH  
Oxford.

## Important Notice to our Sherry Customers

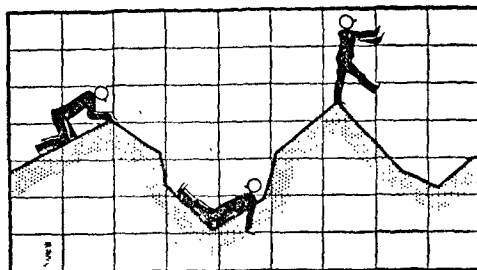
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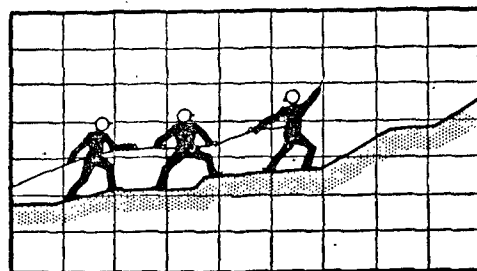
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## AND WHEN THE WAR IS WON



Trade feuds, booms and slumps  
or . . .



co-operation, expansion,  
security?

Are trade slumps necessary? After the war world-industry will have on its hands the biggest job of reconstruction in history . . . the job of helping to redeem the pledges of the Atlantic Charter. Anything approaching a "slump" either in the production or the distribution of vital supplies will not only block world-recovery, but will mean starvation and death for countless people who have suffered bitterly in the same cause as our own. If we are to 'iron out the bumps' in the upward curve of world prosperity we must first check the irregularities of international trade . . . replacing economic rivalry with collaboration, merging self-interest in mutual benefit, and harnessing rugged individualism to the disciplined purpose of a new "combined-operations" of world-industry.

★ ★ ★

This Statement is issued in support of continued industrial collaboration between the United Nations after the war. Announcements by the International Nickel Company of Canada, with the same purpose, have appeared in Canada and the U.S.A.

Published by

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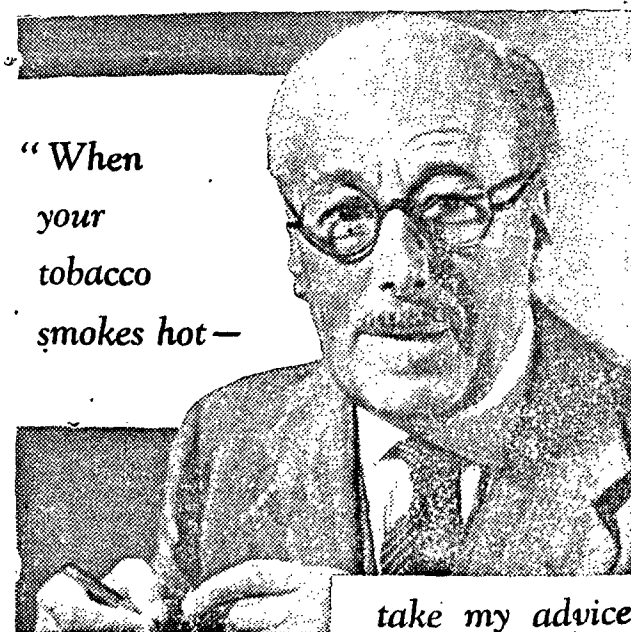


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# THE BUSINESS WORLD

## American Wage Rates

(From Our New York Correspondent)

**A**MONG the numerous great changes which the war has wrought in the US economy, few may be more significant than the transition of a considerable part of American labour to an income of \$50 a week from \$25 a week. This, as the accompanying table shows, is what has happened in the five years from the beginning of 1939 to the end of 1943.

The move to \$50 and more from around \$25 has, as would be expected, occurred in those businesses most directly related to the war effort. Partly it has resulted from a lengthening of hours by something like a third, with much of the increase requiring compensation at overtime rates, and partly it has resulted from increases in hourly rates. The increase in hours has been much more pronounced in the "war" industries than in the "civilian" lines, as has been the rise in average weekly pay. And during the same period employment has shifted extensively toward the higher paying jobs. While total non-agricultural employment rose by 3,598,000 to 37,944,000 between January, 1939, and October, 1943, according to the Federal Reserve, employment in manufacturing rose 6,810,000 to 16,169,000.

In the change during these five years several basic factors have been at work. First, the need to utilise the incentive of higher pay to mobilise workers into war production was recognised; to a large degree demand and supply forces operated in the labour market. Second, the national policy of improving the lot of workers by enforcing the payment of overtime over 40 hours has been carried over generally from pre-war times; in some labour shortage areas a minimum week of 48 hours has been decreed without affecting the payment of overtime rates for the final eight hours. Third, the "Little Steel formula," and the official efforts to "hold the line" against inflation, while acting as a deterrent against increases, have not been too clearly defined nor too rigidly adhered to, especially where the need for increases was deemed large and where labour organisation was strong. And fourth, employers' ability to pay has generally been present: the Government has been the chief buyer and has provided the funds, and, even where it did not do so fully, existing tax rates on corporations have meant that much of the increased expense has come from the Treasury. According to Department of Commerce estimates, corporate profits before taxes rose from \$5,320 million in 1939 to \$22,800 million in 1943, and after taxes, from \$4,088 million to \$8,200 million.

There are large disparities in incomes between occupations; they run to \$25 a week and more in the averages, and even larger figures for specified jobs, companies and areas, and compare with disparities which were only of the order of \$10 a week five years ago. In terms of real wages, experience has differed widely: many have had increases far in excess of the 25 per cent rise in the cost of living shown by the (disputed) cost of living index, while many with fixed incomes have not. Many have experienced a major improvement after allowing for both higher living costs and taxes, while many others have had their standards of living sharply reduced. The rise in the cost of living has been different in different regions, which further complicates the picture.

In short, the country has experienced an extensive redistribution of income at the same time that total income payments have risen from \$71 billion in 1939 to an estimated \$142 billion in 1943. This redistribution is productive of labour troubles and of interruptions to production. The disparities also have presented difficulties which Congress has found insoluble in levying adequate taxes to close the "inflationary gap"; a tax adequate to

those who have had no increase in income, while a tax bearable to the latter is wholly inadequate.

This development presents problems for the future as well as for the present. Workmen accustomed to \$50 a week and more have already indicated their unwillingness to accept a reduction after the war, and have already announced the objective of achieving the same weekly compensation for a shorter work week. And other work groups which have obtained less of an increase demand that the disparity be reduced by raises for themselves.

Employers, on the other hand, protest that they cannot continue such large payments in peace-time, that competitive conditions will be impaired and ability to operate

### AVERAGE WEEKLY EARNINGS AND HOURS\*

|                                                      | Weekly Earnings |            | Hours      |            |
|------------------------------------------------------|-----------------|------------|------------|------------|
|                                                      | Jan., 1939      | Oct., 1943 | Jan., 1939 | Oct., 1943 |
| All manufacturing.....                               | \$ 23.80        | \$ 44.90   | 36.6       | 45.4       |
| Automobiles.....                                     | 31.55           | 59.93      | 34.3       | 47.6       |
| Blast furnaces, steel works and rolling mills.....   | 28.18           | 52.99      | 33.8       | 46.3       |
| Iron and steel forgings.....                         | 27.74           | 58.60      | 36.3       | 48.8       |
| Machine tools.....                                   | 28.17           | 55.34      | 38.1       | 51.3       |
| Cash registers, adding and calculating machines..... | 28.47           | 62.24      | 35.0       | 52.0       |
| Aluminium manufactures.....                          | 26.35           | 50.07      | 38.3       | 47.7       |
| Petroleum refining.....                              | 35.75           | 56.10      | 36.6       | 46.0       |
| Building construction.....                           | 28.15           | 50.54      | 30.3       | 39.7       |
| Knitted underwear.....                               | 14.39           | 25.56      | 34.5       | 41.3       |
| Knitted cloth.....                                   | 18.03           | 32.65      | 38.3       | 42.8       |
| Corsets and allied garments.....                     | 16.54           | 28.47      | 36.2       | 40.6       |
| Hosiery and shoes.....                               | 18.54           | 28.33      | 37.9       | 38.5       |
| Telephone and telegraph.....                         | 30.90           | 36.48      | 39.0       | 42.0       |
| Retail trade.....                                    | 21.71           | 24.93      | 42.9       | 39.9       |
| Dyeing and cleaning.....                             | 19.12           | 29.36      | 40.4       | 44.1       |
| Oct., 1939                                           |                 |            |            |            |
| Farm wage rates (per month).....                     | \$ 31.13        | \$ 69.27   | ...        | ...        |
| Washington (State).....                              | 48.50           | 139.75     | ...        | ...        |
| California.....                                      | 56.00           | 132.50     | ...        | ...        |
| Illinois.....                                        | 38.25           | 74.00      | ...        | ...        |
| Texas.....                                           | 26.00           | 65.50      | ...        | ...        |
| South Carolina.....                                  | 15.75           | 31.00      | ...        | ...        |
| Jan., 1939                                           |                 |            |            |            |
| Cost-of-living index.....                            | \$ 100.0        | \$ 124.8   | ...        | ...        |
| Wholesale prices.....                                | 100.0           | 133.9      | ...        | ...        |

\* The figures for earnings and hours are not statistically comparable between the two dates, though figures in each column are comparable. The 1939 figures are simple averages, for 1943 are weighted; however, the trend they show is believed representative, if not precisely measured.

jeopardised. Those in lower-paying industries say they cannot close the gap. Those concerned with exports fear inability to compete.

Advancing technology has in the past provided the basis for higher wages. But this greater productivity of labour has in fact had little to do with labour skill: it has resulted much more from provision of better tools by capital investment. If this rapid rise in wage costs impairs profits (as many fear), capital investment might be restricted so that industry's ability to valorise higher wages will be impaired. While technology has advanced during the war, much of the increase in productivity has occurred in production of war materials and probably cannot be carried over directly into output of peace-time goods.

Labour, management and, by no means least, Government, have a knotty problem to face in the attempt to establish post-war conditions both of full employment and of full production for a higher standard of living.



# Business Notes

## Back to Normal

As was anticipated, the rubber share boomlet did not outlast the week, and from Friday of last week onwards selling pressure tended to predominate in this market. Some prices have fallen back substantially, but the general level is still higher than before the rise. There has been some profit taking, but selling quickly depresses prices, since jobbers are not prepared to take on stock at these levels. The undertone in rubber shares is, therefore, likely to remain weak for some time. The rest of the market has also returned to something like its pre-Budget condition of lethargy, but there are a number of spots where speculation is still considerable, notably the shares of certain shipping companies in respect of which offers similar to those for Lamport and Holt are thought to be likely. This speculative business and a rather larger flow of investment demand from the small man, such as always follows a sharp rise in prices, suffice to keep the number of bargains above the pre-budget level. This week has brought a scarcely perceptible reaction in both industrial equities and fixed interest stocks. By and large, however, the rise of 2.84 per cent which occurred in the former index of *The Financial News* in the two and a half weeks following the Budget, has been virtually maintained. The rise in the fixed interest index was less than one-tenth as great, and one-third of it has been lost. The rise in industrials appears to have been assisted by a few increases in dividend, but these have been rarer of late than in the early months of the year. The undertone is reasonably firm, but it may be doubted whether prices will stand up to any adverse development as well as seemed probable before the latest rise.

## Abnormal Sterling Balances

In the course of the House of Commons debate on the international monetary plan a speaker estimated the abnormal sterling balances accumulated in London during the war at £1,000 million. He was corrected by another speaker, who gave the figure as £2,000 million, and that estimate has quite unjustifiably passed into general currency as an authoritative figure. The latest figures of overseas sterling holdings (cash, bills and securities) are as follows:—

|                             | Latest Date | In £ millions |
|-----------------------------|-------------|---------------|
| India .....                 | April, 1944 | 721           |
| Eire .....                  | Dec., 1943  | 133           |
| Canada .....                | Now         | 157*          |
| Malaya .....                | July, 1941  | 58            |
| Australia .....             | Jan., 1944  | 74            |
| New Zealand .....           | Nov., 1943  | 31            |
| Argentina .....             | Dec., 1943  | 42            |
| Egypt .....                 | Dec., 1943  | 95            |
| Colonial Currency Boards .. | Mar., 1943  | 45            |
| South Africa .....          | April, 1944 | 14            |
| Total .....                 |             | 1,375         |

\* Interest Free Loan.

It would be wrong to regard this total as representing abnormal sterling. At the outbreak of war the sterling maintained in London by the monetary authorities of the above countries was around £250 million. This represented currency reserves and normal working balances. The currency reserve requirements will have increased considerably with the expansion in note circulation in each of the countries concerned. It would, therefore, be quite erroneous to put the "abnormal" sterling balances at more than £1,000 million at present. It may be interesting to compare the growth in these sterling balances with the total overseas disinvestment figure given in the White Paper on the sources of war finance. For the four years to the end of 1943 this disinvestment amounted to £2,843 million, a figure representing the sale of gold and foreign assets and the growth in overseas debt.

## Argentina's Sterling

The report of the Central Bank of Argentina for 1943 publishes the latest available figure of the sterling held in

London on official Argentine account. The figure as given in the report is 714 million pesos—say, £42 million for the end of 1943—and has risen from 295 million pesos, or £17,500,000, at the end of 1942. This increase in the Central Bank's sterling reserve is only a part of the exceptional strengthening of the gold and exchange reserve. For the year, the combined total increased by 1,298 million pesos, a movement which accompanied a favourable balance of payments of 1,181 million pesos for the year. The Central Bank computes that this favourable balance was made up as to 735 million pesos in "free" currencies and the remainder in "compensation" or blocked currencies (among which sterling must ruefully be classed at present). The increase in the Central Bank's holding of sterling would have been even greater had there been no repatriation of sterling debt during the year. Such operations amounted to 144 million pesos, or £8,500,000. Allowing for this factor, it would seem that the Argentine holding of sterling increased during 1943 at the rate of nearly £3,000,000 a month, and on the safe assumption that this rate of expansion has been maintained this year, the amount of blocked sterling held on Argentine account must by now have topped the £50 million mark. The value of this sterling, says the report of the Central Bank, is duly guaranteed by the British Government by a special gold clause. The more general comments of the Central Bank's report, dealing with the economic situation in Argentina, give some interesting information on the shift of Argentine economic activity from agriculture and towards industry. This diversion of economic activity has been partly enforced on Argentina, and is the outcome of inability to export primary commodities in their wonted quantities and to import the required amount of manufactured goods. But it would be unwise to assume that this greater diversification of economic activity will disappear after the end of the war as rapidly as it has taken place.

## India's Dollars

Messages from Washington suggest that some alteration may recently have taken place in the arrangements for the disposal of India's direct US dollar income. Hitherto, by arrangement with the British Government, India has surrendered to the UK Treasury any dollars it may have acquired in the course of its external payments and has taken sterling in exchange. The whole of the Reserve Bank's accumulation of foreign exchange has, therefore, taken the form of sterling. Now it is suggested that US dollars may be retained by the Reserve Bank and that their accumulation should allow India to place its post-war purchases of industrial equipment and other goods with rather greater freedom than if the whole of the exchange reserve consisted of sterling—that is to say, the orders can be placed in America as well as in Great Britain. The deductions drawn in the United States from this suggested change in the financial arrangements between India and the United Kingdom seem rather exaggerated. India's direct dollar income has, until now, been small. Most of the merchandise trade between India and the United States was canalised through British merchants before the war and is even more exclusively "sterlingised" now that the commodities in question are, for the most part, handled by official controls. The main direct United States dollar income of the Indian authorities would be that derived from American military expenditure in India for which rupees are required and which falls outside the reverse Lend Lease aid now being given by India to the United States (though not to Britain). The bulk of this American expenditure, however, is met by sales of gold in the open market and, therefore, involves no direct dollar payments to India. The present change in procedure would not have been possible if the British dollar position had not improved.

## Training of Craftsmen

Mr George Wansbrough, in an article in last Monday's *Times*, analysed the position of skilled craftsmen in industry. He made several constructive suggestions for raising their status and standards; and it would now be interesting

and useful to have the reactions of employers and trade unions to his proposals. It is generally agreed that the proposed provision for technical education in the Education Bill is still inadequate. In the past there has been a wrong attitude towards the skilled workman, due largely to the wrong kind of education. School teachers, parents and the boys themselves have tended to believe that the "white collar man" was inherently superior to the manual worker and that there was something degrading about working at the bench—while the need for a long apprenticeship and the preference for earning money at once acted as powerful deterrents. Mr Wansbrough urges that skilled workers should be put on the same level as office employees, in the matter of stability of employment, holidays, pensions and other benefits, and that they should be paid weekly or monthly rather than by the hour. Parallel with the raising of the skilled workmen's status, he asks for opportunities for a more rapid promotion to foreman grades and an altogether different evaluation of foremanship. Instead of the present Ordinary National Certificate in specialised branches of engineering, which does not give a sufficient grasp, either in theory or practice, of the fundamentals of engineering, he suggests a standard three-year course in engineering, with a single certificate covering engineering *qua* engineering. This would give a more satisfactory training and grounding, and would include courses in economics (a subject far too neglected at present), to be taken by all craftsmen, whether they intend to remain craftsmen or to become supervisors. Beyond this, there would be a Higher National Certificate, for those who wished to specialise. The whole programme of technical education would be worked out in conjunction with the education authorities. These suggestions should be carefully studied by all those responsible for education or industry. It is probably not an exaggeration to say that, unless something along these lines is done, Britain's ability to compete successfully in post-war markets may be endangered.

## National Defence Bond Drawings

The first drawings of National Defence 2½ per cent Bonds for redemption at par in September 15 next will amount to 20 per cent of the nominal amount of bonds created. These bonds were issued to the total of £100 million in April, 1937, and the prospectus stated that they would be redeemed at par by annual drawings beginning in 1944, each drawing being for "not less than 20 per cent of the nominal amount of the bonds created." The bonds are, therefore, at most a five-year maturity and they are widely held by banks and money market houses. There was some doubt whether the Government would exercise its option to redeem more than the minimum of 20 per cent at the next drawings and in view of the ease with which short-term debt of this nature could be replaced more cheaply than at 2½ per cent, there had been pessimists who anticipated that the Government might redeem the whole of the loan at the first possible opportunity. These fears have now been set at rest and the Government will, in fact, only insist on its minimum rights. The right to redeem at par more than the 20 per cent minimum in future years remains intact and the amount to be drawn on these occasions will be prescribed before each drawing.

## Co-operative Movement

The Co-operative Movement is putting forward important proposals for the development and greater co-ordination of its various branches and for a large scale expansion of its activities. These would have been considered by the Whitsun Congress had it not been postponed because of travel restrictions. The majority report of a special committee which has been inquiring into the structure and functions of the Co-operative Movement suggests that there are large gaps in the retail services which it provides, and that the retail side is not keeping pace with new developments in private retail trade. To remedy this, it is proposed that the Co-operative Union should be recognised as the central co-ordinating body of the Co-operative Movement. It is further proposed that a development council be set up in each district of the Co-operative Union to plan the filling of the gaps in retail services, and the further development of co-operative trading, both retail and wholesale. A minority report opposes almost

all the proposals of the majority, finding in their definition of spheres of influence an attack on the CWS Retail Society.

## ICI Results

The consolidated accounts of Imperial Chemical Industries and 80 of its subsidiaries for last year, dealt with in some detail on page 696, show a fall of some £3,548,000 in manufacturing and trading profit before tax to £17,222,253. This is fully absorbed by the EPT cushion and, owing to minor adjustments, the net amount available is higher than in 1942 by some £169,000. This is used to strengthen the war contingencies reserve of the parent company, which shows a net increase on the year of £500,000. The surplus of the group is up by £835,500. The fall in profits is ascribed mainly to rising costs without compensating increases in selling prices, probably a result of the scaling down of margins on Government contracts. The only information as to costs is that about £2,200,000 was spent on research and development in the group's own works and laboratories, exclusive of contributions to research associations. The statutory balance sheet shows a number of changes of substantial amount, due in the main to simplification of the group's structure. In pursuance of this policy, the ICI Dye-stuffs, Fertilizer and Synthetic Products, Lime and Paints companies have been liquidated during the year. Against this the group has acquired the whole capital, of a nominal value of £94,900, of Blacklock and Macarthur, paint manu-

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undertake to invest the proceeds in Government of India Defence Loans and leave them so invested until actually required. This decision of the Government of India must be viewed from two angles. In the first place it is an official recognition of the necessity for large-scale industrialisation in India after the war. It is hoped in official circles that the development may be greatly helped if corporations are already in existence at the end of the war with adequate funds at their disposal to finance the first stages of that programme. Secondly, the encouragement to raise money now and invest it in Government securities must be regarded as yet another of the Government's anti-inflationary devices. It should help to canalise purchasing power into the hands of the Government, which is where it can, in present circumstances, be most safely immobilised. It must be admitted that the Government of India have hedged their capital issues concessions with somewhat deterrent conditions. In the first place, no prospectus is to be issued until a prescribed proportion of securities for issue has been privately subscribed by and allotted to the promoters themselves and their friends or, in the case of old companies, has been allotted to existing shareholders. Secondly, capital so raised and invested in Government securities will not be released "until the Government are satisfied that the time has come to make corresponding payments for purposes which are consistent with the enforcement of any measures of control or restriction that may be in operation at the time when such release is applied for." The need for caution and for safeguarding the interests of the Indian investor

is self evident. But the virtual blocking of these funds at the discretion of the Government seems to be going rather beyond the strictest requirements and is likely to keep such capital issues down to very modest figures.

### Shorter Notes

The number registered at employment exchanges as unemployed on April 17th was 74,690, compared with 79,037 on January 17, 1944. The figures exclude 18,132 men and boys and 555 women and girls classified as unemployable. There were slight increases in unemployment in the London and South-Eastern region, the South-Western, Midlands, North-Western and Northern regions; the biggest decrease was in the North Midlands, with 2,370 fewer unemployed than on January 17th. A table giving detailed figures of unemployment on January 17th and April 17th appears on page 696.

The National Union of Agricultural Workers at its conference decided to press for a minimum wage of £4 10s. for a 48-hour week. The present minimum is £3 5s., and the union had previously demanded a £4 a week minimum. Another resolution asked for the extension of annual holidays with pay from 7 to 14 days.

(For Company Results see page 696)

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**RESERVE FUND - £3,000,000**

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(1943 Accounts)

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Savings Bank Balances ... 221,004,631

Note Issue Department ... 149,496,942

Rural Credits Department ... 2,464,158

Other Items ... 21,890,375

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#### COMPANY MEETINGS

### ASHANTI GOLDFIELDS CORPORATION, LIMITED

#### FINANCIAL POSITION STRONG

#### SUBSTANTIAL ORE RESERVES

#### MR J. H. BATTY'S STATEMENT

The forty-seventh annual general meeting of Ashanti Goldfields Corporation, Limited, was held, on the 11th instant, in London. The following is the statement by Mr J. H. Batty (chairman) circulated with the report and accounts:

You will notice in the balance-sheet that the conversion of the issued capital into stock, which was sanctioned last year, has been effected. Otherwise there is no alteration in the issued capital or in the share premium account.

The reserves now total £324,859. The amount due to sundry creditors was £134,480, which for the most part has now been paid.

On the other side of the balance-sheet, plant and machinery and main shafts show some reduction by depreciation. There was no shaft sinking during the year, and construction work was necessarily on only a limited scale.

The sundry debtors and payments in advance, amounting to £108,825, includes £72,000 for E.P.T. recoverable for the year under review.

As you will see from the accounts, the loan to Taquah and Abosso Mines, Limited, has now been reduced to £70,877.

#### COMPANY'S STRONG POSITION

The investments in British Government securities were £240,946 and the shares in other companies £529,375. These items have been taken at cost or under market value, whichever was the lower. We have also tax reserve certificates amounting to £400,000 and cash in London and West Africa (including bullion in transit) amounting to £199,266. These total in all £1,369,587.

I think you will agree that the balance-sheet indicates a strong and liquid financial position. I may mention also that the market value of the investments shows an appreciation of £720,000.

We have this year paid in royalty to the Gold Coast Government £91,944 and for Gold Coast export duty on gold premium £205,114. In addition, provision has been made for income-tax amounting to £537,104.

The profit for the year, after making provision for the items shown in the profit and loss account, was £1,088,971, as compared with £1,156,537 for the previous year.

As you are aware, certain of the producing mines were put on a care and maintenance basis in February of last year. This was to ensure the most profitable use of the available supplies of fuel oil and mining stores generally. The cost of the care and maintenance is being borne by the mines still working, in proportion to their respective output of gold. The Corporation's share for the seven months ended September 30 last amounted to £53,941 and is included in the profit and loss account.

As will be seen from the appropriation account, after making provision for taxation mentioned above and for the interim and final dividends amounting together to £499,423 net and the transfer to the pension fund of £10,000, there is a balance to be carried forward amounting to £412,637. This is an increase of £42,444 compared with the amount brought forward in 1942.

#### ADJUSTMENTS OF INCOME TAX

As mentioned in the directors' report, the Gold Coast Government has imposed an income-tax of 5s. in the £, which came

into force on November 1, 1943. The first year of assessment will be the fiscal year 1944-45, and the Corporation's assessment for that year will be based on the profits made in respect of the year ended September 30, 1943. In the case of the final dividend now recommended to be paid, should Dominion income-tax relief be due to stockholders as a result of the income-tax to be paid to the Gold Coast Government, the gross rate of the final dividend will be varied so as to leave the net dividend unaltered.

#### ENCOURAGING TECHNICAL REPORT

Owing to the shortage of paper, it is again not possible to publish the general manager's annual report. This can be seen, however, at the company's office by arrangement with the secretary. The London consultant, Mr G. W. E. Turner, has recently returned from a visit to the mines, and I invite your attention to his comments on the general manager's report. You will note that at the end of his remarks Mr Turner states that: "From all that I saw during my recent visit to the mines, I can assure you that the plant and property generally appeared to have been maintained in good order."

It was a great satisfaction to the directors that Mr Turner expressed a wish to visit the property, and since his return the detailed reassurance which he has given us of the general conditions there may be looked upon generally as most satisfactory.

#### PLANT AND PROPERTY IN GOOD ORDER

You will, of course, appreciate that our activities during the past year were governed by the supply of essential stores and labour at our disposal. Towards the end of the year our resources in both these directions were depleted and some reduction had to be made in our monthly returns. I am glad to be able to inform you that lately there has been some improvement in the supplies of stores and spares. The replacement of European staff, however, continues to give us some anxiety.

The returns for March indicate that the general manager is now finding the position somewhat easier. We are hopeful that before the end of the year our throughput will be of the order of 16,500 tons per month.

Mine development was still on a reduced scale, and although some good individual crosscut values were obtained, these did not enable any increase to be made in the ore reserve. With the lower grade Ayeinm mine closed, in order to save stores and spares, the whole of our throughput has to be drawn from the Ashanti mine.

It is hoped that the limited amount of development which it is possible to do will this year make some additions to the ore reserves as a whole. These now stand at 1,917,523 tons of an average value of 22 dwt., which, on an output of 16,000 tons per month, represents nearly 10 years' supply of ore.

Since the close of the financial year Mr G. W. Thomson has retired from the position of general manager. Mr O. G. H. Gale, who has been in the employment of the Corporation and its associated company (Bibiani (1927), Limited) since 1932, has been appointed to succeed him.

It will, I am sure, be your wish to record a hearty vote of thanks to the staff, both home and abroad, for the good work they have done during the year under review.

### BIBIANI (1927) LIMITED

#### ORE RESERVE POSITION GOOD

#### MR J. H. BATTY'S STATEMENT

The seventeenth annual general meeting of Bibiani (1927), Limited, was held, on the 11th instant, in London.

The following is the statement by Mr J. H. Batty (chairman) circulated with the report and accounts:

Dealing with the balance-sheet, you will note that the conversion of the shares into stock, which was sanctioned at the last general meeting, has been given effect to. There is no change in the amount of the capital or share premium.

The reserve for taxation amounts to £148,809. Sundry creditors at £72,634 is made up largely of trading and other accounts which have since been paid.

Plant and machinery stands at £595,925, which is about £45,000 less than last year, due to the depreciation written off being in excess of the expenditure for the year.

Mine development, after allowing for the amount of £16,800 written off to profit and loss account, is less by £13,000 and now totals £134,204, equal to 18.34d. per ton on the ore reserve of 2,082,106 tons.

Investments in Government securities, tax reserve certificates and cash (including bullion in transit since realised) amount together to £248,000.

In the profit and loss account it will be noted that after debiting our proportion of care and maintenance expenditure of the closed down mines for the seven months (February to September, 1943) amounting to £16,308, and making provision for excess profits tax amounting to £81,000, the profit for the year is £111,781.

In the appropriation account, the interim dividend of 7½ per cent. paid on September 15, 1943, and the proposed final dividend of 17½ per cent. (both less tax at 9s. in the £), amount to £68,750 and the provision for income-tax to £65,707. This leaves a balance to be carried forward of £72,512, which is £22,676 less than last year. It is expected that this will be made good by the amount to be received as the result of some taxation adjustments.

#### TAX ADJUSTMENTS

As mentioned in the directors' report, the Gold Coast Government has imposed an income-tax of 5s. in the £, which came into force on November 1, 1943. The first year of assessment will be the fiscal year 1944-45, and this company's assessment for that year will be based on the profits made in respect of the year ended September 30, 1943.

In connection with the proposed final dividend, I should like to mention that should any further Dominion income-tax relief be due to stockholders as a result of this new tax, the gross rate of the final dividend will be varied so as to leave the net dividend unaltered.

Turning now to the technical side, you will have read the London consultant's comment on the manager's report. Owing to restriction in the use of paper the manager's report is not being published, but can be seen at the company's office by arrangement with the secretary.

#### MINE CONSULTANT'S REPORT

Mr G. W. E. Turner, our consultant, has recently returned from a visit to West Africa, and his assurance that the company's property and interests are being well cared for is very satisfactory.

As you will notice, there was a slight reduction in the grade of ore treated and in the total output. Due chiefly to the increased cost of imported stores, working costs rose 1s. per ton and now total 22s. 11d. per ton, including development. Under the circumstances this is not unreasonable high.

No productive development was done during the year, and the ore reserves have been re-estimated and a small additional

allowance made for stopping losses. As Mr Turner observes, at 2,082.106 tons of 6.66 dwt. ore, our reserve position is an enviable one.

This figure represents 10 years' supply for the mill on the present scale of operations.

We are anxious to resume development to establish the continuation and dimensions of the low grade ore body between the shafts. A winze is being sunk from No. 10 to No. 11 level to prove the downward extension of the high grade ore north of central shaft.

It is hoped to maintain the present rate of output at about the same figure during the current year.

No doubt you will wish to record your appreciation of the excellent work done by the management and staff both at home and abroad.

## BRITISH MATCH CORPORATION, LIMITED

The seventeenth ordinary general meeting of British Match Corporation, Limited, was held, on the 17th instant, in London, Sir Clarence E. Bartholomew, O.B.E. (chairman and managing director of the company), presiding.

The chairman submitted the report of the directors, which states: The net revenue for the year ended April 30, 1944, amounted to £350,184, to which has to be added the balance brought forward, £104,874, and after allowing for the dividends already paid, which absorbed £92,297, there is a balance of £362,761 available for distribution.

The directors recommend placing to dividend equalisation reserve £50,000, the payment of dividend on the preference stock for the half-year to April 30, 1944, and a final dividend on the ordinary stock of 5½ per cent., making a total of 8 per cent. for the year, leaving £128,544 to be carried forward.

The report was unanimously adopted.

## EQUITABLE LIFE ASSURANCE SOCIETY

PREMIUMS EXCEED £1,000,000

The 182nd annual general meeting of the Equitable Life Assurance Society was held in London on the 17th instant.

The following is a summary of a statement by the President, Mr. Desmond Abel Smith:—The premium revenue for 1943 exceeded £1,000,000. After charging certain sums reserved to meet exceptional post-war expenses, the expense ratio was only 5.4 per cent. Claims by death amounted to £404,962, of which about £55,000 was due to the war. Claims in the whole life major profits class again showed remarkable results: on the average £2,219 was paid for each £1,000 of original assurance. New policies for sums assured of £1,858,559 were issued, which was proof of the continuing demand for life assurance. Without addition to the normal premium policies were still being offered under which the war risk was met by a comparatively small deduction from the sum payable at death during war time.

Stock Exchange investments at December 31, 1943, showed an appreciation over book values of about £900,000; margins on other securities brought up the figure to well over £1,000,000. The net rate of interest earned had fallen from £4 5s. 6d. per cent. in 1935 to £3 9s. 7d. per cent. in 1943. After careful consideration, eight years' bonus for the period since 1935 had been declared in the major profits class, for endowment assurance at the rate of 15s. per cent. compound plus 7s. 6d. per cent. simple payable only at maturity, and for whole life 15s. per cent. on the Society's special plan. In the latter case this gave bonuses ranging up to 5½ per cent. per annum for the oldest policy. £128,107 was carried forward, compared with £142,722 after the 1936 distribution.

The report and accounts were adopted.

## THE EMPLOYERS' LIABILITY ASSURANCE CORPORATION, LIMITED

### DANGERS OF UNDER-INSURANCE

The sixty-third ordinary general meeting of this company was held, on the 17th instant, in London, The Rt. Hon. Lord Courtauld-Thomson, K.B.E., C.B. (the chairman), presiding.

The following is an extract from the chairman's statement circulated with the accounts:—Our results for 1943 may be summarised as follows:—Our total premium income was £6,805,931, a decrease of £2,733 over 1942. Our underwriting profit of £239,635 (which is arrived at after charging Dominion and foreign taxes) and our gross interest income of £317,438, together amount to £557,073. The aggregate of the taxes, British and Dominion and foreign, paid or provided for in the accounts, is £652,826. We are recommending a final dividend of 2s. a share, which makes a total payment per share for the year of 3s. 6d. We then carry forward £613,598, an increase of £51,367 on the year. This carry forward of £613,598 is additional to the general reserve of £2,500,000.

The value of the British insurance business as a vital element in our export trade needs emphasis, especially at this present time, when the restoration of our foreign commerce must have a front place in any future planning.

### FIRE PREMIUMS

Our fire premiums show a further increase and produced a profit of £30,827. I think it a duty to remind our policy holders of the importance, in their own interests, of insuring their properties and goods (against both fire and burglary) up to the enhanced values ruling to-day. Insurance cover arranged a few years back, which has been left unrevised, has been found to be seriously inadequate. In most cases, it is not a question of thinking in terms of 10 per cent., or 15 per cent. increase, as frequently the value of the contents in dwellings and business premises has been doubled or trebled.

The premiums in our accident and general account at £6,315,623 show a reduction of not more than £51,612 over those of 1942. In the United States a reduction in premiums was to have been expected, but the skill, resourcefulness and enterprise in management of Mr. Edward C. Stone, our United States general manager and attorney, have once again enabled him to triumph over difficulties. The profit shown in the accident and general account is £208,808.

There is an increase of £415,259 in our investments, which (including freehold and leasehold properties and our associated companies) amounted at December 31, 1943, to £10,981,518.

### ENHANCED VALUES

The chairman, addressing the meeting, said that he wished to emphasise the paragraph in his circulated statement in which he dealt with the importance of insuring properties and goods, against both fire and burglary, up to the enhanced values ruling to-day. They felt a certain responsibility in the matter because, if they accepted premiums, that almost carried with it the implication that if fire or burglary took place they would pay a sum which would go substantially towards the expense of replacing the lost articles. He thought that few realised the extraordinary rise that had taken place in values and he drew attention to a recently published statement by Col. H. B. Spens, giving a comparison of pre-war prices with present-day second-hand prices, which justified his (the chairman's) statement to the effect that people should think not in terms of a 10 per cent. or a 15 per cent. increase but from the point of view that their articles had trebled or quadrupled in value.

The report and accounts were adopted.

## COMMERCIAL UNION ASSURANCE COMPANY, LIMITED

### MR. J. F. G. GILLIAT'S REVIEW

The annual general meeting of the Commercial Union Assurance Company, Limited, will be held on the 23rd instant in London.

The following is an extract from the statement of the chairman, Mr. J. F. G. Gilliat, circulated with the report:—

In the fire department the total premium income amounts to £6,298,368, being an increase of £352,795 over that for 1942. There was a substantial advance in the home premium income, largely because of enhanced values, and a welcome improvement in the loss ratio, although the year was not without fires of magnitude, but there was not the frequency of heavy losses which caused so much national concern in 1941 and 1942. Our business overseas represents a large portion of the total premium income. In the United States there was some expansion of premium income, but only a small margin of profit. In the Dominions, the Colonies and elsewhere overseas we have had a satisfactory year on the whole.

In the life department, for the first time since 1938 the new sums assured exceeded £5,000,000, of which, after deducting amounts reassured, the sum of £4,897,233 was retained at the company's own risk. In addition, 1,211 immediate and deferred annuities for a total of £44,146 per annum were issued. The total premium income for 1943 was £2,147,205, showing an increase of £57,031, whilst the life fund increased by £649,002 to £31,360,982.

### SATISFACTORY PROGRESS OF LIFE FUND

After a careful review of the facilities offered by the company for covering war risks under life assurance policies, the directors announced that as from October 1st, 1943, the extra premium charged to civilians to cover war risks within the land limits of the United Kingdom and Eire would be reduced to 5s. per cent. per annum. In view of the satisfactory progress and economical working of the life fund, the directors have decided to increase the rate of interim bonus applicable to claims by death or maturity during 1944 to a rate equal to the full rate of reversionary bonus declared at the last distribution of profits, which took place as at December 31st, 1942, but they reserve the right to amend the rate of interim bonus without notice if in their view it is necessary to do so.

The premiums in the marine department totalled £1,673,190, showing a decrease of £1,315,963. With the marine fund at 165.7 per cent. of the premium income we are satisfied that we have provided for all contingencies and can look to the future with confidence.

In the accident department the premium income amounted to £7,734,749—£845 less than that for 1942. The motor income (world wide) was further reduced by nearly £300,000, and this has been made up by increases in nearly every other class of accident business. Overseas accident business has contributed largely to the profit: we have valuable business in the British Commonwealth, the United States and in South America.

In the profit and loss account, gross interest, dividends and rents at £1,118,220 show an advance of £16,721, while the transfers from departmental accounts are £450,000 higher at £2,250,000. On the other side the amount paid and provided for United Kingdom taxation and for Dominion, Colonial and Foreign taxes exceed last year's figure by £295,232 and have now reached £2,210,915, very nearly absorbing the whole of the departmental transfers. The balance will meet the cost of the final dividend of 3s. 6d. per £1 stock recommended by the directors, and leave the amount to be carried forward £83,474 greater at £306,828.

## INCORPORATED ACCOUNTANTS

### 59th ANNUAL MEETING

The annual meeting of the Society of Incorporated Accountants was held at Incorporated Accountants' Hall, London, on the 18th instant.

Mr Richard A. Witty, F.S.A.A. (the president) said: The report cannot purport to reflect the many activities of the Council. I have communicated with members known to be prisoners of war. I am glad to say that our examinations were held in prisoner of war camps, and it is a tribute to British courage and to the character and tenacity of the men themselves that most of them passed.

The research committee have been engaged on matters of current and future interest and have made valuable contributions to Accountancy. The volume on the "Design of Accounts" has now been published by the Oxford University Press.

### DEMOBILISATION PROBLEMS

A committee of the council is considering problems which must arise on demobilisation. In the last issue of "Accountancy" the council published concessions to pre-enlistment article clerks and by-law candidates.

It was necessary to deal generously with all candidates whose training had suffered interruption, but at the same time to ensure, in the interests of the candidates themselves, that proof shall be given of fitness for the qualification of incorporated accountant. Briefly, the time spent by article clerks in the Forces will be considered as equal to two years of their training in the case of five-year articles and to one year in the case of three-year articles for graduates. Thus, the article clerks will only be called upon to prove actual professional training of three years or two years. In addition, they may be exempted from the intermediate, but must in every case pass the final examination. In the case of special by-law candidates the requisite periods of actual professional service are correspondingly reduced.

The inquiry by the Cohen Committee on Company Law Amendment has attracted considerable public interest; the views of the Society have been submitted, and oral evidence has been given by Mr E. Cassleton Elliott, F.S.A.A., past president, and Mr A. Stuart Allen, F.S.A.A. In conjunction with other accountancy bodies a memorandum on post-war fiscal policy was prepared at the request of the Board of Inland Revenue, and the Chancellor dealt extensively with the subject in his Budget speech.

Coordination between the various management bodies and the relation of accountancy to management have been under consideration. Widespread public interest has manifested itself in the future of small businesses, and the Society made

proposals to the Board of Trade as to financing small businesses after the war.

### COORDINATION IN THE PROFESSION

During the past year some definite progress has been made in the general scheme for coordination in our profession. Complete agreement has not yet been reached, but we are still hopeful. Should those hopes not be realised, then we may find that our labours may result meantime in a joint committee representing chartered and incorporated accountants in England and Wales, without the wider scheme of complete coordination for the whole profession.

Committees of the Council and other members have devoted a considerable amount of time to matters initiated by the Government. A big demand has been made upon the time of Council members, who have not hesitated to call upon other members of the Society who were particularly qualified to help in the matters under review. A still bigger demand has been made upon the time and energies of our secretary, Mr A. A. Garrett, and his staff.

## RIO TINTO COMPANY, LIMITED

### SUPPLY DIFFICULTIES

### LORD GEDDES ON THE POSITION

The seventy-first ordinary general meeting of the Rio Tinto Company, Limited, was held, on the 18th instant, at 11, Old Jewry, London, E.C.

The following is the statement of the chairman, the Right Hon. the Lord Geddes, G.C.M.G., K.C.B., circulated with the report and accounts:—

I hope that you will consider the accounts for the year ended December 31, 1943, satisfactory in view of all the circumstances and difficulties of the period. With the Continent of Europe outside Spain closed to us by war conditions it has not been easy to make ends meet. In 1942 we drew from the peseta balances built up in Spain £194,660, and even so we were only able to add some £7,000 to our carry-forward after meeting all our liabilities. In 1943, although the accumulated peseta balances had been used, we have nevertheless been able to pay our taxes; meet our debenture interest and redemption liabilities; earn our preference dividend and add more than £3,000 to the carry-forward. Owing to difficulties of supply, particularly as regards fuel, we have not, however, been able to maintain to the usual extent our installations and pre-extraction work.

I think I should explain that the large peseta balances formerly held by the company in Spain have now been utilised to defray expenditure during the difficult period through which we continue to pass. As the peseta balances now held are required for current expenditure, etc., the item "£ equivalent of net peseta balance utilised" disappears from the revenue account.

### OUTLOOK IN NORTHERN RHODESIA

For reasons of security I cannot give you any details about our great investments in Northern Rhodesia beyond saying that in my view their present situation and outlook are satisfactory, though, of course, there are many current and prospective problems to be solved. I have, however, no doubt that reasonable solutions will be found for all of them. Last year I addressed you at some length on the direct and indirect benefits the existence of the London Mining market confers on British industry. I am glad to be able to tell you that the views I then expressed appear to be gaining ground in responsible quarters, and I venture to hope that before long they will have found fuller acceptance.

In conclusion, I desire to express my thanks to the staff at home and abroad for the admirable way in which they have carried on in a time of very great difficulty.

The report and accounts were unanimously adopted.

## STEWARTS AND LLOYDS, LIMITED

### SOUND POSITION

The fifty-fourth ordinary general meeting of Stewarts and Lloyds, Limited, was held on the 18th instant, at the registered office of the company in Glasgow.

Mr A. C. Macdiarmid, the chairman, who presided, said: Gentlemen, I propose to read to you the relevant portion of my statement circulated with the report and accounts.

Stockholders will appreciate that it is still inadvisable and, in fact, impossible for me to review the company's multifarious activities in the manner followed in normal times. The accounts submitted show that the company's affairs are in a sound condition.

### STANTON IRONWORKS DIVIDEND

It will be noted from the statement of consolidated profits that no interim dividend has been included from the Stanton Ironworks Company, Limited, in respect of that company's financial year ended March 31, 1944. A full year's dividend from this subsidiary company will be included in the parent company's accounts for 1944.

The stockholders are indebted to the staff and employees of the company for a further year of unremitting effort. On your behalf the directors wish to express their appreciation.

The report and accounts were adopted.

It was resolved to pay the dividends detailed in the directors' report and carry forward £190,460.

The retiring directors were re-elected and the auditors were re-appointed.

# RECORDS and STATISTICS

## INDUSTRY AND TRADE

**National Arbitration Tribunal.**—On his appointment as a Lord of Appeal, Lord Simonds has given up the Chairmanship of the National Arbitration Tribunal. The Minister of Labour has appointed Sir John Forster, who has been one of the Appointed Members of the Tribunal since it was set up, to succeed Lord Simonds. He has also appointed Lord Terrington and Mr William Gorman, K.C., to be additional members of the Appointed Members of the Tribunal. In addition to Sir John Forster the members already serving on the Panel are Sir David Ross, Sir Francis Floud, Sir Hector Hetherington and Mr A. N. Shimmir.

**Coal Output Figures.**—Major Lloyd George announced in the House of Commons that monthly publication of coal output figures is to be discontinued, since the district output bonus

scheme has been abandoned in the new wage structure. Instead, a White Paper is to be issued in the near future, giving figures of output, manpower, absenteeism, since 1938. The salient items will be published quarterly in the *Board of Trade Journal*.

**Reconditioned Battledress.**—Limited supplies of reconditioned battledress uniforms, dyed green, are now to be made available to the general public at 21s. and 6 coupons a suit. (Blouse and trousers are not sold separately.) These garments have hitherto been reserved mainly for agricultural workers, but may now be sold without restriction. The bulk of the battledress uniforms will be in small sizes and supplies are not likely to be large.

**"The Economist" Sensitive Index.**—There was no change in the index during the week ended May 17th. The complete index (1935 = 100) was 158.6; crops 135.6; and raw materials 185.5.



## REGISTERED UNEMPLOYMENT IN GREAT BRITAIN

|               | Wholly Unemployed | Temporarily Stopped | Persons Normally in Casual Employment |
|---------------|-------------------|---------------------|---------------------------------------|
| Jan. 17, 1944 |                   |                     |                                       |
| Men           | 40,491            | 442                 | 918                                   |
| Boys          | 9,442             | —                   | 1                                     |
| Women         | 17,736            | 900                 | 26                                    |
| Girls         | 9,005             | 75                  | 1                                     |
| Total         | 76,674            | 1,417               | 946                                   |
| Apr. 17, 1944 |                   |                     |                                       |
| Men           | 39,205            | 355                 | 882                                   |
| Boys          | 11,027            | 1                   | 1                                     |
| Women         | 13,754            | 281                 | 62                                    |
| Girls         | 9,106             | 16                  | —                                     |
| Total         | 73,992            | 653                 | 945                                   |

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

|                  | Mar. 31, 1937* | Aug. 30, 1939 | May 11, 1943 | April 25, 1944 | May 9, 1944 |
|------------------|----------------|---------------|--------------|----------------|-------------|
| Cereals and Meat | 93.0           | 66.9          | 110.3        | 109.3          | 109.2       |
| Other Foods      | 70.4           | 61.1          | 107.5        | 107.3          | 107.3       |
| Textiles         | 74.2           | 54.3          | 93.4         | 103.5†         | 103.8       |
| Minerals         | 113.2          | 95.4          | 135.9        | 139.7          | 139.7       |
| Miscellaneous    | 87.0           | 77.6          | 127.3        | 129.0          | 129.0       |
| Complete Index   | 87.2           | 70.3          | 114.7        | 117.6†         | 117.7       |
| 1913=100         | 119.9          | 90.8          | 157.8        | 161.8†         | 161.9       |

\* Highest level reached during 1932-37 recovery.

† Revised.

INVESTMENT  
Stock Exchanges: London

## "FINANCIAL NEWS" INDICES

| 1944       | Total<br>Bargains<br>in S.E.<br>List | Corres.<br>Day<br>1943 | Security Indices   |                   | Yields         |                |
|------------|--------------------------------------|------------------------|--------------------|-------------------|----------------|----------------|
|            |                                      |                        | 50 Ord.<br>shares* | 20 Fixed<br>Int.† | Old<br>Consols | Ord.<br>Shares |
| May 11.... | 6,623                                | 5,519                  | 108.5              | 134.7             | 3.17           | 3.85           |
| " 12....   | 6,514                                | 5,090                  | 108.5              | 134.7             | 3.17           | 3.85           |
| " 15....   | 7,756                                | 5,745                  | 108.4              | 134.5             | 3.17           | 3.88           |
| " 16....   | 5,900                                | 4,659                  | 108.4              | 134.6             | 3.17           | 3.88           |
| " 17....   | 5,546                                | 4,466                  | 108.4              | 134.6             | 3.17           | 3.88           |

\* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1944: highest, 108.5 (May 12); lowest, 103.0 (Feb. 28). 20 Fixed Int., 1944: highest, 138.4 (Feb. 23); lowest, 134.0 (Jan. 3).

## New York

STANDARD STATISTICS INDICES  
DAILY AVERAGE OF 50 COMMON STOCKS

| 1944  | Average | Transactions | 1944  | Average | Transactions |
|-------|---------|--------------|-------|---------|--------------|
| May 5 | 118.6   | 787,000      | May 9 | 119.4   | 620,000      |
| " 6   | 119.3   | 331,000*     | " 10  | 119.2   | 647,000      |
| " 8   | 119.4   | 586,000      | " 11  | 119.2   | 618,000      |

1944: High, 121.2 (Mar. 18). Low, 113.8 (Feb. 8). \* Two-hour session.

## (WEEKLY AVERAGES) (1935-36=100)

| 1944           | Low Mar. 15 | High Mar. 15 | April 26, 1944 | May 3, 1944 | May 10, 1944 |
|----------------|-------------|--------------|----------------|-------------|--------------|
| 37 Industrials | 95.1 (a)    | 99.7         | 95.7           | 97.5        | 98.1         |
| 32 Rails       | 88.9 (a)    | 101.2 (c)    | 95.9           | 97.7        | 98.4         |
| 40 Utilities   | 85.0        | 88.9 (d)     | 86.9           | 87.2        | 87.1         |
| 419 Stocks     | 93.6 (a)    | 97.9         | 94.3           | 95.9        | 96.4         |
| Av. yield %    | 4.83 (c)    | 4.60         | 4.80           | 4.69        | 4.65         |

\* Common Stocks. (a) Feb. 9. (b) Jan. 5. (c) Mar. 22. (d) Mar. 8. (e) Feb. 23.

## Capital Issues

| Week ending May 20, 1944                             | Nominal Capital £ | Conversions | New Money £           |
|------------------------------------------------------|-------------------|-------------|-----------------------|
| To Shareholders only                                 | 586,500           | 405,825     | ...                   |
| Particulars of Government issues appear on page 697. |                   |             |                       |
| Year†                                                |                   | Conversions | Excluding Conversions |
| 1944                                                 | 586,085,683       | 350,721     | 586,416,404           |
| 1943                                                 | 673,068,573       | 1,376,685   | 659,837,654,990       |

## Destination\* Nature of Borrowing\*

| Year† | U.K.        | Brit. Emp. ex. U.K. | Foreign Countries | Deb.        | Pref.     | Ord.      |
|-------|-------------|---------------------|-------------------|-------------|-----------|-----------|
| 1944  | 586,085,683 | 350,721             | Nil               | 586,683,785 | 2,015,289 | 1,717,330 |
| 1943  | 673,068,573 | 1,376,685           | 633,677           | 667,866,108 | 659,837   | 6,554,990 |

\* Conversions Excluded. † Includes Government issues to May 9, 1944, only. Above figures include all new capital in which permission to deal has been granted.

## FINANCE AND BANKING

**THE MONEY MARKET.**—Credit has again been in scarce supply this week. The flow of subscriptions to Government loans has been maintained at a high level as a result of Salute the Soldier weeks held in the provinces. The banks were only

(Continued on page 698)

## Company Results

## Imperial Chemical Industries.

|                                           | 1941       | 1942       | 1943       |
|-------------------------------------------|------------|------------|------------|
| Consolidated Income†:—                    |            |            |            |
| Manufacturing and trading profits         | 18,403,870 | 20,616,996 | 17,222,253 |
| Revenue from associated companies         | 1,196,501  | 1,166,535  | 984,859    |
| Revenue from securities                   | 132,913    | 166,927    | 184,247    |
| Revenue from property                     | 219,757    | 225,899    | 226,856    |
| Miscellaneous income                      | 2,961      | 76,461     | 86,417     |
| Total profits                             | 19,956,002 | 22,252,818 | 18,704,622 |
| Taxation                                  | 8,761,554  | 9,720,172  | 6,050,682  |
| Depreciation                              | 3,045,116  | 3,617,399  | 3,571,664  |
| Fees                                      | 66,610     | 69,169     | 69,952     |
| Pension funds, etc.                       | 1,346,437  | 1,462,712  | 1,509,603  |
| Miscellaneous expenditure written off     | 314,312    | 246,134    | 205,177    |
| Debt and loan interest                    | 178,514    | 264,027    | 257,377    |
| Consolidated net income                   | 6,243,459  | 6,873,205  | 7,042,177  |
| Divs. to minority members of subsidiaries | 193,445    | 209,208    | 200,561    |
| Undistributed profits of subsidiaries     | 67,908     | 164,138    | 156,264    |

## I.C.I. Profit and Loss Account:—

|                                                        |           |           |           |
|--------------------------------------------------------|-----------|-----------|-----------|
| I.C.I. net income                                      | 5,982,106 | 6,499,859 | 6,685,346 |
| War contingencies                                      | 550,720   | 351,595   | 274,211   |
| Preference dividends                                   | 1,666,104 | 1,666,104 | 1,682,461 |
| Ordinary stock:—                                       |           |           |           |
| Earnings                                               | 3,765,282 | 4,482,100 | 4,728,067 |
| Dividend (gross)                                       | 4,032,149 | 4,032,148 | 4,032,148 |
| Dividend %                                             | 7.0       | 9.8       | 10.6      |
| Addition to war personnel and war contingency reserves | 865,487   | 350,000   | 600,000   |
| Carry forward                                          | 865,487   | 965,499   | 1,062,011 |

## Consolidated Balance Sheet:—

|                                               |            |            |            |
|-----------------------------------------------|------------|------------|------------|
| Net fixed assets                              | 54,823,147 | 54,612,733 | 53,984,658 |
| Net intangible assets                         | 15,465,335 | 15,436,638 | 15,425,303 |
| Inter-company items*                          | 8,290,116  | 8,245,966  | 8,252,977  |
| Net liquid assets                             | 19,961,496 | 20,857,626 | 22,586,492 |
| Gross liquid assets                           | 54,453,746 | 63,172,891 | 66,953,941 |
| Stock                                         | 26,303,070 | 30,353,659 | 30,250,734 |
| Govt. securities and tax reserve certificates | 1,772,481  | 8,170,480  | 11,724,394 |

† Including earnings of:—for 1941, 105; for 1942, 96; and for 1943, 80 subsidiaries. Due to the war, the accounts of 14 subsidiaries are not available, so cannot be included. Otherwise the basis of consolidation is ownership of more than 50 per cent. of the issued or controlling capital.

\* Including revenue from subsidiaries not consolidated of £114,211 in 1942 and £8,735 in 1943.

\* Representing shares and debentures in associated companies and subsidiaries not consolidated.

The £1 units of ordinary stock, standing at 39s. 6d. ex dividend, yield £4 1s. per cent.

## Ford Motor Company.

|                                               | 1941       | 1942       | 1943       |
|-----------------------------------------------|------------|------------|------------|
| Profit after EPT                              | 2,051,108† | 2,303,891† | 2,329,857  |
| Depreciation                                  | 793,443    | 798,654    | 794,988    |
| Fees                                          | 9,000      | 8,063      | 7,403      |
| Employees' funds                              | 166,651    | 221,876    | 223,456    |
| Miscellaneous expenses                        | 14,368     | 15,229     | 18,111     |
| Income tax                                    | 711,091    | 749,900    | 752,064    |
| Ordinary stocks and shares:—                  |            |            |            |
| Earnings                                      | 356,555    | 510,169    | 533,795    |
| Dividend (net)                                | 270,000    | 270,000    | 270,000    |
| Dividend %                                    | 7.9        | 11.3       | 11.6       |
| Contingencies                                 | 100,000    | 100,000    | 100,000    |
| Carry forward                                 | 1,050,841* | 1,191,010  | 1,354,805  |
| Net fixed assets                              | 7,209,884  | 6,222,282  | 5,635,169  |
| Net inter-company items                       | 1,495,229  | 1,582,192  | 1,561,125  |
| Net liquid assets                             | 5,341,231  | 6,539,938  | 7,339,949  |
| Gross liquid assets                           | 9,945,866  | 13,239,658 | 14,850,722 |
| Stock                                         | 3,816,993  | 4,742,680  | 5,289,713  |
| Govt. securities and tax reserve certificates | 208,547    | 4,358,125  | 6,515,900  |

† Including reserve for loss incurred by subsidiary no longer required of £6,171.

\* Including surplus on guarantee premiums, etc., of £36,601, previously held in suspense.

\* After taking in £102,500 of war damage contributions, written off in 1940 and capitalised in 1941.

The £1 units of ordinary stock and the £1 shares, standing at 34s. 6d. ex dividend, yield £3 9s. 7d. per cent.

## Colvilles. (Iron and Steel Manufacturers.)

|                                             | 1941      | 1942      | 1943      |
|---------------------------------------------|-----------|-----------|-----------|
| Profit after taxation and war damage insur. | 523,759   | 513,323   | 538,969   |
| Dividends from subsidiary (net)             | 79,437    | 109,212   | 109,438   |
| Total profits                               | 603,196   | 622,535   | 648,407   |
| Depreciation                                | 250,000   | 250,000   | 250,000   |
| Fees                                        | 1,500     | 1,500     | 1,500     |
| Deferred repairs                            | 100,000   | 100,000   | 100,000   |
| Preference dividend                         | 57,062    | 55,000    | 55,000    |
| Ordinary stock:—                            |           |           |           |
| Earnings                                    | 294,634   | 316,035   | 341,907   |
| Dividend                                    | 156,782   | 156,782   | 156,782   |
| Dividend %                                  | 15.0      | 11.0      | 17.4      |
| Supplementary depreciation                  | 100,000   | 50,000    | 100,000   |
| Carry forward                               | 157,710   | 166,963   | 252,088   |
| Net fixed assets                            | 4,812,815 | 4,545,111 | 4,315,705 |
| Net inter-company items                     | 2,312,750 | 1,772,671 | 1,675,991 |
| Net liquid assets                           | 509,972   | 1,232,825 | 1,538,428 |
| Gross liquid assets                         | 6,919,723 | 7,788,574 | 8,417,009 |
| Stock                                       | 3,586,928 | 5,012,587 | 2,689,632 |
| Cash                                        | 507,676   | 1,675,568 | 1,866,305 |

The £1 units of ordinary stock, standing at 25s. ex dividend, yield £6 8s. per cent.

## GOVERNMENT RETURNS

For the week ended May 13, 1944, total ordinary revenue was £43,917,000, against ordinary expenditure of £92,214,000, and issues to sinking funds of £392,991. Thus, the deficit accrued since April 1st is £386,489,000 against £443,014,000 for the corresponding period a year ago.

## ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

| Revenue                      | April 1 to May 15, 1943 | April 1 to May 13, 1944 | Week ended May 15, 1943 | Week ended May 13, 1944 |
|------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| ORDINARY REVENUE             |                         |                         |                         |                         |
| Income Tax                   | 85,057                  | 79,529                  | 7,557                   | 11,058                  |
| ur-tax                       | 5,502                   | 4,537                   | 600                     | 460                     |
| State, etc.                  | 12,660                  | 14,073                  | 2,000                   | 3,000                   |
| Duties                       | 590                     | 432                     | 330                     | 370                     |
| F.D.C.                       | 44,311                  | 47,682                  | 6,810                   | 11,609                  |
| Other Inland Rev.            | 90                      | 20                      | 30                      | 10                      |
| Total Inland Rev.            | 151,633                 | 148,524                 | 17,327                  | 26,507                  |
| ustoms                       | 64,548                  | 66,109                  | 13,043                  | 10,857                  |
| seise                        | 54,300                  | 60,500                  | 4,500                   | 4,300                   |
| Total Customs & Excise       | 118,848                 | 126,609                 | 17,543                  | 15,157                  |
| otor Duties                  | 1,617                   | 1,948                   | ...                     | 138                     |
| st Office (Net Receipts)     | 3,050                   | 2,450                   | 950                     | 1,050                   |
| ireless Licenses             | 300                     | 320                     | ...                     | ...                     |
| own Lands                    | 140                     | 140                     | ...                     | ...                     |
| cripts from Sundry Loans     | 748                     | 815                     | 76                      | 65                      |
| sell Receipts                | 8,692                   | 6,861                   | 913                     | 1,000                   |
| Total Ord. Rev.              | 285,029                 | 287,667                 | 36,810                  | 43,917                  |
| ELF-BALANCING O. & Brdcastg. | 11,600                  | 12,400                  | 1,450                   | 1,700                   |
| Total                        | 296,629                 | 300,067                 | 38,260                  | 45,617                  |

## Issues out of the Exchequer to meet payments (£ thousands)

| Expenditure               | April 1 to May 15, 1943 | April 1 to May 13, 1944 | Week ended May 15, 1943 | Week ended May 13, 1944 |
|---------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| ORDINARY EXPENDITURE      |                         |                         |                         |                         |
| at. Debt                  | 57,032                  | 60,451                  | 1,242                   | 1,414                   |
| ments to N. Ireland       | 671                     | 664                     | ...                     | ...                     |
| er Cons. Fund             | 267                     | 266                     | ...                     | ...                     |
| at                        | 57,970                  | 61,381                  | 1,242                   | 1,414                   |
| ply Services              | 668,965                 | 611,894                 | 103,700                 | 90,800                  |
| at                        | 726,935                 | 673,275                 | 104,942                 | 92,214                  |
| ELF-BALANCING & Brdcastg. | 11,600                  | 12,400                  | 1,450                   | 1,700                   |
| Total                     | 738,535                 | 685,675                 | 106,392                 | 93,914                  |

change has been made in the method of showing excess of Post Office Expenditure over Post Office revenue. Such excess is now included as ordinary expenditure (under "Total Supply Services") instead of shown, as up to July 24 inclusive, as a deduction from ordinary revenue.

After decreasing Exchequer balances by £78 to £2,833,671, the other operations of the week (no longer shown separately) added the gross National Debt by £31,533 to £19,978 million.

| NET ISSUES (£ thousands)   | 1943 | 1944 |
|----------------------------|------|------|
| and Telegraph              | 120  | 20   |
| Trade Guarantees           | 59   | 199  |
| Damage Act                 | 14   | 14   |
| NET RECEIPTS (£ thousands) | 1943 | 1944 |
| Settlement                 | 14   | 14   |

## FLOATING DEBT

| Date    | Treasury Bills | Ways and Means Advances | Treasury Deposits by Banks | Total Floating Debt |
|---------|----------------|-------------------------|----------------------------|---------------------|
|         | Tender         | Tap                     | Public Depts.              | Bank of England     |
| 1943    |                |                         |                            |                     |
| May 15  | 1035.0         | Not available           |                            |                     |
| 1944    |                |                         |                            |                     |
| Feb. 12 | 1170.0         | "                       |                            |                     |
| " 19    | 1170.0         | "                       |                            |                     |
| " 26    | 1170.0         | 1945-9                  | 340.3   32.3   1376.0      | 4865.5              |
| Mar. 4  | 1170.0         | Not available           |                            |                     |
| " 11    | 1170.0         | "                       |                            |                     |
| " 18    | 1170.0         | "                       |                            |                     |
| " 25    | 1170.0         | "                       |                            |                     |
| April 1 | 1170.0         | 394.5   1389.5          |                            | 4933.1              |
| " 6     | 1170.0         | Not available           |                            |                     |
| " 14    | 1170.0         | "                       |                            |                     |
| " 21    | 1180.0         | "                       |                            |                     |
| " 28    | 1200.0         | 2018.3                  | 410.4   1431.0             | 5059.7              |
| May 5   | 1220.0         | Not available           |                            |                     |
| " 12    | 1240.0         | "                       |                            |                     |

## TREASURY BILLS

| (£ millions)   |         |             |          |                                |                                |  |
|----------------|---------|-------------|----------|--------------------------------|--------------------------------|--|
| Date of Tender | Amount  |             |          | Average Rate of Allotment<br>% | Per Cent Allotted at Min. Rate |  |
|                | Offered | Applied for | Allotted |                                |                                |  |
| 1943           |         |             |          | s.                             | d.                             |  |
| May 14         | 90.0    | 154.7       | 90.0     | 20                             | 0.44                           |  |
| 1944           |         |             |          |                                |                                |  |
| Feb. 11        | 90.0    | 206.5       | 90.0     | 20                             | 0.81                           |  |
| " 18           | 90.0    | 199.4       | 90.0     | 20                             | 1.12                           |  |
| " 25           | 90.0    | 191.0       | 90.0     | 20                             | 1.28                           |  |
| Mar. 3         | 90.0    | 201.7       | 90.0     | 19                             | 11.86                          |  |
| " 10           | 90.0    | 190.1       | 90.0     | 20                             | 0.34                           |  |
| " 17           | 90.0    | 177.2       | 90.0     | 19                             | 11.84                          |  |
| " 24           | 90.0    | 176.9       | 90.0     | 20                             | 0.36                           |  |
| " 31           | 90.0    | 190.5       | 90.0     | 20                             | 2.20                           |  |
| April 6        | 90.0    | 211.8       | 90.0     | 20                             | 2.74                           |  |
| " 14           | 100.0   | 209.1       | 100.0    | 20                             | 2.58                           |  |
| " 21           | 110.0   | 216.8       | 110.0    | 20                             | 2.83                           |  |
| " 28           | 110.0   | 208.3       | 110.0    | 20                             | 0.25                           |  |
| May 5          | 110.0   | 209.1       | 110.0    | 19                             | 11.81                          |  |
| " 12           | 110.0   | 198.2       | 110.0    | 20                             | 0.32                           |  |



# THE ECONOMIST

ESTABLISHED 1843

Vol. CXLVI No. 5257

REGISTERED AS  
A NEWSPAPER

MAY 27, 1944

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

|                          |           |                         |           |
|--------------------------|-----------|-------------------------|-----------|
| Trade and Employment     | - 701     | Governor Dewey          | - - - 711 |
| Good Europeans?          | - - - 703 | Irish National Finances | - - 717   |
| Reparations and Recovery | - 704     | Raw Materials           | - - - 720 |

|                   |           |                      |           |
|-------------------|-----------|----------------------|-----------|
| NOTES OF THE WEEK | - - - 706 | LETTER TO THE EDITOR | - - - 718 |
|-------------------|-----------|----------------------|-----------|

Towards Rome; Full Employment; The Tax Outlook; Greek Unity; Double Pressure on Bulgaria; Balkan-Soviet Federation?; The Supply of Doctors; Medical Education; All Clear?; Progress in Reconstruction; French Foreign Policy; Western Union and Eastern Alliance; Civil Service Unions; Fighting in Northern Italy; Mission to China; The Nation's Milk; No Change in India; Rural Housing; Post-War Prisons.

Irish Neutrality; The National Finances; Depreciation Allowances.

## THE BUSINESS WORLD

|                |           |
|----------------|-----------|
| BUSINESS NOTES | - - - 721 |
|----------------|-----------|

A Matter of Interpretations; India and the Monetary Fund; Bombay Silver Slump; Double Taxation; Campaign Against Portal Houses; Industry and Education; Rank and Fox; Credit Stringency; Coats Chairman on Control; Maypole Dairy Setback; Winter Milk Results; Stock-in-Trade Valuations; Chain Stores Earn More; The Banks' Profits; Company Results.

|                 |           |
|-----------------|-----------|
| AMERICAN SURVEY | - - - 711 |
|-----------------|-----------|

Governor Thomas E. Dewey; Stability Below the Border; The Two-Thirds Rule; The Power of the Spoken Word; Tactical Retreat; This is the Ticket; Shorter Notes.

|                    |           |
|--------------------|-----------|
| THE WORLD OVERSEAS | - - - 717 |
|--------------------|-----------|

Irish National Finances; Films Follow the Flag.

|                  |           |
|------------------|-----------|
| COMPANY MEETINGS | - - - 726 |
|------------------|-----------|

|                        |           |
|------------------------|-----------|
| RECORDS AND STATISTICS | - - - 732 |
|------------------------|-----------|

THE ECONOMIST, BRETTENHAM HOUSE, LANCASTER PLACE, STRAND, LONDON, W.C.2. TELE: TEMPLE BAR 3316. ANNUAL SUBSCRIPTION £3.

## Trade and Employment

THE dispute that has been proceeding, in both Houses of Parliament and in the correspondence columns of the press, on the latest version of the international currency proposals, has generated more heat than light. Clearly there is a bone of contention somewhere, but the ordinary citizen can be forgiven if he has difficulty in deciding what it might be. There is a twofold reason for the obscurity. The first is that the subject is technical and complex, with an intractable vocabulary. The second is that, though no one will acknowledge it publicly, the currency proposals are only the occasion for the dispute and not its substance. It is the conditions of trade that are in everybody's mind—the rules for buying and selling, not for making payment. Those who object to the currency plan do so because they suspect it of foreshadowing commercial arrangements (such as the abolition of imperial preference) which they consider undesirable. Those who most fervently support the plan do so as the first instalment of the system of trade they desire.

This obscurity is perhaps inevitable, but it is also greatly confusing. There is no reason why the currency plan, as a currency plan, should not be approved. In its revised form, it is sufficiently flexible to be accommodated with any trading regime that is likely to be agreed upon. That is a comprehensive judgment to which, perhaps, one or two qualifications should be added by

way of footnotes. There are a few obscurities which should certainly be cleared up, especially in relation to the precise nature of the reciprocal arrangements that it will be permissible, under the plan, for countries to make with each other—the point on which the Chancellor of the Exchequer himself has had to confess some uncertainty. But these are causes for clarification, not for condemnation. In regard to trading arrangements, the scheme is neutral, neither a positive help nor a negative hindrance. To accept the currency plan, as Sir John Anderson has said, is not to accept a commitment in the wider field. More than that, to reject this first of the agreed post-war plans on no better grounds than mere suspicion would make the worst possible impression.

The real argument, to repeat, is not about currency but about trade, not about finance, which it is generally agreed should be a camp-follower, but about economics. But here again there is a great deal of talking at cross purposes, and by far the greater part of it is due to the failure to make clear the assumptions on which conclusions are based. This is a criticism that cannot fairly be directed against the Report on "World Trade" issued by the British National Committee of the International Chamber of Commerce, for its assumptions are laid bare beyond any possibility of misunderstanding.

The Report is, in substance, a plea for a return to what

### OVERSEAS BANK RETURNS

#### U.S. FEDERAL RESERVE

Million \$'s

|                                             | May 13, 1943 | April 27, 1944 | May 4, 1944 | May 11, 1944 |
|---------------------------------------------|--------------|----------------|-------------|--------------|
| 12 U.S.F.R. BANKS                           |              |                |             |              |
| Resources                                   |              |                |             |              |
| Gold certifs. on hand and due from Treasury | 20,235       | 18,973         | 18,895      | 18,890       |
| Total reserves                              | 20,637       | 19,553         | 19,483      | 19,473       |
| Total cash reserves                         | 355          | 287            | 274         | 264          |
| Total U.S. Govt. secs.                      | 6,172        | 12,998         | 13,292      | 13,249       |
| Total loans and secs.                       | 6,211        | 13,099         | 13,389      | 13,396       |
| Total resources                             | 28,544       | 34,609         | 34,669      | 34,636       |
| LIABILITIES                                 |              |                |             |              |
| F.R. notes in circ.                         | 13,200       | 17,823         | 18,032      | 18,127       |
| Excess mtr. bank res.                       | 1,730        | 600            | 800         | 800          |
| Mr. bank res. dep.                          | 11,805       | 12,537         | 12,690      | 12,729       |
| Govt. deposits                              | 630          | 373            | 229         | 214          |
| Total deposits                              | 13,707       | 14,929         | 14,892      | 14,770       |
| Total liabilities                           | 28,544       | 34,609         | 34,689      | 34,636       |
| Reserve ratio                               | 76.7%        | 59.7%          | 59.2%       | 59.2%        |
| BANK AND TREASURY RESOURCES                 |              |                |             |              |
| Monetary gold stock                         | 22,454       | 21,429         | 21,375      | 21,375       |
| Treasury & bank currency                    | 4,044        | 4,094          | 4,092       | 4,097        |
| LIABILITIES                                 |              |                |             |              |
| Money in circulation                        | 16,741       | 21,396         | 21,614      | 21,725       |
| Treasury cash and dep.                      | 2,882        | 2,700          | 2,563       | 2,547        |

### BANK OF CANADA

Million Can. \$'s

|                      | April 7, 1943 | Mar. 22, 1944 | Mar. 29, 1944 | April 5, 1944 |
|----------------------|---------------|---------------|---------------|---------------|
| ASSETS               |               |               |               |               |
| † Reserve: Gold      | 0.2           | 0.06          | 0.05          | 1.91          |
| Other                | 1043.4        | 1338.70       | 1339.98       | 1347.24       |
| LIABILITIES          |               |               |               |               |
| Note circulation     | 728.0         | 887.20        | 894.46        | 907.82        |
| Deposits: Dom. Govt. | 46.3          | 58.97         | 73.10         | 64.32         |
| Chartered banks      | 245.8         | 368.25        | 363.32        | 355.77        |

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

### RESERVE BANK OF NEW ZEALAND

Million £N.Z.'s

|                        | Mar. 22, 1943 | Feb. 28, 1944 | Mar. 13, 1944 | Mar. 20, 1944 |
|------------------------|---------------|---------------|---------------|---------------|
| ASSETS                 |               |               |               |               |
| Gold and stg. exch.    | 34.53         | 44.26         | 39.94         | 41.58         |
| Advances to State      | 31.11         | 41.93         | 39.15         | 39.40         |
| Investments            | 4.46          | 10.32         | 11.96         | 11.96         |
| LIABILITIES            |               |               |               |               |
| Bank notes             | 50.28         | 36.33         | 36.08         | 36.06         |
| Demand liab.: State    | 17.04         | 20.01         | 26.22         | 26.42         |
| Banks and others       | 21.99         | 39.49         | 29.30         | 29.76         |
| Reserve to sight liab. | 49.8%         | 46.2%         | 43.6%         | 45.0%         |

### SWISS NATIONAL BANK

Million Swiss Frs.

|                      | May 15, 1943 | Mar. 23, 1944 | Mar. 31, 1944 | Apr. 19, 1944 |
|----------------------|--------------|---------------|---------------|---------------|
| ASSETS               |              |               |               |               |
| Gold                 | 3715.2       | 4276.3        | 4299.4        | 4311.1        |
| Foreign exchange     | 66.1         | 88.1          | 88.6          | 87.8          |
| Discounts, etc.      | 89.5         | 178.6         | 260.1         | 260.1         |
| Advances             | 15.6         | 13.4          | 14.5          | 14.5          |
| Securities           | 64.8         | 64.6          | 64.3          | 64.3          |
| LIABILITIES          |              |               |               |               |
| Notes in circulation | 2526.3       | 2880.2        | 2980.3        | 2950.0        |
| Other sight liab.    | 232.6        | 232.7         | 234.0         | 232.0         |

### CENTRAL BANK OF TURKEY

Million Turkish pounds

|                          | Mar. 1943 | Feb. 1944 | Feb. 1944 | Mar. 1944 |
|--------------------------|-----------|-----------|-----------|-----------|
| ASSETS                   |           |           |           |           |
| Gold                     | 155.5     | 214.2     | 214.2     | 214.2     |
| Clearing and other exch. | 93.3      | 91.0      | 113.7     | 113.7     |
| Treasury bonds           | 133.7     | 131.1     | 131.1     | 131.1     |
| Commercial bills         | 470.2     | 481.9     | 478.7     | 478.7     |
| Securities               | 60.1      | 61.1      | 60.1      | 60.1      |
| Advances                 | 261.7     | 250.0     | 250.0     | 250.0     |
| LIABILITIES              |           |           |           |           |
| Notes in circulation     | 713.5     | 829.3     | 848.4     | 848.4     |
| Deposits                 | 283.1     | 223.8     | 222.2     | 222.2     |
| Clearing and other exch. | 28.4      | 23.8      | 23.8      | 23.8      |

## UNITED STATES: MONTHLY STATISTICS

| Unit of Measurement                                                               | Monthly Average |       |        |        |        |        | 1943   |        |        |        |        | 1944   |        |
|-----------------------------------------------------------------------------------|-----------------|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
|                                                                                   | 1929            | 1932  | 1939   | 1940   | 1941   | 1942   | Jan.   | Feb.   | Mar.   | Apr.   | Dec.   | Jan.   | Feb.   |
| Population June, 1940: 131,954,000; Area: 3,028,789 sq. miles; 7,839,432 sq. kms. |                 |       |        |        |        |        |        |        |        |        |        |        |        |
| 1. Industrial production, adj. F.R.B.                                             | 110             | 58    | 108    | 122    | 155    | 199    | 227    | 232    | 235    | 237    | 241    | 242    | 243    |
| 2. Manufacturing, dur. adj. F.R.B.                                                | 110             | 58    | 109    | 125    | 162    | 199    | 223    | 229    | 232    | 235    | 239    | 238    | 240    |
| 3. Manufacturing, non-dur. adj. F.R.B.                                            | 132             | 41    | 109    | 139    | 201    | 279    | 361    | 336    | 344    | 351    | 367    | 366    | 368    |
| 4. Minerals, adj. F.R.B.                                                          | 93              | 70    | 109    | 115    | 142    | 158    | 171    | 174    | 174    | 173    | 173    | 174    | 175    |
| 5. Building contracts awarded                                                     | 107             | 67    | 106    | 117    | 125    | 129    | 132    | 125    | 131    | 133    | 137    | 139    | 142    |
| 6. Total, adj. F.R.B.                                                             | 117             | 28    | 72     | 81     | 122    | 166    | 145    | 102    | 85     | 63     | 61     | 56     | 43     |
| 7. Residential, adj. F.R.B.                                                       | 87              | 13    | 60     | 72     | 89     | 82     | 40     | 79     | 56     | 42     | 33     | 30     | 19     |
| 8. Other, adj. F.R.B.                                                             | 142             | 40    | 81     | 89     | 149    | 235    | 92     | 140    | 119    | 87     | 81     | 77     | 63     |
| 9. Freight-car loadings, adj. F.R.B.                                              | 152             | 78    | 101    | 109    | 130    | 138    | 137    | 139    | 138    | 136    | 144    | 145    | 148    |
| 10. Dept. store sales, adj. F.R.B.                                                | 111             | 69    | 90     | 94     | 110    | 124    | 138    | 143    | 167    | 136    | 128    | 131    | 151    |
| Employment:—                                                                      |                 |       |        |        |        |        |        |        |        |        |        |        |        |
| 11. Non-agricultural, adj. F.R.B.                                                 | ...             | ...   | 29,757 | 30,992 | 34,409 | 36,986 | 38,678 | 38,766 | 38,615 | 38,472 | 38,136 | 37,829 | 37,657 |
| 12. Agricultural, adj. F.R.B.                                                     | ...             | ...   | ...    | ...    | ...    | ...    | 37,862 | 37,958 | 38,115 | 38,356 | 38,475 | 37,229 | 37,047 |
| 13. Total, adj. F.R.B.                                                            | 106.0           | 77.6  | 100.0  | 104.2  | 115.6  | 124.2  | 130.0  | 130.3  | 129.8  | 129.3  | 128.2  | 127.1  | 126.5  |
| 14. Factory, adj. F.R.B.                                                          | ...             | ...   | ...    | ...    | ...    | ...    | 165.8  | 167.4  | 168.1  | 168.4  | 169.0  | 167.3  | ...    |
| 15. Non-factory, adj. F.R.B.                                                      | 106.1           | 66.4  | 100.0  | 107.5  | 132.1  | 152.3  | 168.7  | 164.8  | 166.4  | 167.6  | 169.3  | 166.4  | ...    |
| 16. Payrolls, unadj. F.R.B.                                                       | 119.8           | 50.7  | 100.0  | 114.5  | 167.5  | 242.3  | 316.4  | 290.9  | 297.5  | 304.5  | 309.7  | 328.5  | 327.2  |
| 17. Average hours, B.L.S.                                                         | ...             | ...   | ...    | ...    | ...    | ...    | 44.2   | 44.5   | 44.7   | 45.0   | 44.9   | 45.1   | ...    |
| 18. Hourly earnings, B.L.S.                                                       | ...             | ...   | ...    | ...    | ...    | ...    | 91.9   | 92.4   | 93.4   | 94.4   | 99.5   | 100.1  | ...    |
| 19. Cost of living, F.R.B.                                                        | 122.5           | 97.6  | 99.4   | 100.2  | 105.2  | 116.5  | 120.7  | 121.0  | 122.8  | 124.1  | 124.4  | 124.1  | 123.7  |
| Wholesale prices:—                                                                |                 |       |        |        |        |        |        |        |        |        |        |        |        |
| 20. Farm products, B.L.S.                                                         | 104.9           | 48.2  | 65.3   | 67.7   | 82.4   | 105.9  | 117.0  | 119.0  | 122.8  | 123.9  | 121.8  | 121.8  | 122.5  |
| 21. Food, B.L.S.                                                                  | 99.9            | 61.0  | 70.4   | 71.3   | 82.7   | 99.6   | 105.2  | 105.8  | 107.4  | 108.4  | 105.6  | 104.9  | 104.5  |
| 22. Other commodities, B.L.S.                                                     | 91.6            | 70.2  | 81.3   | 83.0   | 89.0   | 95.5   | 96.0   | 96.2   | 96.5   | 96.6   | 97.6   | 97.8   | 98.0   |
| 23. Wholesale com. prices, unadj. F.R.B.                                          | 95.3            | 64.8  | 77.1   | 78.6   | 87.3   | 98.8   | 101.9  | 102.5  | 103.4  | 103.7  | 103.2  | 103.3  | 103.6  |
| Bank debits:—                                                                     |                 |       |        |        |        |        |        |        |        |        |        |        |        |
| 24. Total, all reporting centres                                                  | 81,878          | ...   | 35,328 | 37,155 | 44,783 | 53,481 | 57,972 | 54,872 | 65,782 | 73,661 | 76,499 | 71,888 | ...    |
| 25. New York City                                                                 | 50,257          | ...   | 14,265 | 14,299 | 14,810 | 18,905 | 21,437 | 21,112 | 24,062 | 29,193 | 28,936 | 27,031 | ...    |
| 26. Gold stock                                                                    | 3,996           | 3,952 | 17,644 | 21,995 | 22,737 | 22,776 | 22,683 | 22,644 | 22,576 | 22,473 | 21,938 | 21,918 | ...    |
| 27. Money in circulation                                                          | 4,476           | 5,328 | 7,598  | 8,732  | 11,160 | 15,410 | 15,590 | 16,088 | 16,250 | 17,114 | 20,449 | 20,529 | ...    |
| 28. Member Bank Res. Balances                                                     | 2,358           | 2,114 | 10,466 | 13,331 | ...    | ...    | 13,630 | 13,067 | 12,759 | 12,204 | 12,886 | 13,003 | ...    |
| 29. Excess Reserves                                                               | 43              | 256   | 4,469  | 6,376  | ...    | ...    | 2,387  | 1,925  | 1,518  | 1,235  | 1,236  | 1,023  | ...    |
| 30. Capital issues, C.F. Chronicle                                                | 595             | 99    | 186    | 163    | 238    | 89     | 7      | 58     | 90     | 56     | 53     | 103    | ...    |
| 31. 354 Indus. securities, Stand. Statistics                                      | 3.60            | 3.66  | 2.36   | 2.21   | 1.5    | 2.02   | 89     | 98     | 90     | 101    | 101    | 1.56   | ...    |
| 32. Yield on Govt. bonds                                                          | 122.9           | 70.6  | 105.5  | 113.8  | 137.3  | 171.9  | 196.5  | 200.6  | 204.4  | 207.3  | 224.8  | 227.5  | ...    |
| 33. Income payments, adj.                                                         | 4,032           | 2,076 | 5,595  | 7,606  | 6,301  | 26,011 | 5,947  | 5,770  | 6,744  | 6,974  | 6,718  | 7,138  | 2,754  |
| 34. Treasury receipts                                                             | ...             | ...   | ...    | ...    | ...    | ...    | 6,372  | 6,119  | 7,354  | 7,466  | 7,452  | 7,570  | 7,862  |
| 35. Expend., national defence                                                     | ...             | ...   | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...    |
| 36. Total                                                                         | 3,852           | 4,320 | 9,528  | 12,774 | 12,711 | 32,397 | ...    | ...    | ...    | ...    | ...    | ...    | ...    |

(Continued from page 696)

asked to pay £60,000,000 against TDR's this week which was about £7,000,000 less than the effective maturities. On the other hand Treasury bill payments were again £20,000,000 in excess of maturities. The discount market, moreover, had to find an exceptionally large proportion of the £110,000,000 paid for new bills this week, as the syndicate obtained a 41 per cent. allotment at last week's tender. The result of these various factors has been a further immobilisation of credit in Public Deposits, these having risen by £4,427,000 to £16,571,000 over the week to last Wednesday. Bankers' deposits have at the same time risen by £1,091,000 owing partly to a contraction of £2,932,000 in the note circulation.

**MONEY RATES, LONDON.**—The following rates remained unchanged between May 11th and May 18th:—  
Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days, 1½%; 3 months, 1½%; 4 months, 1½-½%; 6 months, 1½-½%. Treasury Bills: 2 months, 1-½%; 3 months, 1-½%. Day-to-day money, 1-½%. Short Loans, 1-½%. Bank deposit rates, 1%. Discount deposit at call, ½%; at notice, 2%.

**Exchange Rates.**—The following rates fixed by the Bank of England remained unchanged between May 11th and May 18th. (Figures in brackets are par of exchange).

United States. \$ (4.861) 4.021-031; mail transfers 4.021-031. Canada. \$ (4.861) 4.43-47; mail transfers 4.43-47. Switzerland. Francs (25.221) 17.30-40. French Empire. Francs 1971-2004. Syria. P. 8.81-85. Sweden. Krona (18



is commonly called "the liberal system of international trade." The Report believes that

the most effective instrument for securing the economical distribution of production is a world market to which all have access without favour or discrimination; and in which rules a world price, locally modified by transport charges and as little as possible by tariffs.

The chief recommendation of the Report for achieving the return to a world market is the acceptance by all nations of an Economic Code to govern their conduct. This Code would provide for the reduction of economic barriers, for "demolition of much of the vast structure of administrative regulation of economic relations," for friendly consultation between Governments before they take important decisions, for the abolition of all forms of discrimination and the like. The line of argument is familiar and need not be further specified. Indeed, it is incontestably right—within the bounds set by the assumptions on which it is based. In the circumstances envisaged by the Report, no other course of policy rests on any justification more worthy than the protection of vested interests.

One of the basic assumptions of the Report is that there shall be "a fundamental change of heart among the peoples . . . with the recognition that the prosperity of a neighbour is bound up in one's own prosperity." The authors have also made the deliberate assumption that "the peace which will follow the war will be a real peace, in which policies will not have to be framed in the fear and early prospect of a recurrence of war." The authors are also quite clear that, unless a high degree of economic stability (a better term than "full employment") can be attained, their hopes will not be realisable. All this is very logical. In a world that has abandoned short-sighted selfishness, that is firmly at peace and that enjoys economic stability—in such a world there can be no dispute that a free, open, non-discriminating world market is the incontestable object of economic policy. In the old arguments of the Free Traders *versus* the Protectionists, which were (sometimes tacitly) based on these assumptions, the Free Traders unquestionably won the victory.

It is right—and this can be said without any intention of irony—that these ultimate principles of world trade should be once more re-stated. They are the goal towards which all efforts should be directed. The Report does not, however, go on to consider in similar detail what should be done if its assumptions were, lamentably, not fulfilled, if the change of heart was incomplete, if the fear of war was not exorcised, if some countries continued to suffer from boom and slump. But the Governments have to take these contingencies into account, and the solution they find may be rather different. This divergence between precept and practice has been observable now for many years. At least since the first International Economic Conference at Geneva in 1927, there has been virtual unanimity among the experts, whether drawn from academic life or from chambers of commerce, on the necessity for a liberation of trade; and for at least as long the Governments, often consisting of exactly the same sort of people, have been equally unanimous in doing the opposite. This has not been due to any fault in logic on the one side or to any overdose of sin or stupidity on the other. It has simply been due to the fact that the experts have been prescribing for one world and the Governments have been acting in another. It is right that the principles of trade for a stable, peaceful world should be refurbished. It is also right that some thought should be given to the course to be pursued in other contingencies.

The most obvious of these other contingencies will arise in the period immediately after the war. Many of the United Nations will be devastated or despoiled, all will be dislocated. Great Britain will have escaped with comparatively little physical destruction, but since the accidents of war have led the British Treasury to assume the financial responsibility for large portions of other countries' real war efforts, we shall be substantially impoverished. It is quite clear that the transition from war to peace, and the adjustment, for Great Britain and other countries, to a new equilibrium of imports and exports, cannot be

achieved by the processes of the open market and the free fluctuations of the world price-level. On the contrary, very direct and possibly drastic methods will be needed. It will be the British endeavour to accomplish these adjustments by methods of trade and negotiation as closely similar as may be possible to those that would be prescribed in a code of fair conduct. It is certainly true that no strong-arm methods will avail for long if British products are not competitive in price and quality. But much will depend on the response of the outside world. To say that Britain will not be able to import unless other countries will buy British exports is not a challenge; it is a plain statement of fact. But it remains to be seen whether other countries, especially those that will be enriched by the war, will draw the obvious conclusions about their own behaviour without more direct reminders and more specific illustrations of the force of logic.

There is, however, no difference in principle over this transition period. By universal agreement, it is an exception from the more permanent prescriptions. Nor, perhaps, will there be any difficulty over the length of the transition period. The experts' plan seems to envisage three years, which is quite certainly too short; but in his speech in the House of Lords on Tuesday, Lord Keynes referred to it as "of uncertain duration." But the transition from war to peace is by no means the only possible set of circumstances in which the world will not be sane, peaceful and stable. On the contrary, much the same situation will inevitably arise whenever any major trading country allows itself to suffer a depression. It will soon be possible to judge whether or not the British Government's proposals for reasonable stability of employment give promise of being adequate and effective. But nothing is known of full employment policies in other countries; and in some the trend of opinion is away from any conscious economic management. The Report on "World Trade" holds that "a free and abundant flow of trade offers the greatest safeguard of stability." If this means that a flow of trade that is both free and abundant is an aid to stability, it is obviously true. But if it means (as the context would suggest) that the mere leaving free of international trade will make it abundant, it is obviously wrong. In international trade no more than in domestic economics will the mere absence of initiative and direction produce conditions of abundance. In a complex industrial society such as ours slumps are things that certainly will happen unless they are prevented. It is the purest common-sense that those countries that are taking effective steps to prevent depressions within their own borders should be allowed to protect themselves and to join together to protect each other against the "import of unemployment" from other countries that have either neglected their duty or have been unsuccessful in their efforts.

This is the crux of the question. Will the contemplated arrangements allow Great Britain to join with other like-minded nations in measures designed to maintain their mutual trade in the event of depression elsewhere—and will it be allowed to do so, not merely in a short transition period, but indefinitely? On this vital point, Lord Keynes sought on Tuesday to be reassuring. He appeared to maintain, in answer to Lord Balfour of Burleigh, that reciprocal arrangements between pairs of countries to maintain their mutual trade—the example given was of New Zealand undertaking to spend on British manufactures the proceeds of butter sales in the United Kingdom—would be permissible if they were voluntary on both sides and involved no blocking. If this is accepted by the Americans, it is a point of the most capital importance.

The essential point still in doubt is a simple one. Is the theory of international trade adjusted to the new doctrine of full employment? But simple though this is, it is nearly always misunderstood or misrepresented. It really serves no useful purpose to characterise as Schachtians or autarkists those who raise these very crucial questions. For the experts may draft and the Governments may sign a score of plans; but if they come to be believed to stand between any country and the prevention of mass unemployment, they will infallibly go the way of the gold standard.

## Good Europeans?

THERE are some occasions which seem in every sense designed to be the framework of some historic utterance. This week's debate on foreign policy in the House of Commons was such a one. Here on the eve of the liberation of Europe the leaders of Britain had the opportunity to tell the peoples of Europe the ideals and purposes for which the Allied armies would fight, to appeal for their co-operation in peace as well as war, and to give them a heartening message of goodwill and friendship on the eve of the terrible ordeal into which, through the process of liberation itself, they will be plunged. This was a time to speak for Britain.

Yet Mr Churchill did not take this opportunity. Not even his most fervent admirer could call his opening of the debate an historic speech. It was instead yet another progress report, another *tour d'horizon* in which a great many current problems were touched on and discussed and from which no broad picture or general statement of British policy emerged. Listeners were left to build what they could from the fragments. Only on the question of a world council did Mr Churchill give any reference to the larger perspectives of foreign policy, and here he only repeated what has already been many times underlined, that there must be a Council and it must command adequate force to keep the peace. Otherwise the only principle enunciated was a purely pragmatic one.

At this time, in policy and in war, our objective is the same—namely, to beat the enemy as soon as possible. And I am not aware of any action or of any studied inaction for which His Majesty's Government is responsible that has not been directly related to this single and dominant purpose.

Within the limits imposed by this principle, Mr Churchill had a number of interesting things to tell the House. Turkey, out of excessive caution, has refused either to enter the war or grant the Allies use of its bases. Now, Mr Churchill said bluntly, it was too late for the Turks to be of much service. The Balkans could be conquered without them, and they must not now expect a particularly good place at the peace conference. From Greece he reported the good news of M. Papandreou's success and the likelihood of restoring unity to the Greeks. From Yugoslavia he gave the news that King Peter, in reforming his Government, would break with General Mihailovitch, who had been himself inactive and some of whose subordinates had actively helped the Axis. Mr Churchill hinted that this change might lead to the restoration of Yugoslav unity. Turning to Italy, he referred favourably to the formation of Marshal Badoglio's new Government, and declared that after the war the people would be free to choose their own form of democratic government.

I emphasise the word *democratic*, because it is quite clear that we shall not allow any form of Fascism to be restored or set up in any country with whom we have been at war.

From Poland, Mr Churchill could report no progress, save his belief that the Russians and Poles are not so divided as they seem on the surface. Finally, in the case of France, he announced that General de Gaulle was coming to London to visit him, but that neither Britain nor the United States could give his Government full recognition. The reason was given with astonishing bluntness. There can be no recognition

because we are not sure that it [the National Committee] represents the French nation as the Governments of Britain and the USA and the Soviet represent their countries.

Such, with one important exception, was Mr Churchill's *tour d'horizon*. It does not tell either the British people or their Continental allies very much about future British policy. It cannot be said that it sounds a trumpet or sets beacons ablaze. Like so much in British diplomacy recently, it is temporary and military and expedient. Yet it is possible to trace one coherent line through the different negotiations. Nearly all the problems touched on by Mr Churchill concerned Governments, their representative or non-representative character and the extent to which this affected British recognition. The French Committee is not to be recognised because it is not "representative." The Greek government has overcome its crisis by coming to represent all the sectors of Greek opinion and action. The Yugoslav Government is being reorganised towards the same end. In Italy, the people are to choose their democratic government freely, and after the war neither Germany, nor Italy, nor Hungary, nor Roumania, nor Bulgaria, nor Finland, is to be permitted to set up a fascist regime. Can we then assume that British policy is committed to a rebirth of free constitutional government in Europe and that all its weight will be thrown into the scale on the side of genuinely popular and representative governments? If that were so, then undoubtedly Britain could play a great part in post-war Europe, giving precept and example both in political freedom and in economic progressiveness. Is it possible to conclude, from the scattered references in Mr Churchill's speech, that this is the direction in which British policy is moving?

It might be, were it not for the quite inexplicable references to Spain. In a speech made to the world on the eve of the greatest joint operation in history, Mr Churchill spent a good quarter of his time talking about neutral Spain. Now it may be that there is some vital if obscure military reason why, at this particular moment, the Prime Minister should be at such pains to mollify General



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Franco. But if Spain is to help the Allies in the Second Front, it would surely be quite impolitic to give the enemy the least suggestion of it. And if Spain is not helping the Allies or about to help the Allies, why devote such fulsome praise to its leaders? If this is not military and expedient, then what is it? "I am here to-day," said Mr Churchill, "to speak kindly words of Spain." He certainly did; but why?

Mr Churchill is grateful to Spain, first, for not fighting the Allies, and, secondly, for coming to the recent agreement over Nazi agents, Tangier and wolfram. He is so grateful that he looks forward to increasingly friendly relations and to "extremely fruitful trade" with Spain after the war, and hopes that it will be a bulwark of peace in the Mediterranean. And obviously it is to this Spain, to Franco's Spain, that he refers. He had nothing but hard words for those who attacked Franco, and went out of his way to say that the government of Spain was a matter for Spaniards to decide. It is very difficult to make sense of the episode or to fit it into a rational framework. Why should Britain be grateful to a non-belligerent ally of Hitler because it was shrewd enough not to make Italy's mistake? It may have been a great convenience to us that Spain did not stab us in the back in 1940, 1941 or 1942; but Spain did not practise caution for the love of the British, and it is hard to see why Turkey should be blamed for caution at one end of the Mediterranean and Spain praised for it at the other. The wolfram agreement is niggardly compared with Turkey's complete ban on chrome. Yet Turkey got "blunt" not kindly words.

Spain has not been neutral. Until this year, its Fourth Arm of propaganda has been entirely at Germany's disposal and has done the Allies some harm in South America. With Russia, Spain has been unofficially at war, and it is sheer quibbling to say that just because the Blue Division was not fighting Britain in North Africa, Spain was not ranged among its enemies. The Hungarians have not fought the British; nor have the Finns. Yet, because of their attack on Russia, Britain is at war with both. At a moment when Russian confidence in Britain's intentions is a vital factor in the strategy of war and

peace, it is very curious procedure to give only a glancing reference to Russia's part, but four columns of quite extravagantly kindly words to Russia's enemy.

It is not only ill-judged in itself, it throws suspicion on all the more liberal passages in the speech. Mr Churchill admitted openly that he thought Fascism a cause of war. If in Italy, why not in Spain? The British know that it is not their business to impose a Government on Spain, but they are at a loss to understand why they should pretend to like this one, or why the French Committee should be thought so much less representative than a Government which had to fight a three-year civil war with massive foreign help to get into power at all. Since all the rest of Mr Churchill's speech was about free and representative government, would it not have been tactful to leave General Franco out?

Finally—and this is by far the most serious criticism—can anyone maintain that this is the time to praise and double-praise a neutral and hostile European government? The invasion will come any day now. Presumably it will not lie through Spain. It is not the people of Spain who will struggle and suffer. It is not the Spanish Army that will be fighting by Britain's side. It is not on the loyalty and steadfastness of Franco that the British will have to rely. What of Holland? What of Belgium? What of Norway? Above all, what of France? Was it really right to devote so many words to Spain and none at all to the sacrifice and devotion of the resisting peoples? If Mr Churchill had addressed to France and the French Committee one tithe of the effusions he devoted to Spain, every Frenchman would have faced the coming of British troops with warmer hopes and readier friendship. Of all the peoples in Europe at this decisive hour, the Spaniards are probably the least important. Thus Mr Churchill did not only miss a great historic occasion. It may well be that he also made a great historic mistake. The future of Europe will be decided by the fighting of the next months. Propaganda will be a factor not to be despised in the total conflict; and it must be regretfully recorded that on the eve of invasion, Britain's Captain General has sent out his forces to meet their allies with the wrong words ringing in their ears.

## Reparations and Recovery

IT is difficult for the countries which have escaped invasion to imagine the state of devastation and economic collapse to which their continental allies have been reduced by the German war machine. Russia is the supreme example of the sufferings and losses of this war, but by the end of the war the other European nations may have suffered quite as bitterly. It is not surprising that their approach to post-war problems is dominated by two ideas—the speediest possible reconstruction of their shattered economy and the ruthless punishment of the German aggressor.

These two desires tend to be fused together in a single policy of reparations. The Germans are responsible for the damage and the Germans must therefore make the damage good. The experience of the last war has made the nations rather chary of financial reparations. In its stead, the vogue is for physical reparations. There have been suggestions that the economic structure of Germany should be broken down, its factories dismantled and the machines despatched to the Allies to make up for the destruction of their own industrial capacity. The Russians have officially discussed, and may even have officially proposed, a scheme for mobilising a very large percentage of Germany's adult men to work in forced labour units in all the territories they have devastated.

Although these suggestions are not yet very precise, their direction is obvious, and it is extremely important at this early stage to disentangle the issues and make it perfectly clear that restitution and punishment are not the same thing and may easily be contradictory. Strong as the desire of Germany's victims must be to see

justice done and punishment imposed, their desire as ordinary men and women is still more to get bread into their mouths and a roof over their heads and to see orderly conditions of work and trade restored. There can be no question that after the first mood of victory has passed, the desire for recovery will be more widespread than the desire for vengeance and punishment. It would be politically dishonest to offer people the economic punishment of Germany as a means of Allied economic reconstruction, when every experienced statesman and businessman and economist knows that most forms of economic punishment delay the return of prosperity and the restoration of normal economic life.

Let us imagine that the most extreme forms of economic punishment are imposed and that Germans are sent in forced labour gangs to work in France, in Norway, in the Balkans, in Siberia, and that the German industrial system is systematically broken up and transferred elsewhere. This would mean that in the heart of Europe 70 million people would be condemned to so low a standard of living that they could make no contribution either as buyers or sellers to the recovery of European prosperity. The fact that they include the most disciplined and one of the most skilled labour forces in the world would increase the general loss in economic well-being. To suppose that the withdrawal from production of so great a productive machine could have any but disastrous consequences for its neighbours—and, indeed, for people with low living standards the world over—is so obvious that it is hard to understand how cheerfully some distinguished spokesmen seem to envisage the prospect. Or,

to turn to more specific examples, it is surely not necessary to repeat the experience of the last peace in order to learn all over again that financial reparations are a disruptive force in the economy of the receiving nation. Nor are the extreme varieties of "physical reparation" much better. Forced labour is notoriously the most unproductive and the most wasteful form of labour, and to dismantle old factories and to transfer worn-out plant could only be justified as a counsel of despair, if there were no other way of making good the Allies' losses. Besides, it is not possible to divorce the economic effects of a faulty reparations policy from its long-term political consequences. A nation of 70 million people deprived of their means of livelihood are not likely to recover any political stability. The policy is perhaps conceivable only as part of a plan of total and detailed control and supervision of Germany by the Allies, lasting one or two generations. It may be that the United Nations are ready for this. Everything in their past history suggests that they are not. It is the old problem of designing a policy which will be practical not only in the hour of victory but fifteen years after the peace.

Does this mean, then, that the two chief and perfectly legitimate desires of the ravaged countries—recovery for themselves and punishment for Germany—must go unsatisfied? Such an outcome would be so flagrant a deviation from justice that the Allies would be compelled to reject it. A plea for sanity on the question of reparations is not a plea for disappointing Germany's victims whilst sparing Germany itself. It is simply an attempt to keep recovery and punishment in two separate categories, and to prevent punitive policies directed against Germany from baulking all hope of rapid economic recovery among the Allies. Naturally, the devastated nations must receive help in rebuilding their economic system, but it should be real help, not illusory help such as forced labour gangs or reparations paid out of loans from the richer Allies. It should be possible for some definite period, say five or ten years, to give especially favourable trade advantages to Hitler's chief victims. Commercial treaties might include "most devastated nation" clauses. The contributions that can be demanded from the Germans will be much larger if they are allowed to continue to work an industrial economy from which to make that contribution. For example, the Allies could, perhaps, devise a scheme to keep the German people at their present standard of living for a three- or five-year period and to divert the surplus which now goes into armaments to the making of capital goods for the devastated nations. Russia would get far more out of the delivery of machine tools, precision instruments, tractors and cars turned out under mass production conditions in German ex-war factories than by carting off Germans to work in Russia. A policy of diverting German output to capital goods for the devastated areas would entail Allied control and Allied occupation. For this reason if for no other, it would have to be limited to a definite period of years.

The essential thing in any thinking on the subject of reparations is to preserve a sense of logic and realism. There is no reason why emotion and a passion for justice should be excluded. Indeed, they cannot be. The German people bear the heaviest measure of collective guilt of any nation in history. An outraged Europe demands justice, and to refuse it would invite disastrous results. But justice must be tempered with reason. When it is so tempered, three principles suggest themselves. The first is that all things change with time. For example, it is foolish to argue, in general terms, for or against a "severe" or a "lenient" peace. To suppose that the Allied peoples can love the Germans as their brothers on the very morrow of the war would be as absurd as to suppose that democracies will be willing indefinitely to shoulder the very heavy burdens of policing and administration that a severe peace would entail. Clearly, the peace should be planned to be severe at first and less rigorous later. To keep the German people at a condition of economic disadvantage for five years, consuming only half of what they produce and surrendering the rest to their

former victims, is reasonable. To inflict permanent impoverishment on them is not. Reparation can be pursued by the Allied Governments without any consideration for the German people's welfare for just as long as the Allied peoples have no consideration for the German people's feelings—but for no longer. Penal servitude for five years is as severe a sentence as can be enforced.

The second principle is that, even within the preliminary period of maximum severity, it would be foolish to pursue the economic punishment of Germany in such a way that it entailed the economic punishment of the Allies themselves. In short, it is right to transfer to the Allies the command over such wealth as Germany possesses. But to insist on transferring the wealth itself may, in most cases, mean to destroy it.

The third principle is that, since the supreme objective is to prevent the Germans from making war, not to make them poor as an object in itself, precedence should be given to the political over the economic. This has repercussions both in German and in Allied psychology. There is a limit to the amount of disability that the democratic Allies will be willing, after the first few years, to impose on the Germans. And since every disability imposed requires an effort of policing, there is an even clearer limit to the amount of disabilities that the Allies will be willing to go on enforcing. This being so, let us by all means concentrate our energies upon the enforcement of disarmament, with only such economic disabilities as are incontestably necessary for that end. And, at the German end, since no peace can be permanent to which the German people have a permanent objection, it is surely the path of wisdom to limit their lasting grievances to those to which they might conceivably become reconciled. There is a chance of the Germans settling down under military discrimination, if they are not at the same time deprived of their means of livelihood. But to combine economic impoverishment with military inequality is to make the German problem for ever insoluble.

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## NOTES OF THE WEEK

### Towards Rome

Kesselring's long overdue withdrawal towards Rome seems now to be in full swing. A week after the fall of Cassino and the breach of the "Gustav Line" by the Allies, the "Hitler Line" has been cut in two by the Canadian advance to the Melfa Valley. In the coastal sector, Terracina has been taken by the Americans. After a series of alternating thrusts, and after much probing of the enemy's defences, his weakest spot seems now to have been found in the coastal region, where the German withdrawal has been deepest so far. It looks, indeed, as if Kesselring intended to retreat on his right flank, while using his left flank in the mountains around the Liri Valley as a fixed pivot, though the prospect that this pivot, too, may soon be unhinged by the Allies looks very likely at the time of writing. Kesselring's right flank is dependent for its supplies on the Via Appia, which is also the only convenient road for retreat. It is against this road that the main Allied thrust from the Anzio beach-head is directed. The Americans here have closely approached Via Appia on a fairly wide sector to the south-east of Cisterna, while the British attack across the Molletta seems designed to secure the flank of the American thrust. The chances of an interception of Kesselring's retreating right flank are very good indeed; and the Germans, it is to be hoped, will now learn how premature their sneers about the Anzio failure have been. The time has not yet come to try to unravel the riddle of the Italian campaign since its outset, or to analyse all the considerations that have dictated the prolonged lull there. Now that the lull has finally come to a close, the possibilities of the Allied pincer-moves from the mainland and the beach-head are obvious. The superiority of General Alexander's forces over those of Kesselring is still partly veiled by the advantages which the lie of the land offers to the defender. The Allied soldiers have already learned to reduce those advantages by a highly original co-ordination of weapons and men. In the attack infantry is accompanied and protected by tanks, a method which is very helpful in these conditions, but which obviously does not make full use of the mobility and striking power of the tank. Even so, Kesselring's shortage of reserves has already compelled him to shift forces from one sector to another somewhat nervously.

### Full Employment

The event of the week has been the Prime Minister's statement on foreign policy, which is discussed in an article on page 703. Another, and in the long run no less important, event was the publication of the Government's proposals for a full employment policy, which appeared too late to be discussed here. Plainly, however, the problem of providing work for all willing citizens when the war is over was much occupying the minds of Members of Parliament in both Houses during this week's economic debates. In the House of Commons, in the discussion of the Finance Bill, the extreme sceptical view was stated by Sir Herbert Williams, who described the project of full employment as "unutterable nonsense." His argument was that we would obviously be unable to "finance" the postwar social reforms that have already been suggested; and by a strange perversion of thought he seemed to include full employment as one of these reforms rather than, as it should be, a means of bringing them about. In the House of Lords, Lord Keynes was, in effect, replying, in his defence of the expert monetary plan, to critics in the House of Commons whose doubts had been mainly aroused by the fear that, if these currency commitments were accepted, we and other countries might be inhibited from pursuing the policies of economic expansion and the trade arrangements which would be necessary for a full employment programme to be carried out. Although there is much acrimonious controversy about all these topics there is, nevertheless, a very broad underlying agreement in the country about what the objectives of postwar policy should be, and full employment is both one of the objectives and a condition of the others. From this consensus three main problems

seem to emerge. The first is the problem of devising the best ways and means of preventing either idle resources or fluctuations in investment or consumers' demand. The second is the parallel problem of ensuring that full employment is also the most productive employment possible, because upon productivity depends, as the Chancellor of the Exchequer suggested on Tuesday, the level of the standard of living; capital as well as labour must be fully employed, skill and machine power as well as manpower. The third problem is the one which Sir Herbert Williams, behind his lack-logic, really had in mind, namely, the problem of reconciling the measures necessary for providing full employment with freedom of choice for entrepreneurs, workers and consumers. Sir William Beveridge at any rate, who has finished but not published his own plan for full employment, believes that this reconciliation can be made.

### The Tax Outlook

This week's debate on the Finance Bill was very properly concerned in the main with the present state and future prospects of taxation. Almost nothing that was new was said. The Financial Secretary to the Treasury, who moved the Bill's second reading, drew the attention of the Commons and of the world to the increase from one third to more than one half in the proportion of expenditure covered by taxation during the war years. Most Members who spoke were concerned, as was the Chancellor of the Exchequer, who replied, with the chances of relief from taxation when the war is over. In particular, a plea was made for the utmost adjustment of direct taxation in order to encourage industrial enterprise and development. Surprisingly perhaps, little or nothing was said about the obvious need to cut down indirect taxation radically *pari passu* with the return of consumers' goods. Sir John Anderson offered little hope of any abatement of the tax burden immediately after the war. He pointed out that expenditure would remain high while the stock of goods would still be scanty, with a persisting danger of inflation. "Priorities, high and low, will have to be part of the Government's policy and administrative equipment." On the other hand he stated explicitly—this was the most specific part of his speech—that a first objective of postwar policy would be to reduce taxation as soon as it would be economically and financially wise to do so. Probably the best that was hoped for by most MPs was the eventual reduction of income tax from 10s. to about 7s. in the £, with a very drastic cut in indirect taxes—which is indeed essential. Direct taxes are based upon ability to pay, while indirect taxes are not, and the normal aim will be to encourage consumption—when the goods are available—not to discourage it. At the best the level of taxation is likely to remain high, compared with past experience, and the net of the tax collector will continue to be cast more widely than in the past. The test of the high tax system will be the contribution made by Government spending to national security, efficiency and the standard of living; and there is a deal to be said for considering the project of Lady Rhys Williams, taken up by the Liberal Party, to bring the personal outgoings of taxation and social security contributions into a single system with the personal outgoings of tax allowances, family allowances and other social security payments.

### Greek Unity

After a period of desperate crisis, the negotiations between the various Greek parties at Mount Lebanon have been brought to an unexpected and most successful conclusion. All parties have agreed upon a common programme of action, and on certain broad principles which must underlie it. All Greek military forces are to be unified and strong discipline restored. All parties denounced the mutiny, and agreed that those responsible must be punished. Inside Greece, all the guerilla movements are also to be unified, and, as soon as possible, developed into regular armed forces. Politics are to be rigidly excluded in the army

and the guerilla movement. A National Government representing all parties will be formed presumably under M. Papandreou, and the future constitution of the economic and social framework in Greece will be left to the decision of the sovereign people. Meanwhile, however, the maximum amount of personal security and liberty are to be guaranteed to individual citizens. This agreement is so obviously the ideal solution to the dilemma which exists in many occupied countries that one may ask whether its example might not be helpful in the case of Yugoslavia. Such an agreement ought to be the aim both of King Peter and Marshal Tito. It ought to be the commonly pursued policy of Britain, America and Soviet Russia. Neither Yugoslavia nor its neighbours stand to gain by the possibility of civil war, and a movement of national unity is the only guarantee that the passage from war to peace will not be too turbulent. It is, however, difficult to see at this stage how such a reconciliation can be brought about, for conditions in the two countries have not much more than a superficial resemblance. The Greek Government has displayed more understanding than the Yugoslav, and King George has more fully recognised that his return must depend upon the popular will. The Greek Government, too, is not affiliated in any special way with any one of the resisting groups, and the status of some local Greek Mikhailovitch has not proved a stumbling block to better relations. In Greece, too, there are no racial divisions for the Germans to exploit. But the chief difference lies in the scale of the movements and of the fighting. Comparatively speaking, the guerillas have not fought very much. It follows that their groups and movements are fairly small and weak. The EAM has been more rigidly Communist than Tito's Army of Liberation, and has, therefore, had little chance to become a genuine national movement. Indeed, the representatives of EAM found themselves completely isolated at the Conference, and were bitterly attacked for splitting the resistance movement by their extremism. Marshal Tito's more moderate approach has won him nationally wider support, and he speaks with an authority that no one of the guerilla groups in Greece can claim. In a word, it has never come in Greece to a direct conflict between two competing centres of authority and only if both sides in Yugoslavia were ready to compromise on their claim to exclusive leadership would any sort of reconciliation on Greek lines be likely to take place. Mr Churchill's speech suggests that there is now some hope of this.

### Double Pressure on Bulgaria

Among all the satellites of Germany, Bulgaria appears to be in the best position to respond to the recent Allied appeal to break away. Bulgaria is not occupied by the Wehrmacht; and the Germans would probably think twice before occupying the country, even if political trouble was coming from Sofia. The Wehrmacht's chief preoccupation in the Balkans now is the defence of Roumania and Hungary; a further dispersal of forces to the south of the Danube would be a liability. Yet the ruling circles in Sofia have so far shown little disposition to make any drastic decision, and have been content to keep formal neutrality towards Russia, hoping that this will serve them as a reinsurance against the consequences of defeat. The hope must also have lingered in Sofia that after the war Russian diplomacy will find itself confronted with the old dilemma—inherent in all Slavophil or Panslav policies—of whether to support the Serbs or the Bulgars; and that the Bulgars may still be able to turn that dilemma to their advantage. The Russians, however, have now given a blunt warning to the Bulgarian Government that they, at any rate, have no illusions about the meaning of this sort of neutrality. The Bulgarian port, Varna, has become Germany's main naval base in the Black Sea, now that Odessa is in Russian hands, and Constanza has come within the range of Russian bombers. In such conditions the time for somewhat vague sermons on Slav and Orthodox solidarity has gone, and there are several strong reports that an early rupture of relations between Russia and Bulgaria is likely. What effect this threat will have remains to be seen. The Germans have apparently replied to it with some counter pressure which resulted in a crisis in Bozhilov's Government. There have been conflicting reports from Sofia. Some have spoken about Bozhilov's resignation, while others claim that he is still in office. What makes the rulers of Sofia still stick to their alliance with Germany at this

late stage of the war is the certainty that Allied victory will entail the loss of the Yugoslav and Greek territories acquired by Bulgaria. Apart from this, Sofia's more "astute" politicians, who see the inevitable coming, still prefer to play for time and to postpone decision until the first results of the Allied summer offensives become apparent.

### Balkan-Soviet Federation?

German propaganda has recently discovered "documents" about a sinister Russian plot to set up a federation of Soviet states in the Balkans. The discovery can be dismissed with the smile which most of Dr. Goebbels' recent inventions evoke. Russia's policy in the Balkans has shown little tendency to apply the old programme of Sovietisation, and still less disposition to support regional federations. No doubt Moscow is anxious to spread its influence in the Balkan countries, just as the Russian diplomacy was under Nicholas the First, Alexander the Second, Alexander the Third, and Nicholas the Second. In the second half of the last century two trends clashed in Russia's Balkan policy. One aimed at establishing a direct Russian protectorate over a Balkan federation. The other was satisfied with looser forms of political and spiritual influence. The more moderate trend won the upper hand in the Tsars' inner councils, and extremist claims were left to the world of dreams cultivated by unofficial Panslavist propagandists. In theory it is possible that the old conflict of these Balkan policies may in one form or another have reappeared in Moscow. But all the evidence available suggests that Stalin, like Gorchakov before him, has decided in favour of the more moderate trend. This is not to say that Russia is not striving tenaciously to strengthen and expand its influence in the Balkans. But in doing so it seems to support the separatists there rather than the unifiers. The slogan of a Balkan-Soviet federation was originally raised by the Comintern soon after the Russian Revolution. While the Soviet part of that programme met with not too ready a response from the peasant masses of the Balkans, the appeal of the federative programme was rather strong. Although Russia is not now making use of it, it is still an open question whether the peoples of the Balkans, though not their dynasties, would not welcome the prospect of a Balkan federation after this war.

### The Supply of Doctors

Whatever form the new national health service eventually takes, it is generally recognised that, like the new education service, it will be handicapped for some time by a shortage of practitioners. The problem for the medical profession, as for the teaching profession, is to obtain a great number of new recruits without lowering their quality. In fact, it is not enough to prevent the quality of the new generation of medical students from deteriorating. The planning committee of the Royal College of Physicians, in its report on medical education, states that the intellectual and personal qualities of the average medical student of today are already not good enough, and should be raised.

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There are probably many reasons why the standard has fallen, but one of the most important is the present structure of medical education, which presents to the student an overloaded and unintegrated curriculum requiring at least five years and generally seven years' study. The time and expense of qualifying prevent many from entering the profession, and in addition the best science students tend to turn away in despair from the unsystematic conglomeration of facts which makes up medical education to-day. The report of the Committee of the Royal College of Physicians, therefore, recommends, first, a widening of the field of selection in order to improve the average standard of the student; and, secondly, a drastic overhaul of medical education itself. For the former, it suggests a system of selection based on ability, character and personality, by a small board elected by the university or medical school. The committee has not realised fully the implications of selection by personal interviews, which, if it were to be done on the lines of the selection of Army officers, would involve a considerable amount of organisation and personnel, and which, undertaken haphazardly, could lead to entirely mistaken acceptances and rejections on the basis of personal likes and dislikes.

### Medical Education

The suggestions of the Committee of the Royal College of Physicians for the reform of medical education are on much sounder ground than those for the selection of candidates. The progress of medicine has far outstripped the methods of learning and teaching it. The old system has perforce been modified, but each modification has only increased the student's burden without attempting to train his mind. The result is that he no longer "walks the hospital," but staggers under an increasing load from department to department—the committee states no less than fourteen—until he has passed his final examination, when he dumps his load and begins to learn, and practise, medicine. The committee's main recommendation, therefore, for the reform of medical education is that far more time should be spent in teaching principle and method, and in developing the student's judgment. For this it proposes that undergraduate training should be designed for doctors as a whole, and that the acquisition of the detailed knowledge required by the different specialties should be a matter for post-graduate study. Moreover, it urges co-ordination and integration, not only between the clinical and preclinical stages, but also between the different divisions of clinical teaching. At present, medical education is largely in the hands of specialists in each department who lecture and demonstrate on their cases. There is little or no attempt to place these specialties in relation to medicine as a whole, and the committee proposes that the teachers of the different specialties should meet together to present their views in front of the student. This raises the question of the reform of the teachers. The committee recognises that its proposals would add to the clinical teachers' already heavy burdens, and it recommends that they should be paid for their teaching and hospital work. But more than this is needed. Clinical teaching should become a specialty of its own, for the practising specialist rarely has the time to undertake the study and thought required of the teacher even if, as is rarely the case, he has the teacher's temperament.

### All Clear?

With uncommon wisdom Mr Aneurin Bevan has decided to sign off for the time being in his contest with Mr Greenwood and the rest of the Administrative Committee of the Parliamentary Labour Party. Given some latitude by the cancellation of the Labour Conference, the Administrative Committee, in combination with the National Executive of the Labour Party, to whose joint deliberations the problem of Party discipline, on Mr

Shinwell's motion, had been referred by the Parliamentary Labour Party, put Mr Bevan on the spot, by demanding a written pledge of obedience to standing orders, with the alternative of expulsion. As was recorded in *The Economist* last week, Mr Bevan then signed on the dotted line. But his first reaction after this compliance was to put down a motion for the Parliamentary Labour Party criticising the way in which the National Executive had been allowed to act in a specific matter. Mr Bevan was out to get Party's own procedure. Plainly, Mr Bevan was out to get some part, at least, of his revenge—though in a far from satisfactory way. He has now decided on the question itself, which is sensible of him. Nevertheless, he still stands: plied in his proposed motion of criticism. And this: What is the Labour Party, and who runs it? And this: the continuing query is underlined by the decision of the General Council of the Trades Union Congress. Mr Bevan's steps in the trade unions on account of both his opposition to Regulation 1A (a) and his strictures on trade union leaders who have supported it.

### Progress in Reconstruction

When Lord Woolton was appointed to be Minister of Reconstruction last November, his prestige was high, because of what he was regarded as having done at the Ministry of Food, because of his reputation for energetic strength in the public service and for the excitement that were expected to flow from his appointment. Before the end of last year second thoughts were widely spread. Broadly the view was, and is, that if Lord Woolton is a strong man he is not as able as was expected, and if he is an able man, he is much less strong than was assumed. The test has been results—in particular, the Bill and White Paper to deal with land planning, first promised "after Christmas" and then "before Whitsun." At the time of writing, with Whitsun uncomfortably closer, neither has appeared, and though the Bill may still come, it is doubtful whether the White Paper will accompany it. As Lord Woolton has several times promised to deputationise Against this failure, Lord Woolton will, no doubt, set them White Paper on full employment which has been worked out under his eye. But it is doubtful, without having seen at the text, whether the critics, who were once Lord Woolton's strongest supporters, will regard either this White Paper or its successor on social security as a vindication of the high hopes of six months ago.

### French Foreign Policy

The fourth session of the French Consultative Assembly, which has now ended, has thrown light on the shape of Algiers' foreign policy. M. Massigli, the Commissioner for Foreign Affairs, laid down the guiding principles of policy with a clarity and conviction which Frenchmen have not been accustomed for many years to find in the pronouncements of their Foreign Ministers. Some of the points raised have already been discussed. M. Massigli stressed, for instance, the disappointment felt by Frenchmen because of the incompleteness of the recognition granted by the Allies to the Algiers administration. What he said was *fortiter in re* but *suaviter in modo* and in no way calculated to intensify feelings of xenophobia among Frenchmen. M. Massigli spoke with striking confidence in the intrinsic strength of the Algerian Government which is able to "wait calmly until reality imposes itself upon our friends." He could point to the trade treaties concluded with Spain and Portugal as instances in which "reality" is already breaking in even upon neutrals who are supposed to have more regard for the legitimism of Vichy. M. Massigli's vindication of France's rôle in Europe culminated in the phrase that "France will either be a Great Power again or she will not be anything." He had no doubt that if a Concert of Great Powers were to be set up "France would very soon have her place in it." In the meantime, however, France is absent from the Supreme Allied councils where decisions vital to her future are being taken. M. Massigli insisted on the right of the French people to know the terms of armistice, a right—one might add—that is partly withheld from public opinion in all Allied countries. He was especially outspoken on the terms of armistice for Italy. Last January the French protested to the Allies against the toleration of King Victor Emmanuel. Even now, they still "suspend judgment" on Marshal

Badoglio's new Government, which has not yet repudiated the crime of 1940, nor recognised the necessity for a final "clearing of accounts" between France and Italy. "The time has therefore not come for reconciliation." More important still, it is inconceivable that armistice terms for Germany should be formulated without any consultation with France.

### Western Union and Eastern Alliance

What are the positive principles of French foreign policy? In the centre of the discussion in the Assembly at Algiers there was the "Western Fringe." Recent reports in the press had spoken about negotiations at Algiers which aim at the creation of a customs union comprising France, Belgium, Holland and Luxemburg. From M. Massigli's speech it would appear that the discussion had not yet gone beyond "the exchange of general ideas"; but that the time had now come to examine the problem more closely. M. Auriol went a few steps further and spoke about the economic integration not only of the continental mother countries of the western fringe, but also of their colonial possessions. True, the speakers in the Assembly stressed the need to combine with Great Britain. But the discussion left the impression that this was regarded as the "next stage" for which the western continental countries ought first to prepare themselves by agreeing upon their own economic integration. In this preparatory stage at least Algiers is eager to keep the initiative. The "Western Fringe" is one bold line of the new French foreign policy as it is taking shape at Algiers. The other, and supplementary one, is friendship with Russia. M. Massigli was in keeping with an old French diplomatic tradition when he spoke about

the links that history as well as geography have woven between the two nations placed by fate in the west and in the east of Europe.

The tradition of the Russo-French Alliance—broken in 1917 and ineffectively and ephemerally upheld in the thirties—has now been brought back to life by the re-emergence of Russia as a great military Power. It has been additionally strengthened by Russia's straightforward policy with regard to Algiers. Russia had recognised the National Committee as the "only representative of French state interests" even before the Committee assumed the title of a Provisional Government; and the assumption of the latter title has not caused any of those legalistic scruples in Moscow to which it has given rise in Washington and seemingly also in London. It is easy to understand the effect of this on Frenchmen in whose eyes the problem of recognition has become a matter of national prestige. Members of the Consultative Assembly have demanded the conclusion of a 20 years' alliance with Russia on the lines of the Treaty between Russia and Britain.

### Civil Service Unions

It is natural that Mr Churchill should not wish to be troubled with extraneous matters at this time, or to raise friction with the Conservative Party. Anything to do with the Trades Disputes Act—as was shown last year—tends to produce controversy, and the Government may have thought it the best course to let sleeping dogs lie. But feeling against the Act is growing, not lessening, and both the Union of Post Office Workers and the Civil Service Clerical Association have at their annual conferences renewed their demand for the repeal of Clause 5, which disqualifies civil servants from membership of the Civil Service if they become also members of a body affiliated to the Trades Union Congress. Mr Churchill's latest letter, asking for further delay, has caused resentment, especially as the Prime Minister seemed to have accepted the idea of purely industrial affiliation. The unions have behaved with restraint, since the agitation last summer and Sir Walter Citrine's ill-advised and petulant outburst. They proceeded constitutionally with their application for affiliation to the TUC, and dropped for the time being the question of political affiliation—which is a far more debatable issue. As Mr L. C. White, General Secretary of the CSCA, pointed out, there is a marked contrast between the speed with which Regulation I AA was brought in, and the delaying tactics adopted over Clause 5 of the Trades Disputes Act. The Act has nothing to do with the prosecution of the war, whereas I AA has. But national unity does not mean one-way traffic.

### Fighting in Northern Italy

Since the collapse of the Mussolini Government last year the Germans have taken over the whole of central and northern Italy and developed it simply as a fighting base. The parade made of the "Social Fascist Republic" has been no more than a cover for the German armies of occupation, and although in the new "Republic" the corporate state has been replaced by direct state control and direct regimentation of labour on totalitarian lines, the real controllers are the "economic commandos of the Wehrmacht" and the food and agricultural advisers appointed by the Germans. There can be little doubt that the German hold on lines of communication and the centres of population is complete. It is thus all the more remarkable that inside this German base Italian guerrillas have compelled the German High Command to divert six divisions from the critical battle for Rome and to send them to suppress the Italian resistance movement. It must, therefore, be on a large scale. In the mountains of Northern Italy the conditions for successful guerilla warfare exist. The Italians have been helped by the Yugoslav partisans, and the proximity of the neutral Swiss frontier is another factor making for military confidence. The guerillas are well organised, and a military council is apparently to be set up in Naples to co-ordinate their activities with those of the Allied armies. The Italian resistance movement in the north seems to have shown more strength and maturity than that of any other country. Here alone has there been an effective general strike. Here, too, guerilla armies have sprung up. The habit of freedom is, after all, not so easy to kill.

### Mission to China

It is no light matter to allow a Vice-President of the United States to leave the country. Mr Roosevelt by sending Mr Wallace to Chungking shows how high a priority is set in Washington on China's problems and China's needs. From the point of view of the war against Japan, the mission is very timely. The Chinese armies have recently suffered a severe setback in Honan. A defeat cannot but have unfortunate repercussions in Chungking, discouraging the waverers and reducing somewhat the position of the Generalissimo. Mr Wallace's visit at such a moment will give face to the Chungking Government and once again there will be a diplomatic victory to redress the unfavourable military balance. But Mr Wallace is obviously going to China to do more than pay a ceremonial visit. Mr Roosevelt wishes to find out the state of China "at first hand," and Mr Wallace cannot fail to send a report on some of the very serious difficulties which beset the Chinese Government. The chief economic problem is inflation, the chief political problem, relations with Russia and with the Chinese Communists. Mr Wallace is an idealist, an enemy of corruption and a keen supporter of good relations with Russia. His report on China's economic plight will certainly deal very firmly with China's need for self-help, to check corruption, to attempt stabilisation and price control, and to get rid of the more notorious speculators, however highly placed. It may be, too, that he will point out to the Chinese Government the advisability of shelving the frontier issue in Sinkiang and Mongolia for the time being. The Japanese thrust to Loyang, which menaces equally the Communist base at Sian and the backdoor to Chungking, may offer a good opportunity for a new attempt to bring the two together. If Mr Wallace were to act as an intermediary, he could make no better contribution to stabilising the military situation in China.

### PRINCIPLES OF TRADE: A PAMPHLET

The series of eight articles on *The Principles of Trade* which appeared in *The Economist* in January and February this year has been reprinted as a pamphlet (Price 2s. 6d., post free), and can be obtained from *The Economist*, Brettenham House, London, W.C.2.

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## The Nation's Milk

Mr Hudson made a good case to Parliament, on Friday last week, for the proposed transfer to his department of the supervision of milk production on the farm. The Minister of Agriculture pointed out that:

What we must aim at is, not only milk in greater quantities, but milk of a very much better quality, milk in which the public and the medical profession will have complete faith.

To get such milk, Mr Hudson is renewing financial assistance for tuberculin tested herds, establishing a national milk-testing and advisory service, planning to improve the quality of dairy bulls and of breeding—and to cap and to integrate these measures he asks for the powers of regulating and inspecting methods of production that now belong to local authorities. The question, in this interpretation, is one of the national imposition of national standards. But there are considerable objections. The chief technical objection is that it will take Mr Hudson a long time to collect the necessary veterinary and sanitary inspectors. What chiefly troubled Parliament was that here was yet another case in which the local authorities were to be shorn of yet another of their functions—and one that belonged to the field of health, which has long been one of their strongest prerogatives. Local authorities feel themselves to be in danger of what one MP described as the "death by the thousand cuts." In the case of milk, it is certain that some local authorities have been zealous in inspecting farms, making frequent or surprise visits, and that for some time to come these areas may be less well cared for under the Ministry. It is equally certain that other local authorities have shown slackness, and even dereliction of duty, in their supervision, to the detriment of the milk sold in towns. There is no uniformity in the performances of local authorities. Probably, the fact of a lack of uniformity is being used too frequently nowadays as an argument for centralisation; for within limits, it is, of course, an inevitable feature of all local government. In this particular case, Mr Hudson may again be able to plead that the disparities are too great and the service too vital for him to trust to local machinery.

## No Change in India

It is now clear that the release of Mr Gandhi from his detention at Poona was not intended to have any political significance. Nor has it acquired any such significance since he was set free. Mr Amery, whose habit of cautious and defensive statement does less than justice to his troubled spirit, has said explicitly, in reply to an appeal from a number of Labour MPs, that the release of Mr Gandhi was solely on health grounds, and that the reasons for continuing to detain the Congress leaders for so long as they will not retreat from the attitude taken up two years ago are, in his view, as valid as ever. In India, too, Lord Wavell has decided to continue the political standstill by extending the life of the Council of State and Legislative Assembly for another year, making ten in all, twice the Council's normal lease of life and over three times that of the Assembly. For the moment, both Mr Amery and the Viceroy are waiting for a sign; and there is, perhaps, something of a contradiction in the arguments of the Secretary of State for India, since he also asks that, in order to break the present deadlock, some gesture should be forthcoming from the Congress leaders, whereas, being imprisoned, they are not in fact able either to reconsider their policy in consultation with their followers or to discuss it with the spokesmen of other parties. Meanwhile, moreover, in addition to the interest aroused by the plan of the Bombay industrialists for Indian economic development, whose authors are

coming to visit this country, there continue to be reports that there is in fact a new mood of conciliation, even if mainly on cynical (or "realistic") grounds, among the rank and file of the politically-conscious minority of Indians. But one thing seemed almost sure. Mr Gandhi, however potent his name and prestige may still be among a great mass of country people, is too ill and too old, and too set in his earlier ideas, to play any leading part in bringing such a mood to the surface.

## Rural Housing

Rural housing is going to prove as costly as it is necessary. It has been plain for some time that 13s. a week for rent and rates is too high a charge for emergency cottages. The new report of the rural housing sub-committee of the Central Housing Advisory Committee, appointed by the Ministry of Health, concludes that, even on the basis of the present higher minimum wage in farming, 10s. to 11s. is the most that should be asked of the agricultural worker. A special Exchequer subsidy for five years is suggested. It will have to be a large one. Even the 13s. cottages required a block grant of £150 each in addition to existing subsidies. Current building costs are nearly twice their pre-war level. Unless they are pulled back into line with the rise in the general cost of living, the sub-committee despairs of achieving an adequate rural housing programme. But it is most unlikely that they can be so reduced immediately following the war. Inability to acquire land is also recognised as a heavy burden on local authorities. In the past, many rural districts have been slow, county councils have not been overhelpful, and the Ministry of Health has failed to prod both parties into action. The sub-committee asks urgently for a survey by rural councils of housing conditions within the next year. If big subsidies are to be made available for post-war rural housing, as they will have to be, they must be used with knowledge as well as with dispatch.

## Postwar Prisons

A prison officer's lot, like a policeman's, is not a happy one, especially if he happens to be stationed at Dartmoor. Indeed, Dartmoor officers are now asking for their "stretch" at the jail to be limited to three years, and for £1 a week "dreary life" money, to make up for their monotonous and comfortless existence. Their claim, which is now being referred to arbitration, has encountered certain obstacles. In the first place, Dartmoor warders—unlike their charges—are not apparently within a "well-defined class." Then, the Prison Commissioners have said that, as a condition of any increase, similar allowances of 3s. a week now paid at Parkhurst and Camp Hill prisons should be dropped. Dartmoor apart—probably the only solution may be to close the prison altogether—prison officers have many criticisms about their conditions, which were aired at their association's conference last week. Fundamentally, it is a question of the attitude of the community towards prisons and prisoners. Most prison buildings were put up in the days when a man could be hanged for sheep-stealing, and an early-Victorian atmosphere still pervades. Women wardresses, in particular, chafe under restrictions on their personal freedom and dislike their uniform, which makes them feel like convicts. The Criminal Justice Bill was shelved when war broke out, but penal reform will obviously have to be tackled at the earliest opportunity. Mr Morrison himself holds enlightened views. The other day in Birmingham he appealed for a new approach which would emphasise the psychological retraining of offenders as decent members of society, rather than the punishment of outcasts. He also attaches great importance to occupational training. The Treasury has recently turned down a recommendation from the Prison Commission that the allowance paid to the skilled instructors who teach trades to prisoners should be raised from 4d. an hour to 5½d.—an insignificant cost to public funds. At present, the combination of badly paid instructors and excessive concentration on the quantity of prison output make for low standards. If the right type of training is to be given, the right type of instructors must be recruited to the prison service, which will not happen under present conditions. Mr Bernard Shaw was not far wrong when he said that, for every two or three prisoners in jail, a fourth prisoner was needed to look after them. A twentieth-century prison system demands a new view.

# AMERICAN SURVEY

## Governor Thomas E. Dewey

(From a Political Correspondent)

**Washington**  
GOVERNOR THOMAS E. DEWEY is better known abroad than he is understood.

There are, it would appear, at least six truths which British readers need to fix in mind if they are to follow with meaning the election news which will soon be emanating from America and in which Mr Dewey is certain to figure prominently. These truths are:

1. Mr Dewey is a candidate for the Republican Presidential nomination. It is only in appearance that he is not such a candidate.

This is a central fact in any understanding of the opposition political picture in the United States and of Mr Dewey's large place in that picture. In all honesty, it has to be said that "not being a candidate" is his method of obtaining the nomination. Indeed, Mr Dewey's peculiar but not unprecedented political approach may well result in adding a new phrase to election parlance. While it cannot be said that Mr Dewey is actively running for the nomination, it can be said that he is actively not-running for the nomination—and there is very little real difference between the two.

2. Although Mr Dewey is too neat a political package for numerous American commentators, the increasing stream of pilgrims to Albany in recent months attests to the skill with which he has broadened his political base to fit the dimensions of a national figure.

Mr. Dewey has matured considerably in poise and viewpoint and grasp since he prematurely sought to hatch his Presidential hopes four years ago, and to-day he stands as the effective Governor of the largest state in the Union, from whose capital such stalwarts as Theodore Roosevelt, Charles E. Hughes, Alfred E. Smith and Franklin Roosevelt succeeded to the Presidential nomination of their party. Mr Dewey has expectedly proved himself an able administrator and has unexpectedly proved himself adept in dealing harmoniously with his Legislature—a vital art in America's governmental system of divided powers.

3. Mr. Dewey is vastly more knowledgeable than he was in the tentative, sometimes contradictory speeches on national affairs which he delivered in the 1940 pre-Convention campaign. He is a public official of manifest intelligence, but until recently his intelligence has not been used very greatly to elucidate his own position on controversial issues of national importance. Thus he stands as something of an unknown force who may quite possibly capture the Republican nomination without his views becoming any better known than they are to-day. It seems apparent that his own party may be quite willing to accept him without any further clarification of his position, but it is by no means evident that the country would accept him without a much more precise understanding of his views. Mr Roosevelt would be counted on to make the election campaign hot enough for that.

4. Recalling that Walter Lippmann appraised Franklin Roosevelt in the latter months of his Governorship of New York as likely to be a weak, indecisive President, if he were successful in being elected, one hesitates to offer anything approaching a definitive estimate of the kind of candidate or the calibre of President Mr Dewey might make. The fact is that the evidence is not in. That Mr Dewey has not been more outspoken on national and international policy, that he vacillated in his stand on the great issues of the Lease-Lend Act, opposing and later supporting the Bill, that he has not played a rôle of decisive leadership on the highest level of affairs when he could have done so during the past four years of crisis-laden events in his nation and in his world, have caused some to esteem him a political opportunist and a timid trimmer. But many believe that he is capable of being much more than an opportunist and a

trimmer if the nomination comes to him, and that as President he might prove to be more liberal than many of the ultra-conservative groups supporting his cause, and more collaborationist than his record would suggest. That remains to be seen. He has not really exposed himself.

5. Mr Dewey has made several decisive advances in his stand on foreign policy since 1940. He had a considerable distance to go to become effectively identified with the collaborationist sentiment of the country, but to-day the New York Governor is fully even with public opinion, and in words at least is well ahead of a large part of his own party. Though he campaigned in the supposedly isolationist state of Wisconsin in the 1940 primary by tossing isolationist implications in every direction, Mr. Dewey's avowed position in the same state this year was strongly against isolationism and decidedly in favour of the closest possible co-operation with Great Britain and the Commonwealth.

6. Finally, an estimate as to Mr Dewey's prospects: He has a better than even chance at winning the nomination, and a less than even chance of winning the election.

Mr Dewey, it should be appreciated, is a shrewd, sagacious and successful politician. His whole political position in 1944 appears at this date to be the reverse of 1940. Then, he started at the top with the largest number of pledged delegates to the Republican Convention. In 1940 he sought the nomination all over the country. This year, when he has declared that he is not a candidate and is busy appearing not to be a candidate, much support for his nomination is welling up from the bottom. One fundamental difference is that Mr Dewey four years ago had won no elective office other than a county district attorneyship in New York, and in 1944, after once being defeated, he has won the most influential Governorship in the United States. Not seeking the Presidential nomination is, he figures, his best chance of getting it.

It is for this reason that, while Mr Dewey is disavowing his candidacy, his trusted political spokesmen are avowing his availability. He is simply saying, with a slight but meaningful variation on the popular song, "No, No, 999 times No."

Governor Dewey does not intend to alter his stated position of not being an avowed candidate right up to the decision of the Convention itself, and he will not depart from this stand even if it fatally endangers his getting the nomination. He told the voters when he was running for his four-year Albany term in 1942 that he intended to serve his full term if elected, and that he was not seeking the Governorship as a quick stepping-stone to the White House.

Thus the Governor is faced with this dilemma. He himself cannot work openly for his nomination, but he would certainly not find it "patriotic" to refuse the nomination if it came to him without openly working for it.

He reasons in this way: To reject the request of a major political party to become its presidential nominee would be an act of "treason." To become an avowed candidate for the nomination after having declared that "he was not and would not be a candidate," and after affirming his intention to serve in Albany at least until 1946, would put him in the class of being both "insincere and a liar."

If Governor Dewey were himself discussing these matters, it would be safe to assume that he would use the very words "treason" and "liar."

Governor Dewey launched his second year in Albany this January still with the absence of overt national political intent, but it was impossible not to discern in his 1944 state programme, with its emphasis upon holding the boat steady for the duration and keeping it seaworthy for the strains of post-war readjustment, the thought of a man fully aware of national horizons and his looming rôle thereon.

"When the men of our armed forces and the workers in

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Among the recent publications of the Cobden Club (at prices from 6d. to 2s. 6d.) are Foreign Policy; Gold, Silver and Paper Money; Problems and Fallacies of Political Economy; The Moral Case for Free Trade; The Labour Party's Programme Examined. Apply to the Secretary of the Cobden Club, Dunford House near Midhurst, Sussex. The Cobden Club was founded in 1866. Among its first members were W. E. Gladstone, John Bright and John Stuart Mill. Its motto is "Free Trade, Peace, Goodwill among Nations."

Advt.

our war plants return to their peacetime occupations, they have a right to expect that we at least shall have done our part to help create employment opportunities," he wrote of his determination to lock up the \$140 million state surplus for post-war reconstruction. This became Act I of the 1944 New York state laws.

Mr Dewey has recently made an excellent impression with his endorsement of the principles of foreign policy enunciated by Mr Hull, his acceptance of American world responsibilities in political, as well as economic affairs, and his insistence that the peace must be such as to promote the "durable cohesion" of the United States, Great Britain, Russia, and China. It is worth remembering, however, that as long ago as September, 1943, he offered the following resolution to the Republican Post-war Advisory Council:

Out of the suffering and horror of this war there shall rise, with God's help, the foundations of a lasting peace, a peace which will give to all peoples of the world the right to live and worship as they please without fear of persecution, and to minorities the fullest protection of inalienable rights as free human beings.

To that end, the United States must be prepared to undertake new obligations and responsibilities in the community of nations. We must co-operate with other nations to promote

the wider international exchange of goods and services, to broaden access to raw materials, to achieve monetary and economic stability, and thus discourage the growth of rampant nationalism and its spawn, economic and military aggression. As a further safeguard we must join with other nations to secure the peace of the world, by force if necessary, against any future outbreak of international gangsterism.

We know that as the other nations prosper, we prosper, that when the freedom of one nation is destroyed, the freedom of all nations is in peril. In our own enlightened interests, as well as in a spirit of good will toward our fellow men, we must help create a stabilised world.

There are those who felt that Mr Dewey could have worked harder to promote his resolution, but it was a strong resolution and marked a notable advance over the less collaborative words which were to be found in his previous public utterances.

It was at this meeting, after Mr Churchill had spoken in Washington of the desirability of continuing the Combined Anglo-American Chiefs of Staff after the war, that Governor Dewey gave his endorsement to an Anglo-American peace alliance which he hoped would also embrace the Soviet Union and China. His most recent views are, therefore, the end of nearly a year's steady movement toward a collaborationist platform.

## Stability Below the Border

(By a Correspondent recently in Latin America)

Washington

ONE of the chief counts in the indictment of American foreign policy, which is still a favourite topic in Washington, is the state of relations between the United States and Latin America. It has come as a profound shock to many that Latin America, which in the past decade has received such solicitous attention from the American people and State Department, should not be the safe preserve of American influence as repeated glorifications of the Good Neighbour Policy had led the public to believe.

For American opinion, no matter how cunningly informed, is stymied by a bald fact: the much-vaunted solidarity of the all-American front cannot be very solid with Argentina and Bolivia unrecognised by the majority of the American republics. In addition to that fact, rumblings of political disturbances in Peru and Colombia—as yet unidentified, but which seem likely to follow the general nationalistic lines of the Argentine and Bolivian government changes—foster the suspicion that something is basically wrong either with the attitude of the State Department towards Latin America, or with that of Latin America towards the United States and the Allies generally.

Washington civil servants, especially when thinking of Latin America, still tend to confuse democratic, representative and pro-Ally governments; these terms are really neither antagonistic, mutually exclusive nor synonymous. They tend also to see the opposite of these desiderata as Fascist or pro-Axis governments. By this kind of thinking the overthrown Peñaranda government of Bolivia is sometimes described as democratic, whereas it was really only pro-Ally.

Similarly, when Mr Sumner Welles, until recently Under-Secretary of State, criticises the State Department for not recognising General Farrell in Argentina, pleading that the Argentine people are entitled to the government they prefer and it is none of our business to interfere, he accepts the Farrell government as representative of the Argentine people. This is not only incorrect; it is absurd. For the Farrell government, like the Ramirez government before it, is at special pains to prevent the Argentine people from being represented. If Mr Welles's theory were accepted, the Argentine people must not be prevented from having the government they don't want.

Mr Welles, however, was really defending his own incumbency as Under-Secretary and US recognition of the Ramirez government in June, 1943. Beyond this action, he was also pleading for his consistent policy of stability-at-all-costs, whatever the political complexion of the governments involved. This policy has led naturally to Vargas, Morinigo, Prado, Trujillo, Somoza, Ubico, etc., being presented to the American public as great democrats, simply because the State Department, under

the Good Neighbour Policy, has abandoned intervention. The American people having sensed the hocus pocus involved in the stability-at-all-costs policy, the State Department has had to dress it up in pretty clothes and sell it thus camouflaged as "democracy." The net result of the stability policy is that Latin Americans to-day consider the United States not the champion of democracy—as its political pronouncements might indicate—but the mainstay of even the blackest reactionaries in power.

The stability-at-all-costs policy was by no means abandoned with the exit of Mr Welles. Its European form, camouflaged as "win the war first" and military expediency, is presented in the pronouncement of Mr Adolf Berle, one of the Assistant Secretaries of State, that revolution and "chaos" must be avoided (the echo says "at-all-costs"), in European liberated areas. Tested in Latin America, this thinking accounts for the Pétain-Darlan-Giraud negotiations, the maintenance of Badoglio, the appeasement of Franco and the snubbing of De Gaulle.

Somewhat paradoxically, US non-recognition of Bolivia and Argentina, apparently similar cases, caused different reactions in the American press. Non-recognition of the Villaroel government in Bolivia (which took power on December 20, 1943) was generally applauded. Non-recognition of the Farrell government (which ousted General Ramirez on February 25, 1944), after a preliminary round of applause, was accepted reluctantly as a half measure.

These diverse reactions are due to insufficient understanding of the diverse reasons causing apparently similar action. Recognition of Bolivia's Movimiento Nacionalista Revolucionario would have been a green light to Argentine imperialist expansion, and would probably have touched off a series of Nationalist revolutions elsewhere in Latin America, which might or might not have been pro-Ally. The Farrell government was unrecognised, according to an official statement released early in March, because of its intrinsically pro-Axis and anti-Ally position. Mr Stettinius emphasised that Argentina could improve relations with the United States by action under five headings: the internment of Axis diplomats and agents; the cleaning up of Axis spy rings, the stopping of smuggling of critical materials to the Axis; the breaking of communications with the Axis; and the control of black-listed firms in Argentina.

Criticism of this action by the State Department has centred on form rather than content. The American Ambassador in Buenos Aires was instructed to "refrain from entering into official relations" with the Farrell government. This was generally seen as a half-measure, which almost begged the question. A comparison of the treatment given to Bolivia and to Argentina also smacked of being tough with the smaller and easy with the bigger nation.

Furthermore, the State Department took from February

25 to March 4 to announce its decision regarding Argentina. Apparently, the State Department was caught in the wheels of its own system of consultation with the other American republics, a method sanctioned by convention at the Buenos Aires conference of 1936. Certain officials consider the system too cumbersome and excuse their delays with that plea. Yet it is possible that the Department is also hindered from making up its mind with more speed, by reluctance to take decisions and inability to think straight.

One result of Washington's delay in the Argentine case is that Chile continued relations with Farrell before Washington acted. And thus, in not recognising Farrell, Washington administered a wholly unexpected, gratuitous and unintended back-handed slap at Chile.

At the time of writing, US non-recognition of Bolivia and Argentina has had no visible effect one way or another. Rumours of sanctions ruffle Washington's surface for a day or two at a time. Such talk always ends in a despairing complaint that Great Britain cannot be relied on to join in concerted action to bring the Argentine government around to following a pro-Ally policy. Meanwhile Argentina seems to have taken the lead in sanctions, with heavy fines and penalties for trifling offences imposed on American firms, such as All-America Cables and the United Press.

Mr Stettinius is quoted by the Associated Press as stating that the Farrell regime in Argentina "could become acceptable to the United States by co-operating in hemispheric solidarity and taking the steps to prove it." Such a condition of recognition applies presumably also to Bolivia's Villaroel government. There is curiously little information to be squeezed out of Washington officials on the Bolivian question. But one definitely hears no complaints about Bolivia's co-operation. Bolivian assistance to the Allies consists mainly and almost exclusively in the production of tin, wolfram, rubber, antimony and quinine, all of which are essential to the war. Some unofficial opinion—unconfirmed in official quarters—is that the Villaroel government is not only continuing production at the levels attained by the Peñaranda regime, but is in fact exceeding those levels.

If this is true, it confirms the expectation of those observers who knew the MNR before it came to power. That political party—aside from its authoritarian, non-representative character—had, and presumably still has, two main principles. The first is to make Bolivian mining a national resource rather than allowing it to remain the privilege of the vested interests called "La Rosca." The second is to get a port for Bolivia, either from Peru or Chile. MNR leaders, before they came to power, were frank to explain that their continued collaboration with the United States during the war was essential, constituting a claim on diplomatic assistance of the United States after the war in their efforts to obtain a port.

## American Notes

### The Two-Thirds Rule

A new crusade appears to be in the making. An association is being planned, on the lines of the pre-Pearl Harbour "Committee to Defend America by Aiding the Allies," to save the peace treaty by abolishing the two-thirds rule. This is a logical sequence, and no doubt many of the old interventionists will rally to the new cause. In place of the constitutional provision that treaties must be ratified by a two-thirds vote of the Senate, they would substitute a majority vote in both Houses. Critics of the Senate prerogative argue from the record that the rejection of treaties negotiated by the President makes American foreign policy erratic and incalculable. They also emphasise the undemocratic nature of an arrangement which may give 33 Senators, perhaps from 17 of the least populous states, the right of veto over the rest of the country on issues of foreign policy vital not only to the United States but to the rest of the world. The reformers are said to have abandoned hopes of a self-denying ordinance by the Senate. This is only realistic. Senator Connally, head of the Foreign Affairs Committee, said only a few weeks ago that he would fight the proposal with every means in his power. The only alternative that remains is a constitutional amendment, a long, arduous, and frequently unsuccessful process, except where strong public emotion is involved. Only eleven amendments have been passed since the original ten in 1791. Proposed amendments must be ratified either by the legislatures or by specially called conventions in three-fourths of the States. Both interventionists and former isolationists, as well as the constitutionalists, may be counted upon to

generate a good deal of heat and light over the issue of shearing the Senate, but that the proposition will capture the necessary three-quarters of the public imagination is doubtful. Senate ratification of a treaty may be difficult to obtain, but it is comparatively easy compared with the obstacles the Founding Fathers placed in the way of alterations in their handiwork.

\* \* \*

### The Power of the Spoken Word

Another Senate privilege was upheld this week when the Bill to abolish the poll tax was returned to the shelf. This hardy perennial would outlaw the collection of a tax ranging from one to three dollars which eight southern states still make a condition of the franchise. Its purpose is to keep negroes from the polls, although it incidentally disfranchises many poor whites; some observers believe that in practice more whites than negroes are excluded. The Senate vote was not on the Bill itself, but on a debate-limiting "cloture" petition. Once the proposal to limit debate had been defeated by 44 to 36, even the Bill's supporters had to admit the uselessness of proceeding further, for Senators from the States concerned had made no secret of their intention of staging a filibuster. Unparalleled collections of recipes, nursery rhymes, Bible stories, and novels were held ready for reading to paralyse action on the Bill, for Senators, unless a "cloture" is voted, have the privilege of unlimited debate, debate being defined in a rather wide sense. The late Huey Long once held the floor for nine days until the Senate wearily gave way. By this time most comment on the poll tax is chiefly characterised by boredom with the whole issue, and an inclination to leave it to state action. This may be a good thing. The Carnegie Corporation has recently published a monumental study of the negro problem by a Swedish sociologist, Dr Myrdal, in which he finds that the rights, which the South is most willing to grant the negro, like the vote, legal equality and economic opportunity, are those rights which the negro is most anxious to possess. The negro has no ambitions toward intermarriage, and relatively little interest in the abolition of segregation, two points on



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which Southern whites are most obdurate. What Dr Myrdal believes makes the problem seem insoluble is the refusal to split it up into manageable parts, and the tendency to make every reform a question of white supremacy. There is no doubt that the obstructiveness of Southern Senators is due in part to suspicion that the North is attempting to enforce its code on the South through Federal action. If this fear can be laid, Southern liberals working in their own states may make better progress toward ameliorating relations between the races.

### Tactical Retreat

The issues in the Montgomery Ward case are still being hotly debated, the more so because the return of the properties to their owners leaves the rights and wrongs of the matter hanging in mid-air. Supporters of the Administration are particularly critical of this inconclusive finish, feeling that the dismissal of the court suit leaves Mr Avery with a moral victory, and that his example will stimulate other employers to disregard the rulings of the War Labour Board. Mr Avery is so self-confident that he has brought a million dollar libel suit against the *Chicago Sun*. The news that Mr Roosevelt has ordered the Army to take over the Hummer Manufacturing Company, a subsidiary of Montgomery Ward, may, however, mean that the Administration is merely shifting to more favourable ground. Hummer, like its parent company, has defied the War Labour Board, but unlike Montgomery Ward, there is no question that it is a war plant, and thus more clearly subject to the President's powers as Commander-in-Chief and to the provisions of the anti-strike law. It is true that this limited application of authority would not serve the purpose of stimulating the deference of employers to the War Labour Board throughout industry. But the administration may feel that a favourable court ruling would prove a Pyrrhic victory. There is no doubt that there would be a widespread feeling of alarm should the courts uphold the right of the Administration to use the Army to enforce labour regulations on a civilian plant; the very authority of the courts themselves might be undermined by the suggestions—already current—that judges are unduly susceptible to New Deal philo-

sophy. On the other hand, a defeat in the courts would put the final stamp and seal on the Administration's retreat. Labour's standing with the public has hardly been improved by the fact that it required the urgent testimony of General Arnold to stop the foremen's strike last week, or by the fact that the Chrysler stoppage only ended this week. Relatively small numbers are involved in all these strikes, but they take place at the very heart of the war production programme.

### This is the Ticket

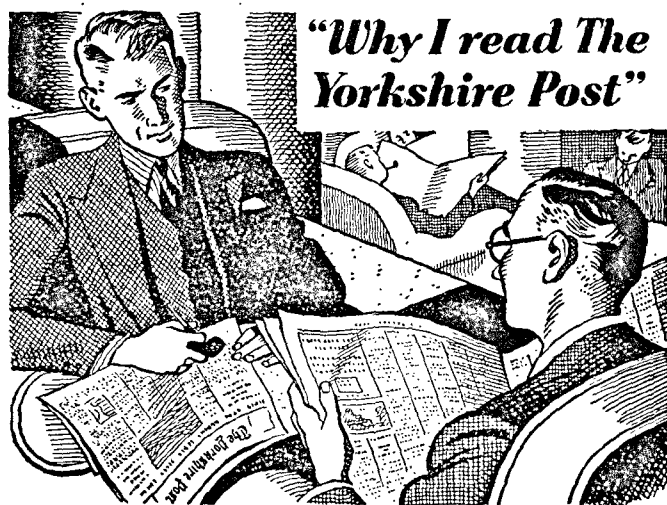
The results of the primaries make it clear, without waiting for the party conventions in June or July, that it will be Mr Roosevelt running against Governor Dewey. Both candidates already have a sufficient number of delegates to assure their nomination on a first ballot; and there are no alternatives in sight. At this late date it would be regarded as treason to the party for either man to exercise his supposed freedom of choice not to run, for there is no time left to groom another entry. Interest, therefore, is veering to the question of Vice-Presidential candidates. There was a time not so long ago when Mr Wallace's mission to Chungking might have been regarded as the equivalent of the Chiltern Hundreds. The rumour was that Mr Roosevelt, in order to prevent a supposed rebellion in the ranks of the Southern Democrats, would abandon Mr Wallace and choose a running-mate who could be counted upon to keep the conservative wing regular. The names of Mr Byrnes and Mr Sam Rayburn were mentioned. Now there is a reversal of rumour. Mr Roosevelt, in his farewell message to Vice-President Wallace, made it clear that he would return before the Democratic convention in July, and there are few doubts that Mr Wallace's name will be on the national ticket. In part, this is a tribute to the success of Mr Wallace's own campaigning. His prestige has been increasing steadily from the low point it reached when he seemed to have been fatally identified with the "quart of milk for every Hottentot." In part, also, it is due to a shift in the party scenery. Primaries in states as far apart as Florida and California have shown victories for New Deal candidates like Senators Pepper of Florida and Downey of California. The threat of a Southern rebellion has evaporated; and Mr Wallace's popularity with labour and progressive opinion has become correspondingly more important. The CIO's political action committee has already joined his name with that of the President in endorsing a fourth term. His romantic journey to China and Siberia will enhance the authority with which he speaks. Despite a certain disillusion with the Chinese Republic in sophisticated circles, there is a vast reservoir of sympathy for the Chinese people, and a more popular choice of envoy could hardly have been made.

### Shorter Notes

The 29 defendants in the sedition trial appear to be thoroughly enjoying their day in court. The press is full of pictures of Mrs Washburn obligingly giving the Hitler salute or thumbing her nose at the courthouse. Inside, pandemonium reigns, with the prosecutor regularly drowned out by the riotous behaviour of the defendants and their counsel. The determination to give even these undesirables a fair trial and every legal safeguard is an admirable one, but it is difficult to believe that even the United States—which is tolerant and fond of a good show—will long permit these subversive elements to enjoy a licence denied to common lawbreakers and even law-abiding citizens.

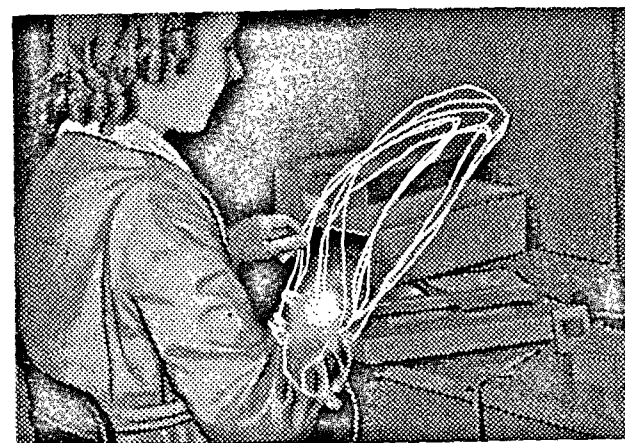
There is jubilation in liberal circles at the announcement that ill-health compels the retirement of Mr Dies to private practice in Texas. It is proposed that the Committee to investigate Un-American Activities should continue, but most of its vigour will depart with Dies. Ostensibly Mr Dies' function was to investigate both Communist and Fascist circles; but critics have always found him conspicuously left-handed.

The manpower "crisis" shows no sign of abating. Mr Nelson and representatives of the Services this week made it clear to Congress that they would prefer an outright National Service Act, but if this was impossible they urged the passage of the Bailey-Brewster Act which would extend military discipline and rates of pay to men from 18 to 45 refusing to enter or to remain in essential work.



"Well, to tell you the truth, it was Robinson who started me off. He's a pretty successful man and I noticed he always read it. So I began, largely out of curiosity. Then I found its judgments were pretty shrewd, its opinions authoritative and trustworthy. So I've kept on with it ever since. 'As you know, I've got a finger in many pies and it is essential for me to know what the North is

thinking and doing. I get to know by reading The Yorkshire Post. 'Another thing. Northern industries, politics and finance are more closely linked up with the rest of the country nowadays, and reading The Yorkshire Post helps me to see national questions in better focus. 'I also rely on The Yorkshire Post to give me full reports on many northern industrial meetings that I cannot get elsewhere.'



## KODAK FILM is in the Factories helping to increase efficiency

By photographing the path traced by a lamp fixed to a worker's wrist, a record is obtained of all movements made to complete a job. Such pictures often show how operations can be speeded and fatigue decreased. The countless uses of photography in industry to-day consume vast quantities of 'Kodak' Film. If you have difficulty in buying a spool, please remember it is because such vital work must come first.



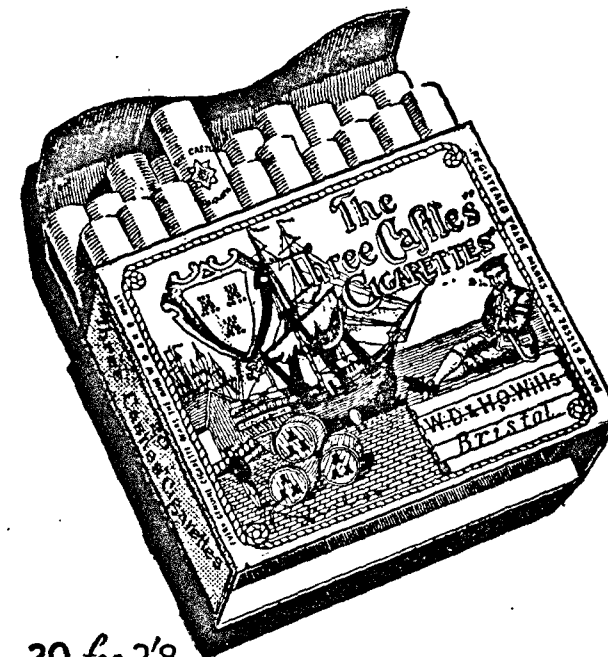
Kodak Limited, Kodak House, Kingsway, London, W.C.2

## Your drinking water must be pure...

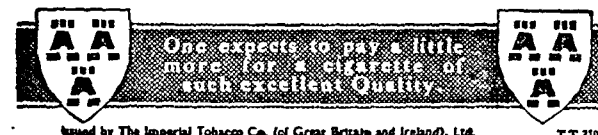
STILL MALVERN WATER the purest known water, can still be supplied without restriction of area throughout Great Britain. Specially recommended by the medical profession because of its purity and freedom from mineral content, it is supplied in sealed bottles (extra large size.) No home should be without a supply of Still Malvern Water, against possible emergency.

Obtainable from all Wine Merchants, Chemists and Grocers.

## WILLS' "THREE CASTLES" CIGARETTES



20 for 2'8



## More NEWS of WHITE HORSE

### When distillation ceased

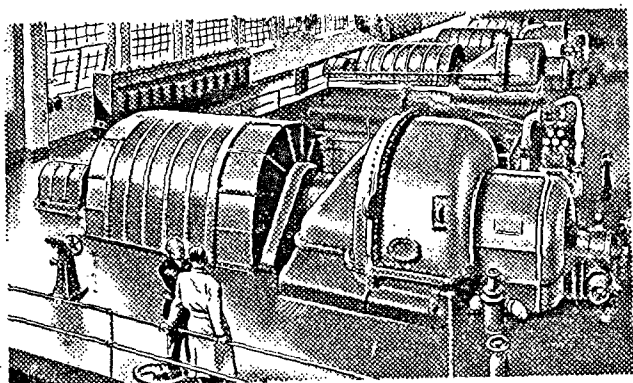
You can make bricks without straw, but you cannot make Scotch Whisky without barley. Since the war began the fruits of each golden harvest have been called up for National Service. No more whisky is being made: distillation has ceased.

Yet in this fifth year of war you can still, with good fortune, obtain White Horse. This is because stocks have always been laid down many years ahead of the time when they will be released for your pleasure. White Horse was growing old when this war was young. It is therefore in your own interest that supplies should be very carefully regulated so that in the years to come you may still be able to enjoy White Horse, fine as a fine liqueur.

MAXIMUM PRICES: Bottles 25/9; Half-bottles 13/6  
as fixed by The Scotch Whisky Association.

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*in war — as in peace —*  
at the service of the Empire



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The speed at which industrial electrification has been increased is a measure of the Nation's war production. Inevitably, this has resulted in the entire research and technical resources of the G.E.C.—the largest electrical manufacturing organization in the Empire—together with the Company's vast production of electrical equipment, being directed to the war effort, and diverted from normal supply channels.

When peace comes, however, the big technical advances made by the Company in all applications of electricity, including the important one of electronics, as a result of the urgent and ever-changing problems connected with the war, will be available to all concerned with reconstruction in any part of the world.

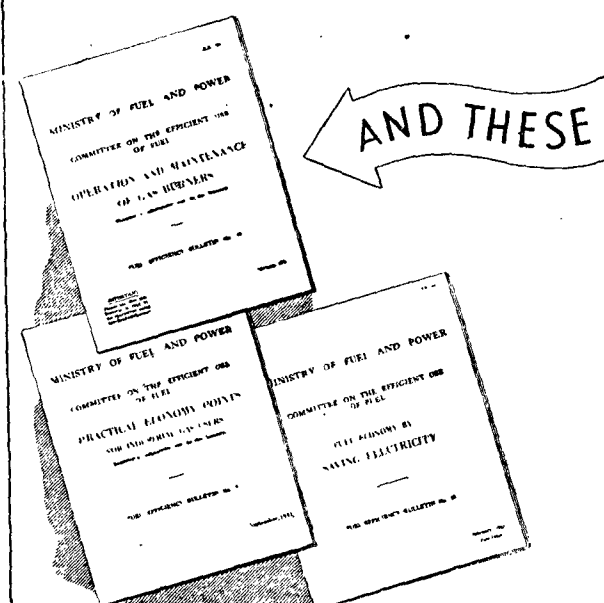
### Electrification Schemes

G.E.C. Electrification Schemes have been applied to all industries, including: Aircraft Factories; Chemical Works; Collieries; Food Factories; Gold Mines; Iron, Steel and Copper Works; Locomotive and Railway Carriage and Wagon Works; Motor Car Works; Oil Refineries; Ships and Shipyards; Textile Mills, etc., etc.

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# THE WORLD OVERSEAS

## Irish National Finances

(From Our Dublin Correspondent)

THE outstanding feature of Irish finances in the war years has been the rising burden of taxation in relation to the taxable capacity of the country. Central Government expenditure has increased from £33,110,000 in 1938-39 to an estimated figure of £49,997,000 for 1944-45, while local government expenditure has increased from £7,464,000 to £9,600,000 in the same period. No official estimate of the national income is available, but it is probably about £200 million for a population of under three million, of which about a quarter, or £16 per head, is used annually for public services. It is obvious, however, that the taxable capacity of the country has not grown proportionately to the increase in public expenditure.

On the basis of existing taxation, tax revenue for 1944-45 is estimated at £39,050,000, compared with actual receipts of £37,168,000 last year. Customs are estimated to yield £11,605,000, of which tobacco alone will contribute £9,250,000, and Excise £8,780,000, of which duties on beer, spirits, betting and entertainment will provide £7,030,000. Inland revenue is expected to increase by £982,000 to £18,215,000. Income tax is estimated at the record figure of £11,570,000, and corporation profits tax, which at the beginning of the war yielded only £524,000, at £4,060,000, an increase of £279,000 on 1943-44. The increased yield of both taxes reflects the upward trend of business profits, and to some extent of profiteering. Non-tax revenue, derived mainly from Post Office receipts and land annuities, is estimated at £6,585,000, making the estimated total revenue £45,635,000, compared with £43,779,732, in 1943-44.

### Increased Expenditure

On the expenditure side of the account, supply services are estimated at £45,230,000, an increase of nearly £5,000,000 on last year, due largely to rising prices. The new children's allowances will cost £1,548,000 this year and about £2,250,000 in later years. The special provisions in the various state services to meet the higher cost of living amount to roughly £7,000,000. There will be further capital expenditure, including the construction of the Shannon airport, amounting to £1,069,000, which can properly be defrayed by borrowing. The total expenditure is estimated at £49,155,000, compared with £45,009,012 in 1943-44.

To meet the deficit of £3,520,000 no change in taxation is contemplated. If the war situation were to improve, some rise in the revenue from taxes could be expected, but it cannot be counted on. Whatever borrowing is necessary could largely be provided by an expansion in savings certificates and post office savings bank deposits, though conditions are favourable if the Government should decide to float a new loan.

On the whole, the problems of the present financial year have been satisfactorily solved; but the comparatively healthy condition of Irish public finance is no reason for complacency about the general economic condition of the country. Between 1938-39 and 1942-43, the gross volume of agricultural output fell by about 10 per cent, although net output rose by about 9 per cent. More is being taken out of the land than is being put in, and there is serious over-cropping added to a shortage of fertilisers.

Agricultural prices are 100 per cent above pre-war levels, largely as a result of high prices given to stimulate increased production. This has contributed to the relative prosperity of the farming community, but it is also an important factor in the 71 per cent increase on the pre-war cost of living. Output in industry has also declined, by 50 per cent in the important building industry, and by 21 per cent in those industries producing transportable goods. The war-time decline in trade is shown by a 71 per cent cut in imports and a 47 per cent cut in exports. Meanwhile, real wages have fallen, especially for those with fixed money incomes. Wages and salaries have only been allowed to

rise by 15 per cent and there is great poverty in the towns. Further discomfort arises from the severe fuel shortage and from a deplorable transport system which threatens to deteriorate even further.

### Post-War Plans

The Government is, however, making ambitious plans for the future. As in the United Kingdom, much of the Budget speech was concerned with the immediate post-war period. Large-scale public works are planned to absorb demobilised servicemen and workers returning from abroad. Besides a programme of public and private building, afforestation and tourist development, plans are being made for the exploitation of hydro-electric resources at a cost of £27,500,000, of which £10 million will represent a subsidy to rural electrification. If the scheme is successful, it should help to reduce agricultural costs and arrest the flight from the land.

The successful execution of this and other plans depends on a number of conditions. Eire possesses abundant sterling balances, but it remains to be seen how rapidly they can be used to purchase adequate supplies of much-needed imports. Present expenditure on defence and emergency services should be rapidly and drastically reduced; reductions of expenditure in other directions are imperative if the post-war employment plans are to materialise. Another condition is that the national income, especially the agricultural income, should be expanded.

## Films Follow the Flag

For some time the continent of Europe has been virtually self-sufficient in the supply of films. At present only neutral European countries distribute American and British films. Germany, the largest single producer on the Continent, seems thus to hold a monopoly in the supply of films.

The actual situation is, however, different. Before the war, roughly 50 per cent of all feature films shown on the Continent were American. Even in Germany, American films released in 1938 amounted to 21.7 per cent of the total feature films exceeding a length of 1,500 metres (roughly 5,000 feet). Measured by the number of films that have been produced during the war, Germany has not been able to replace American films. According to German statistics, the total continental production of feature films fell by roughly 34 per cent during the period from 1938 to 1943.

After an initial decline, Germany's production remained stable at an annual production of 100 to 110 films. In 1938 this production was 16.5 per cent of the total continental output. In 1943 Germany's share had increased to some 26 per cent. The production plan for 1943 shows that film production in Italy was almost as large as in Germany. Both countries were closely followed by France.

Nevertheless, in spite of an almost stable production, Germany managed to replace in most of the occupied and dominated countries a considerable part of American films. The share of American, British and German films was as follows:

(In Per Cent. of Total Number of Feature Films)

|                 | 1938 | 1938          | 1938    | 1942    |
|-----------------|------|---------------|---------|---------|
|                 | USA  | Great Britain | Germany | Germany |
| France . . . .  | 55.9 | 4.9           | 6.1     | 32.3    |
| Belgium . . .   | 57.7 | 2.9           | 15.1    | 65.7    |
| Holland . . .   | 64.9 | 4.2           | 16.1    | 73.1    |
| Denmark . . .   | 63.6 | 4.9           | 11.0    | 44.2    |
| Norway . . . .  | 62.4 | 3.8           | 11.5    | 58.3    |
| Finland . . . . | 53.0 | 2.5           | 13.7    | 31.0    |
| Roumania . . .  | 53.8 | 10.7          | 19.5    | 48.1    |



These figures are taken from German publications. Some of them may be estimates. Here and there the compilers may have overlooked that old American films were still shown even in 1942; but the fact remains that in Germany, and most other countries, cinemas put on regular shows.

The German film industry—that is, the production and distribution of films—is actually a nationalised industry. The cinemas have been left in private hands. But the private owner's position is comparable to the position of a branch manager in a large concern of retail shops. The final move for the complete nationalisation of the industry was made in 1942 when a holding concern controlling every single production and distribution company was founded under Uft. In Nazi language it is the central "steering organ."

Although not engaged in production, the central "steering organ" of the German film industry does plan production and adjusts the plans to the capacity of the producing companies, of which there are seven which continue to use the names of the former independent concerns. These are the Ufa-Filmkunst, Tobis, Terra, Bavaria, Vienna, Berlin and Prague companies. In addition, there are companies for special films, documentaries, and news reels.

It will be seen from the names of the companies that there is some kind of regional organisation for the production of films. Within the general plan imposed by the holding concern, which is, in fact, a department of the Ministry of Propaganda, the regional producers enjoy relative freedom.

But the distribution of films is in the hands of only one company. Here centralisation is absolute. In this way some 400 independent production companies and 300 distributors have been centralised as a state industry. For experimental purposes some very small firms are still allowed to function under the control of the big companies. Only the old "Ufa" company owned a considerable number of cinemas before the war, and, for the administration of all cinemas owned by joint stock firms, a new concern has been founded. Most cinemas, however, are owned privately, and special restrictions have been placed upon the accumulation of more than four cinemas in one hand. Inside this system financial problems are relatively simple. The cinemas pay to the distributors from 33 to 38 per cent of their takings. A short time ago this was increased by a special contribution amounting to 3 per cent, which is used for accumulating a fund for the rebuilding of cinemas destroyed by bombs. The revenue derived from the distribution of films is then allocated to producing companies according to the production plan drawn up by the "Ufa" Film Concern.

Since 1934, German cinemas have been restricted to showing one full-length feature film and one news reel; and one or two documentary films which are called "culture films" have been compulsory. At present a programme consists uniformly of one full-length feature film of about 2,000 metres, a news reel of 650 metres (against only 300 metres before the war), and cultural films of a length of 350 metres. Some 250 to 300 copies of each feature film are produced, against only 70 to 80 copies before the war. The same film is shown in about 4,000 cinemas. Before the war it was shown in 2,000 cinemas. About 800 copies of pre-war news reels were

produced. At present 1,250 copies are made for inland consumption—and for export to other countries additional copies in 35 languages are produced. The European market can therefore be supplied by the simple device of making the required number of copies, and by showing the same film in a greater number of cinemas.

The number of cinemas in Greater Germany remained practically unchanged up to the beginning of large-scale bombing. During the past year a considerable number of the larger cinemas have been destroyed, and cinema-goers face the prospect of the rationing of cinema tickets. In Greater Germany the number of tickets sold was as follows:—

| (In millions) |     |     |      |     |       |
|---------------|-----|-----|------|-----|-------|
| 1939          | ... | 624 | 1941 | ... | 829   |
| 1940          | ... | 834 | 1942 | ... | 1,100 |

These figures are slightly misleading, because of the incorporation of territory in the east and west. But there was no doubt a considerable increase.

Since the first conquests and the virtual incorporation of the so-called Protectorate of Bohemia and of Poland, the German film industry has a market of 8,299 cinemas. On the whole continent, including the neutral countries, there are some 27,000 cinemas, with 11 million seats. The density of cinemas is smallest in the south and south-east, and increases to record figures in the northern countries.

It is obvious that the concentration of the film industry in Germany is overwhelming for the smaller industries in occupied and satellite countries. Germany dominates the so-called International Film Chamber, which combines 17 countries, among them Sweden, Spain and Portugal. This International Chamber is a kind of clearing-house, with the object of adjusting the production and distribution of films all over Europe. Even before the war German film concerns held interest in Dutch and other foreign companies. Since the beginning of the war, the Ufa concern has built up a network of subsidiaries in south-eastern countries. The French film industry has remained formally independent, but the new company, "Continental Films," in Paris, is directly controlled by the Vichy Government. In most of the occupied and satellite countries state film departments have been set up which collaborate either with the German holding concern or with the German Propaganda Ministry.

During the war gross revenue of cinemas in Greater Germany from sold tickets has increased from Rm. 477 million to Rm. 935 million. The average entertainment tax in 1942 amounted to 6.8 per cent. Distribution costs leave producers ample funds for their restricted production, although the average costs of producing a feature film have increased considerably. A particular feature of the German film industry is a special bank, the "Film-Kredit Bank."

The European film industry during the war has showed a stabilised production in Germany, and a considerable increase in Italy, Hungary and Finland. In France there was a revival during 1942-43. Competition has been actually eliminated; and the producing companies suffer everywhere from lack of material and from rigid state control and planning.

## Letters to the Editor

### Irish Neutrality

TO THE EDITOR OF THE ECONOMIST

SIR,—In your issue of May 6th, Professor Savory quotes my recent pamphlet, "A Recognised Church," as evidence for pressure on Protestants in Eire. Please let me emphasise, as I have emphasised in my pamphlet, that the successive Irish governments have been impartial in opposing religious discrimination, and have had the support of most of the citizens in Eire in this.

The deliberate pressure is exerted only by some influential private citizens. Men of good will in all churches unite in deploring it. May I emphasise, too, that one of the main purposes of my pamphlet was to argue that the first political loyalty of the Church of Ireland in Eire is owed to the Government of Eire.

This, of course, should be a truism, unless we are to substitute St. Quisling for St. Patrick.—I am, etc.,  
Dublin.

W. B. STANFORD.

TO THE EDITOR OF THE ECONOMIST

SIR,—Professor W. B. Stanford is, of course, quite correct in asserting that in his pamphlet entitled "A Recognised Church," he has strongly insisted that members of the Church of Ireland should be loyal to the Government of Eire, but this certainly makes his statements on the treatment of members of the Church of Ireland all the more telling and striking, and I admire his courage in stating the case of his co-religionists with such firmness.

He points out that "conversions from Romanism are referred to in the Press as 'apostasies,'" and "in cases of conversion to Anglicanism intimidation, and even physical violence have been used against the persons concerned," and the figures that he gives of the decline of the numbers of the Church of Ireland in Eire show the pressure brought to bear upon the members of this Church.

He says that in 1911 there were 249,535, in 1926 164,215, and in 1936 the numbers had fallen to 145,030, and he states that "often political and religious pressure can be a more

insidious weapon against a community than open persecution." As a matter of fact, certain counties have been almost depleted of Protestants (as the census figures clearly show), many of whom have taken refuge in Northern Ireland and many have come to England. I have often conversed with those who have emigrated to Ulster, and though they come from many different counties, the tale that they tell is always the same—life had become intolerable, and they were forced to seek a more congenial atmosphere.—Yours, etc.,  
House of Commons.

D. L. SAVORY.

## The National Finances

TO THE EDITOR OF THE ECONOMIST

SIR,—Pages 605-614 of your issue of May 6th—10 pages of perhaps the most valuable figures you have published—can hardly have been completely digested at this date, but they lead me to wait no longer to say "Thank you," and to ask, like Oliver, for more.

It is interesting to compare these tables with the previous similar matter you gave us in May, 1943, and August and September, 1942. Taken altogether, they seem to me to be a fairly perfect parallel to the solving of a large jigsaw puzzle, of which no complete picture is available to build to.

In 1942, you had collected perhaps one edge of the puzzle, with quite a lot of gaps. In 1943, bits of all four edges were arranged, the sky at the top and the ground at the bottom, but there were quite obviously pieces in the wrong places. To-day we have the complete outside of the puzzle finished; all four edges are quite complete, and we know how big the final picture is. It is, nevertheless, only the outside edges of the picture we have, its frame so to speak, but we don't know the picture itself.

To continue the parallel, you have given us on page 578 of your April 29th issue two small items from the picture of the puzzle, complete in themselves, but we don't know where they fit. We know that in 1942, 655,000 workers were employed by the railways for a wage bill of £170 m., and also that in 1943 for the last six months, 702,700 wage-earners worked in the mines and received, for the six months, £99.2 m., or at the rate of £198.4 m. per year.

To complete the picture of our national industrial life, we need to know similar information for all the thirty million odd bread-winners of the country, and I believe it should be possible for you to give us this picture in the near future reasonably completely, although I appreciate that for a very long time there will remain one or two awkward little bits in the puzzle which won't fit in anywhere.

With such a complete picture, it should not be too difficult to criticise logically any Governmental national post-war planning. Without the picture, I fail to see how anyone can come to a decision on these points, and know, for example, whether 300,000 houses per year is inadequate or too large.—Yours, etc.,  
Sheffield, ro.

R. H. COATES.

TO THE EDITOR OF THE ECONOMIST

SIR,—Your conspectus of the statistical material available on the national finances was so explicit that one deplores the more the absence of a truly national balance-sheet to complete the story. What seemed lacking was a balance-sheet bringing into focus as a composite whole all the available resources of the nation (from which would be deducted those creditors outside Britain to whom amounts were owing in respect of any of the resources accounted for), suitably segregated and classified under appropriate headings, designating their nature, distribution of ownership, and location.

What board of directors would be content to present, and what body of shareholders would be content to receive, an income and expenditure statement without an accompanying balance-sheet depicting the extent and nature of the accumulated resources at a given date, from which to judge the strength or weakness of future potential income-earning capacity?

To illustrate only one feature of the usefulness of such a balance-sheet, its relation to our future export problem may be instanced. To maintain our standard of living after the war, it is estimated that we will require a 50 per cent increase in export trade.

Granted we find the markets, have we the capacity to produce that increase? With the prospect of a large proportion of manufacturing plants, factories, equipment, and armaments becoming redundant, obsolete, or scrapped, after the

war, how will we know whether we are actually in possession or not of sufficient available resources of the right kind, to produce the required increase, without initiating a thorough, co-ordinated, stocktaking, and incorporating the results in the framework of a National Balance-Sheet?—Yours, etc.,  
Harrogate.

WM. E. SPRUCE.

## Depreciation Allowances

TO THE EDITOR OF THE ECONOMIST

SIR,—I refer to Mr Singer's letter in your issue of May 6th. Mr Singer seems to me to write from theory without experience. In actual practice there were two points about the old taxation depreciation allowances which, with income tax at 7s. 6d. or 10s. in the £, had the effect of slowing down British industry.

The rates worked out fairly enough in the case of stable businesses cautiously operated where turnover and profits were relatively stable over a long period of years. In such cases, even with taxation at 10s. in the £, the business could look to recovering the capital invested during the life of a machine provided at the end it were replaced by another machine which cost no more than did the original one.

1. Apart from replacement, the question often arises of whether to invest in a new machine that is an improvement over the old one or to continue in the old way. The money this new machine costs has to be found out of reserve or from new borrowings. On the other hand, if a complete overhaul was undertaken of the old machine, that was treated as an allowable expense and the whole cost was all the cost and not subject to tax.

This produced a strong tendency in cautious minds "to mend and make do" rather than to venture into new ideas.

2. I have always said that a risky capital outlay should show a 20 per cent saving to justify itself, i.e., to enable it to be written off in five years. The following case recently happened:—

We design a piece of plant costing £6,000 which will save six men or £1,500 a year. This conforms with the rule of thumb which is given, and apart from taxation we should write off in four years and then be ready for something new. We know that business is likely to be brisk for the next three or four years. The following table shows that with taxation at 10s. in the £ it takes nearly seven years to write off this plant out of savings:—

|                                                                  | £     | £       |
|------------------------------------------------------------------|-------|---------|
| Capital outlay.....                                              |       | 6,000   |
| Annual saving (6 men).....                                       | 1,500 |         |
| Annual Income Tax Free Depreciation at 5% on capital outlay..... |       | 300     |
| Margin after depreciation.....                                   | 1,200 |         |
| Income tax at 10/- on this.....                                  | 600   |         |
| Net margin after income tax.....                                 |       | 600     |
| Net margin after income tax + income tax free depreciation.....  |       | 900     |
| Number of years to write off capital costs.....                  | 6,000 |         |
|                                                                  | 900   | = 6.2/3 |

Yours, etc.,

Street, Somerset.

BANCROFT CLARK.

TO THE EDITOR OF THE ECONOMIST

SIR,—As one reads the articles on the fiscal treatment of depreciation in the issues of *The Economist* of April 29th and May 6th, and the letters from Dr Singer which they provoked, it seems pertinent to inquire if it is so right to "criticise the 'accounting principle' under which the initial cost of equipment is written off, but not its replacement value."

Changes in the value of money only tend to emphasise the rigidity of relatively fixed operating costs. Fixed assets in the form of equipment are themselves but a store of delayed operating costs which sooner or later must pass into the operational account. In the last resort the ability to replace such assets is determined by a strong current position created in part by operational write-offs, but also by the policy of profit retention.

The accounting profession is not under "the delusion of fixed money value"; but if Dr Singer can suggest a better basis for drawing accounts than that which relies on the accounting principle of historical cost, I for one should be very glad to know it.—Yours, etc.,

London, W.C. 2.

F. SEWELL BRAY.

# THE BUSINESS WORLD

## Raw Materials in War and Peace

THE task of feeding the arsenals of the United Nations with raw materials has not been an easy one. Their needs of manpower could be met by cutting down civilian activities, by drawing on the pool of unemployed persons, and by denuding households of non-gainfully occupied women. Current supplies of raw materials, too, could be transferred from civilian to military uses. But supplies of many commodities fell far short of needs, either because of an expansion in total demand, or because some of the sources of supply were cut off. Steel, manganese, aluminium, magnesium, aviation petrol, and other materials were required in substantially greater volume than before the war; rubber, tin, silk, tungsten, Java sisal and Manilla hemp were doubly scarce because their major sources of supply were cut off from the United Nations by Japan. Production had to be stepped up, and substitutes found regardless of cost. But this is only one side of a complicated problem; the other was the need for distributing raw materials in accordance with military requirements, and with the needs of specific war production centres. A complete control of the flow of materials was essential to the fulfilment of the task of feeding the arsenals; the apparatus for it was set up by the creation, in January, 1942, of the Combined Raw Materials Board.

The CRMB, which has now issued its second annual report, has performed its task with considerable success. In its early stages, the supply and distribution problems were fraught with difficulties; many materials were scarce and prospective shortages appeared serious. Some 42 materials came under the Board's review, including, besides steel and other metals, balsa wood—essential in the production of the versatile Mosquito aircraft—fertilisers, hides and leather, kapok, nylon, pulp and paper, rubber, shellac, silk, sulphur and tung oil. As a result of a sustained effort to augment production in the countries accessible to the United Nations, to ensure the distribution of materials in accordance with military needs, and to secure economy in their use—assisted by the reduction in the loss of cargoes on the high seas, and the increase in shipping tonnage—it became evident about a year ago that "the military effort of the United Nations was not likely to suffer materially from an insufficiency of raw materials." The Board was therefore able to concentrate its main effort on a fairly narrow range of materials, such as rubber, nickel, mica, hides, pulp and paper and sisal. In other words, the major materials, especially steel and most other metals, are no longer causing serious concern, largely because shortages had been foreseen and provided for by increased production. Such bottlenecks as still exist are

chiefly in materials which were neglected initially because they seemed either unimportant or in plentiful supply. By the end of 1943 the position in many materials—especially metals—was so satisfactory that, by the test of their current use, surpluses were beginning to emerge.

In the matter of raw materials the United Nations are, in fact, already faced with some of the problems that will arise in the transition from war to peace. It should be emphasised, however, that such surpluses as have emerged or are likely to emerge, are merely surpluses over essential and mainly military requirements. It will thus be possible, as the Board suggests, to reduce production, to increase stocks, or to raise consumption, either by relaxing the degree of substitution that has been practised with materials hitherto in inadequate supply, or by relaxing the restrictions on civilian use. Any action that is taken should, of course, take account of the prospective supply and demand for individual materials. If the surplus over needs, as at present defined, is likely to be substantial, and part of current output is obtained at much more than average cost, there may be a case for a cut in supplies. Again, the relaxation of regulations about substitution is mere commonsense where the substitutes are of inferior quality and as costly as the material normally used. There is a strong argument for accumulating stocks of materials that are likely to be in heavy demand after the war. As the Board suggests, any increase in civilian consumption must be decided not merely by reference to raw material supplies, but, more particularly, by other factors, such as manpower, transport, and plant capacity. These factors are likely to limit severely the volume of additional raw materials that can be put to civilian uses, at least until the end of the war in Europe. But in a further prospect two considerations should be borne in mind. First, relaxations on restrictions upon civilian consumption should proceed on as equitable a basis as possible among the various members of the United Nations. It would obviously be inequitable if civilian consumption were allowed to increase substantially in one country and not in another; this may involve an adjustment in war production in the various countries to permit each of them to switch over a proportion of its resources to civilian production. Secondly, the principle of needs rather than money demand should continue to govern the distribution of essential raw materials for the period of the immediately post-war years. This principle has already been recognised in UNRRA.

There is, in fact, a strong case for maintaining the machinery of the CRMB not merely until the conclusion of hostilities—the report pleads for the maintenance of control over supplies and distribution until the end of the war—but during the period of reconstruction after the war. Control of allocation should not only assist in avoiding the inflationary rise in prices that would be inevitable in an immediate return to free markets, but it should make possible the distribution of materials on the basis of needs, not only between but also within the countries of the world.

But the emergency will be over some time. The question will then arise whether there should be a return to free markets or whether international Government control should be retained in the supply and distribution of raw materials. Policy, clearly, must be guided by the overriding need to ensure a steady expansion in the use of raw materials—a condition of a rising standard of living—at prices reasonably remunerative to efficient producers. If the choice were between completely free markets and a perfect system of international Government control, the latter might be preferable in that, by definition, it would eliminate excessive price fluctuations that have been the curse of raw material producers as much as mass-unemployment has been to industrial communities. But a perfect system of international Government control is hardly within the realm of practical politics, and an unsuccessful attempt at perfection is likely to produce the worst of both worlds. It is one thing to draft a perfect control scheme on paper; it is quite another

to translate it into practice. Almost inevitably, comprehensive planning in the sphere of raw materials would in practice show a strong bias in favour of the producers. In theory, the production of raw materials can be controlled without being restricted. In practice, any control scheme is likely to degenerate into a scheme for restriction in the interest of high prices, which would impede expansion in demand and industrial progress.

But, on the other hand, it is most unlikely that the public opinion of the world will be prepared to tolerate the wide fluctuations of prices that are usual on a free market, without making some attempt to control them. As between complete freedom and complete control, the world will not choose either extreme. Completely free markets have many advantages, which have been set out again in a report published by the British Federation of Commodity and Allied Trade Associations, Limited, an organisation of 40 trade associations set up in February last year for the joint consideration of post-war problems. Competition provides the incentive to cost reductions by the use of better methods, and it does not hinder geographical shifts in production to new low-cost centres. Moreover, the distribution machinery, with its "futures" markets, has performed the task of funneling supplies to consumers—in the quantities and grades required—with considerable efficiency. Free markets are hardly the

cause of excessive price fluctuations, which lie primarily in the variations of consumption, exaggerated by restocking and destocking movements. But complete freedom of the markets is incompatible with any attempt to mitigate those fluctuations.

The real problem that awaits solution is to find means of avoiding excessive price fluctuations without unnecessary restrictions upon the freedom of the markets. The mitigation of the trade cycle in industrial countries would go a long way towards bringing greater stability to the raw material markets. But it is hardly possible, at this stage, to place full reliance upon this remedy. Other means will have to be found to avoid excessive price fluctuations. But such measures as are taken—they will have to vary from commodity to commodity with the technical conditions of supply and demand—should be taken under the auspices and supervision of some international government agency of which the CRMB might well form the nucleus. It is only through concerted action by the Governments of producing and consuming countries that the worst evils of monopolistic practices can be avoided. Britain, more than any other country, depends for its future prosperity on a plentiful supply of cheap raw materials. And its influence is strong enough to enable it to insist on conditions that will be conducive to expansion.

## Business Notes

### A Matter of Interpretations

Much of the dispute on the international monetary plan which has recently enlivened Parliament and the Press concerns interpretations of the experts' joint statement. One serious misunderstanding was caused by the Chancellor of the Exchequer's remark in the House of Commons that there was nothing in the plan which would prevent this country from entering into "reciprocal trade agreements" with other countries. This was later corrected by Sir John Anderson, who said that he should have used the words "reciprocal arrangements" instead of "reciprocal trade agreements," and that what he had particularly in mind was "arrangements such as those governing what was known as the sterling area before the war." The sterling bloc before the war was a group of currencies tied to a single anchor, and therefore stable in terms of one another. It demanded no discriminatory practices on the part of its adherents and their currencies were freely convertible not merely in terms of one another, but in terms of other free currencies. Such arrangements would obviously be compatible with admission to a wider international monetary scheme, and Sir John Anderson's latest assurances on this subject were no more than the statement of the obvious. Another point which has been raised is whether the plan's injunction against "discriminatory currency arrangements" would not force Britain to apply control of capital movements within the sterling area if control of such movements were required between sterling and other currencies. These fears are unfounded. The scheme does not affect capital transactions except in so far as they involve "large and continuous use of the resources of the fund." The threat to sterling's position as an international currency comes, not from the experts' plan, but from those who seem to fear the general convertibility of sterling which the plan would restore after the immediate post-war transition period.

### India and the Monetary Fund

India's attitude towards the International Monetary Fund has been defined this week in a speech by Mr C. E. Jones, the acting Finance Member. India's position *vis-à-vis* the plan is of special importance and significance since that country will, in all probability, be the largest holder of abnormal external assets arising out of the war. It is in the light of that position, that is of India's exceptional holding of sterling, that Mr Jones viewed the currency scheme. He assumed that the abnormal balances would be funded and liquidated over a number of years. He thought it reasonable to assume that

the annual payment of sterling in accordance with that scheme of liquidation would be treated as current transactions for the purposes of the monetary plan.

On that assumption, the payments to India by Great Britain would rank for assistance from the Monetary Fund. Mr

Jones' support of the scheme was, therefore, largely based on the contention that such a scheme would strengthen the position of sterling and would bring about the multi-lateral convertibility of sterling at an earlier date than would otherwise be the case. The importance of such convertibility to India is that it would enable that country to plan its purchases abroad with greater freedom than if the sterling assets in question were only available for purchases in the sterling area. Provided, therefore, that India is given due recognition in the constitution of the Fund and granted a quota appropriate to its importance, the support of the Government of India will undoubtedly be given to the scheme.

### Bombay Silver Slump

The open market price for silver in Bombay has recently fallen headlong from the peak of 143 rupees per 100 tolas which was touched on April 24th last. With the exception of momentary halts, the fall since then has been continuous, but the pace of the movement has increased considerably this week. On Thursday of last week the quotation was still at Rs. 137 6 annas, but it broke by 3 rupees on the following day, and by Tuesday of this week the slide had taken the price down to Rs. 129. Two factors appear to have been responsible for this sudden relapse. The first is the improved situation on the Burma front. It was the token Japanese invasion of India, and the fear that the operations in Manipur might develop into a serious threat to India

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which led to the rush for silver in March and April of this year, and caused prices to reach their record levels. With the evident passing of this threat, hoarders and speculators have been selling. The responsibility of this general military factor is apparent in the corresponding though more modest movements in the rupee price of gold. From a quotation of Rs. 76/15 on April 24th the price has come down to Rs. 73/12. The greater stability of the gold price is due in the first place to the fact that the British and American Governments have continued to sell gold in the Bombay market. These sales prevented the price from following that of silver in the past few days. A more specific influence on the rupee silver market has been the report that the Indian Government is about to begin sales of silver in the open market. It will be recalled that last March the Indian Government bought about 16 million ounces of silver from the Iran National Bank. This operation was generally interpreted at the time as the preliminary to official sales of silver in the Indian market. There are strong arguments in favour of such sales. The counter-inflationary effect of sales of gold loses some of its force by reason of the exceptionally high price of the metal which thus does not reach the small cultivator. Disharding of foodstuffs by the agricultural population might be considerably helped if the authorities made silver as well as gold available in the open market. Meanwhile, the basic factors making for inflation in India and, therefore, for still higher bullion prices, have lost little of their strength. With the development of East Asia Command operations in Burma the scale of Allied expenditure in India is still rising, and this is reflected in the increased holdings of sterling assets by the Reserve Bank. Over the three months to May 12th these assets have risen by £75 million to £738 million, a rate of increase which will bring the total to £1,000 million within a year. It is, therefore, difficult to avoid the conclusion that the recent fall in bullion prices is merely a temporary reaction, and that, unless heavy sales of gold and silver are made on official account, the trend is likely to turn upward again before long. In fact, both silver and gold quotations in Bombay were again rising towards the end of this week.

\* \* \*

### Double Taxation

In replying to the debate on the second reading of the Finance Bill on Tuesday, the Chancellor of the Exchequer made some reference to double taxation. Both Sir George Schuster and Sir Arnold Gridley had asked that the whole question be examined, but Sir John Anderson's reply can scarcely be considered as encouraging. He was able to confirm that conversations had been proceeding between British and US representatives on this subject and to state that there is hope of an agreement on somewhat different lines from those governing Dominion Income Tax relief. He referred to DIT, however, as though it were a satisfactory arrangement—a view which would be strongly contested by many—and, while admitting the importance of the matter, he gave no assurance of its general reconsideration. This will certainly not satisfy those who have for years been pressing for a new policy, but there is still hope that the Anglo-American agreement, if and when it is signed, will establish a new principle upon which it may be possible to build a wider and more effective system of reliefs.

\* \* \*

### Campaign Against Portal Houses

The Government's decision to relieve the housing shortage after the war by supplementing the construction of permanent houses with temporary factory-made steel houses has given rise to violent outbursts on the part of leaders of building trade unions. Mr Wolstencroft, of the Amalgamated Society of Woodworkers, is an encouraging exception. He has publicly given a welcome to new building methods and promised his union's co-operation. Mr R. Coppock, secretary to the National Federation of Building Trades Operatives, has repeatedly attacked the decision to build temporary houses on the ground that permanent houses can be constructed in the numbers required. Now Mr Luke Fawcett, general secretary of the Amalgamated Union of Building Trade Workers, has joined in the campaign by issuing a pamphlet under the resounding title "We Can Build All The Houses." The bulk of it is taken up by a chronicle of Russian achievements, with the conclusion that what Russian workers can

do British workers can do. Here is an example of Mr Fawcett's rhetoric:

We assert that to start the post-war housing programme by thrusting *ersatz* dwellings on the people is a tragic mistake—nothing short of a betrayal of the people's needs and hopes. Nor is it justified on the facts. Good houses can be built to any number required. The sole reason advanced is that the substitutes can be provided more quickly. That is not true . . . The elaborate fiction that hundreds of thousands of our people must be fobbed off with Nissen huts or "temporary" houses, pre-fabricated or otherwise, because of the time it will take to build good houses, is belied by the facts.

In reaching the conclusion that unorthodox methods are essential to a speedy solution of the post-war housing shortage, the Government has not been actuated by any base designs but by the facts of man-hours and materials likely to be available. Mr Fawcett boldly asserts that the Government's decision is belied by the facts. But he carefully refrains from quoting these alleged facts, and so long as he does not give chapter and verse, his challenge cannot be taken any more seriously than that issued by Mr Coppock. Without detailed evidence, the campaign against the construction of temporary factory-made houses leaves the impression that it is designed to create prejudice against them in the interests of a monopoly in existing methods of building rather than to ensure a speedy solution of the housing problem. Comparative speed in construction with a given volume of resources can be the only test, until every family that wants one has been provided with a separate dwelling. That test will soon be provided, for permanent houses will be constructed side by side with temporary houses after the war.

\* \* \*

### Industry and Education

The responsibility of industry for the education and training of its young recruits, both inside and outside the works, is acknowledged in a recent memorandum of the Education Committee of the Federation of British Industries. The memorandum recognises, in general terms, that the whole of the years up to 21 must be regarded as an educational period. It contains several suggestions for the practical implementation of this principle, but the educational system and its future development is necessarily examined primarily by the criterion of industrial needs. The emphasis is therefore on improved methods by which industry can be supplied with new entrants—especially in the lower grades—of a higher adaptability to its needs. In part, this complaint can, and probably will, be met by a raised school-leaving age, but the Committee make further proposals for the improvement of the present situation. One of the most valuable is an insistence on closer co-operation between industry and the local education authority, to the advantage of both. By such means, and by an extension of the local employment advisory committees, industry might be assisted in getting the type of new entrant most suitable to its needs, while the experience of industry as employer of the old pupils might be of considerable value to the schools. There is an obvious limit to the desirability of such an integration, however, and too great an emphasis can be placed on proposals such as these. To subordinate education to the needs of local industry might conceivably introduce a limitation on the mobility of labour, and even on the standard of general education. The issues raised by Mr George Wansbrough's suggestions for improving the status and standards of skilled craftsmen (discussed in *The Economist*, May 20th, page 688) are not directly dealt with in the memorandum. It recognises the fact that at present the children entering industry at 14 are below the average product of elementary schools, since the best of these tend to go on with further education, or take up office jobs. The general belief that "office jobs" are inherently superior to those of the manual worker, the Committee believes, may be partly dissipated by the placing of technical and modern schools on an equal footing with the grammar schools. The memorandum provides a useful basis for further examination of the part which industry can play in the future development of education.

\* \* \*

### Rank and Fox

An interesting agreement has been concluded between Mr J. Arthur Rank as chairman of Gaumont-British Picture Corporation and Mr Spyros Skouras, president of Twentieth Century-Fox Film Corporation. In 1941 Mr Rank acquired

51 per cent—the Ostrer block of shares—of the voting shares in the Metropolis and Bradford Trust, the company controlling Gaumont-British Picture Corporation with its large chain of cinemas and film-making facilities. But the actual transfer of the voting shares was subject to the consent of the American interests in the Metropolis and Bradford Trust—mainly Twentieth Century-Fox—which has hitherto been withheld. This consent has now apparently been given as part of the agreement between Mr Rank and Mr Skouras, which provides for close collaboration between Gaumont-British Picture Corporation and Twentieth Century-Fox. Mr Skouras, as well as Mr Laurence Kent—"one of the most experienced theatre executives in the United States"—are to join the board of Gaumont-British Picture Corporation, and shareholders in Gaumont-British Picture Corporation will be asked to remove the ban on the transfer of shares to non-British subjects. According to a statement issued by Mr Rank, Twentieth Century-Fox has agreed to make available facilities in the United States for the physical distribution of film produced by Mr Rank's organisation, and arrangements have been concluded for the distribution of such films in South Africa and Australia on more advantageous terms than have hitherto been available. Moreover, the American company is arranging for the production of films in this country in collaboration with Mr Rank; these films will be distributed alternately by Twentieth Century-Fox and by Eagle Lion, Mr Rank's distributing organisation. The upshot of all this seems to be that Gaumont-British Picture Corporation, while controlled by Mr Rank, will contain a strong element of American influence, and that Mr Rank will be able to draw on American technical experience as well as enjoy the distribution facilities of Twentieth Century-Fox in the United States. A prosperous Gaumont-British Picture Corporation is obviously in the interest of Twentieth Century-Fox. In one respect the advantages enjoyed by Mr Rank's organisation are therefore similar to those of Metro-Goldwyn-Mayer British Studios, the British subsidiary of Metro-Goldwyn-Mayer, of which Sir Alexander Korda is chairman.

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### Credit Stringency

The position in the money market has been strained in recent weeks and the provision of official assistance by special open market purchases of bills has become a frequent and almost routine occurrence. The authorities, for the time being, are running the credit position on a particularly tight rein. There is no danger in this, since the market's remedial counter-measures can be taken so easily and painlessly. The help of the official buyer of bills can be invoked at a moment's notice and with little fear of a refusal unless the authorities are satisfied that the credit for which the market is looking is to be found elsewhere by dint of more diligent search. The prevailing stringency of credit in the short-loan market is, however, of special interest on two counts. In the first place, it coincides with the attempts of the authorities to put more Treasury bills into the hands of the banks. Since the weekly issue of Treasury bills by tender has been increased to £110,000,000, the banks' purchases of bills from the market have been unusually small owing to the prevailing dearth of bank cash. The discount market has obtained comparatively large allotments of the new bills over the past three weeks, but in order to finance these additional bills it has probably had to sell an equal amount of bills to the authorities. The latter, therefore, would seem to have taken back with one hand what they have issued with the other—but with this vital difference, that the bills bought in the open market have been of exceptionally short maturity, while the additional bills put into market circulation have been full-dated three-months' paper. In due time the additional bills will find their way to the banks' portfolios, but the process would be considerably accelerated if the call on the banks for Treasury deposit receipts were kept down to smaller dimensions. The second item of interest in the recent shortage of credit in the market is that it has coincided with a sequence of bank returns showing unusually large accumulations of funds in Government deposits. This immobilisation of credit in public deposits has been purely accidental, and is probably due to under-estimation by the authorities of the results of provincial "Salute the Soldier" weeks. This week the position has been further aggravated by the banks' preparations for their May returns. All these are passing influences, and the

credit position should return to its accustomed ease before long.

\* \* \*

### Coats Chairman on Control

Following the initial fall in earnings due to the war, there has been little fluctuation in the net profits of J. and P. Coats, and interest in the 1943 report centres around the remarks of the chairman, Mr J. O. M. Clark. As to the recent past and the immediate future, he is able to tell shareholders that last year brought a satisfactory increase in turnover, but that this was due mainly to heavy demands in North and South America. Difficulties of production in the former area suggest that this high level may not be maintained. From the standpoint of the proprietors, the EPT cushion is likely to absorb any effect this may have on gross earnings. More interesting are Mr Clark's views about the post-war position. Very clearly he favours both the removal of all controls at the earliest possible moment and the complete independence of the company. On the general question of controls he says:—

The matter is important but perhaps more important to manufacturers who are operating solely from Great Britain than it is to ourselves; nevertheless we should regret it if any further considerable part of our products should require to be manufactured abroad.

There could scarcely be a plainer indication of what the attitude of the large number of concerns with substantial export markets will be to any restriction which hampers them in competing with manufacturers who are more free to take their own course. As to any suggestion that Coats should be brought into any organisation of the cotton trade—or indeed any branch of textiles—Mr Clark points out that the sole connection in the past has been that the thread business used cotton yarns as its raw material and that

to remain abreast of the times and maintain the position of supremacy we hold on world markets, we must be free to take advantage of any discoveries in respect of raw materials available at any time of whatever nature they may be.

It is difficult to quarrel with his deduction that the

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industry must keep free from any restrictive legislation which may affect other branches of the textile industry. Indeed it might well prove fatal for them to have an agreement with any section of the textile industry which limited their freedom to use other materials. It is to be hoped that the type of control which is maintained beyond a short transitional period will not be restrictive and will be general and not detailed insofar as the matters mentioned are concerned. J. and P. Coats, however, with their associates, occupy an almost monopolistic position in the industry and the question whether some quite other type of control ought not to be exercised remains to be decided.

### Maypole Dairy Setback

The resumption of the falling trend in the profits of the Maypole Dairy Company last year suggests that the whole of the Lever group of store companies may be in like case. Sir George Schuster's review follows very much the lines of those of previous years, but he has rather more to say of the future. There can be no question but that wartime conditions have hit highly specialised shops, such as those of this group, with special severity. The contention of this group has always been that, by specialising in a comparatively narrow range of products, they were able to sell more cheaply, quality for quality, than the grocer with a wider range. One has to ask, however, whether this high degree of specialisation would have been followed had those in charge of the group been completely independent in the choice of their suppliers and the nature of their trade. It is interesting to speculate what would have happened in this respect had the projected amalgamation with the International Tea Company's stores—which more nearly approach the conception of general grocers—not broken down at the eleventh hour. About the future, Sir George, like so many other company chairmen in recent months, thinks the time ripe for some announcement of Government policy. He suggests that it should be possible to indicate the target for home agricultural production and, broadly, the quantity, nature and source of supply of food imports. Desirable as it is that such a statement should be made without delay, it seems rather optimistic to suppose that the authorities have advanced sufficiently far with their negotiations to permit of a very useful statement. Sir George's own view is that, to maintain a proper nutritional standard will fully employ home agriculture and still make it necessary to buy from the Dominions sufficient to provide adequate outlets for their own production. This may be true enough, but there is no certainty that those who most need a better diet will choose to spend their money in this way.

### Winter Milk Results

The production of milk during the second half of the winter season surpassed that of the first half, and the increase for the period September 1, 1943, to March 31, 1944, compared with the previous winter, was as high as 7.5 per cent. The trend of the increase in winter milk is shown in the following index figures, which refer to the consumption of liquid milk:—

|                         |     |
|-------------------------|-----|
| 1936-39 (average) ..... | 100 |
| 1939-40 .....           | 104 |
| 1941-42 .....           | 123 |
| 1943-44 .....           | 138 |

The latest increase represents an extra six million gallons a month, during the winter, in terms of actual milk produced. In wartime conditions, the achievement of the dairy farmer is remarkable, and his efforts are recognised, practically, by paying him more for milk in winter than in summer. A further increase in production can be

expected during the coming years. Winter milk is produced by winter calving, and the ultimate aim is for all calving to be done in winter, and none in the summer. Yields have been increased by better farming. The campaigns to increase production have been run by the County War Agricultural Executive Committees, and farmers have advised their neighbours on how to get the best results, by improved feeding and culling. Steps are being taken to improve breeding in the dairy herds by selection of better bulls. It is hoped that artificial insemination can be developed. Farmers are encouraged to record milk yields of individual cows, and to put their cows into the "Cows Panel," for regular inspection by veterinary surgeons. The War Committees' programme, although it provides immediate results, is an essentially long-term one. The final target at the moment is an additional 350 million gallons a year (the present rate is about 1,185 million gallons a year), which the Minister of Agriculture mentioned in the House of Commons on May 19th as the amount that would be required to remove the restrictions on non-priority consumers. Its achievement will take some years, but milk policy is not one designed solely for war. No doubt peace conditions, with better supplies of feeding stuffs and more labour, will accelerate the reaching of the target.

### Stock-in-Trade Valuations

There can be very little doubt that lack of economic training among both company directors and accountants results in accounts, prepared for the management of businesses, being much less useful than would otherwise be the case. To judge by published figures, this lack of training is nowhere more harmful than in the valuation of stock-in-trade and work-in-progress. This is a subject to which Mr K. Lacey has devoted considerable attention, and a note in *The Economist* of April 10, 1943, commented on an article of his on this subject. He has now carried the matter a stage further in a recent issue of *Economica*, and there propounds alternative solutions. Broadly speaking, his contention is that the system of valuing stock in trade on the first-in-first-out principle results in overstating earnings in times of rising profits and understating them when prices fall, and so accentuating the trade cycle. Further, he asserts that manufacturers tend to increase physical stock in times of rising prices and *vice versa*. These are, of course, two distinct problems, but it is possible that the impression of rising profits, created by valuing stocks at replacement cost, may encourage injudicious spending. Mr Lacey suggests as the better of two tried remedies valuation of stock on the last-in-first-out basis, which results in all stock being valued at a constant price. This he considers to be the correct gearing for "a potential age of plenty." Needless to say, the reserve representing the difference between base price and market price would accumulate in the hands of the company, and Mr Lacey suggests some income tax concession in regard to such reserves. The last-in-first-out method has been tried out extensively in the USA with full tax concessions for those who opted for this method of valuation. An alternative is the method adopted in France on the eve of war, which was to accumulate a reserve similar to that created under LIFO, while retaining the old method of stock valuation. This reserve was free of all taxation while it remained in the business. It is not sure that either of these methods is ideal, and Mr Lacey does not put them forward as such, but it is quite certain that the present system—or lack of system—is misleading to both managers and the public.

### Chain Stores Earn More

Four months ago the accounts of Woolworth for 1943 showed the third successive fall in published profits from the peak of 1940. The fall was 8 per cent, and the fact that earnings on the ordinary capital rose from 60.1 to 61.7 per cent was due to a sharp reduction in tax provision. This week Marks and Spencer announced an increase in net profit for the year to March 31st of 5.8 per cent to £1,940,000 odd. Provisions, other than tax, are down by almost £10,000, and tax is reduced by £73,000 to £790,000. In all, it is possible, after meeting preference dividends and maintaining the ordinary payment at 35 per cent, to add £320,837

## Company Results

### J. and P. Coats.

|                                              | 1941      | 1942      | 1943      |
|----------------------------------------------|-----------|-----------|-----------|
| Profit after taxation and depreciation ..... | 1,744,637 | 1,802,291 | 1,796,155 |
| Salaries, expenses, etc. ....                | 101,663   | 85,693    | 74,813    |
| Directors' Fees .....                        | 11,158    | 10,437    | 10,026    |
| Preference dividends .....                   | 330,000   | 330,000   | 330,000   |
| Ordinary stock:—                             |           |           |           |
| <i>Earned</i> .....                          | 1,301,816 | 1,376,181 | 1,381,316 |
| <i>Paid</i> .....                            | 1,290,625 | 1,290,625 | 1,290,625 |
| <i>Earned %</i> .....                        | 8.9       | 9.9       | 10.0      |
| <i>Paid %</i> .....                          | 8.9       | 8.9       | 8.9       |
| Carry forward .....                          | 455,705   | 541,241   | 631,932   |

|                               |            |            |            |
|-------------------------------|------------|------------|------------|
| Net fixed assets .....        | 316,774    | 315,471    | 305,020    |
| Net inter-company items ..... | 24,232,005 | 23,512,880 | 23,367,989 |
| Intangible assets .....       | 1,000,000  | 1,000,000  | 1,000,000  |
| Net liquid assets .....       | 3,568,040  | 4,356,650  | 4,622,296  |
| Gross liquid assets .....     | 8,767,295  | 10,281,570 | 9,666,816  |
| Stock .....                   | 3,319,682  | 5,380,994  | 4,798,827  |
| Investments .....             | 4,426,147  | 4,368,545  | 3,903,754  |

The £1 units of ordinary stock standing at 48s. 3d. ex-dividend, yield £3 12s. 6d. per cent.

### Babcock and Wilcox.

|                                          | 1941    | 1942    | 1943    |
|------------------------------------------|---------|---------|---------|
| Trading profit after depreciation† ..... | 702,601 | 667,491 | 714,532 |
| Dividends and interest .....             | 74,975  | 73,650  | 73,761  |
| Total profit .....                       | 777,790 | 741,827 | 789,026 |
| Rents, rates, taxes, etc. ....           | 29,025  | 18,375  | 28,295  |
| Income tax .....                         | 365,000 | 341,500 | 362,333 |
| Directors' fees .....                    | 8,000   | 8,939   | 8,129   |
| N.D.C. and war damage .....              | 22,357  | 41,200  | 33,682  |
| Staff pension funds .....                | 46,417  | 47,448  | 48,446  |
| Miscellaneous expenses .....             | 30,970† | 5,922   | 6,891   |
| Preference dividend .....                | 7,664   | 7,726   | 7,726   |
| Ordinary stock:—                         |         |         |         |
| <i>Earned</i> .....                      | 288,387 | 270,717 | 293,524 |
| <i>Paid</i> .....                        | 242,930 | 244,363 | 244,363 |
| <i>Earned %</i> .....                    | 12.1    | 12.2    | 13.2    |
| <i>Paid %</i> .....                      | 11      | 11      | 11      |
| Reserve against stock depreciation ..... | 25,000  | 25,000  | 25,000  |
| Carry forward .....                      | 105,709 | 107,063 | 131,224 |

|                               |           |           |           |
|-------------------------------|-----------|-----------|-----------|
| Net fixed assets .....        | 1,080,545 | 1,091,511 | 1,078,462 |
| Net inter-company items ..... | 1,401,094 | 1,234,294 | 1,064,603 |
| Net liquid assets .....       | 3,786,274 | 3,975,551 | 4,202,099 |
| Gross liquid assets* .....    | 6,047,002 | 6,090,339 | 6,491,427 |
| Stock* .....                  | 2,160,036 | 2,128,764 | 2,243,286 |

† Including dividends from subsidiary and associated companies.  
‡ Including £22,935 enemy losses written off.  
\* After deducting reserve against stock depreciation of £125,000 in 1941, £150,000 in 1942, and £175,000 in 1943.

The £1 Ordinary shares stand at 50s. 6d., ex-dividend, and yield £4 7s. 1d. per cent.

### The Baltimore and Ohio Railroad Company

#### SUMMARY OF ANNUAL REPORT FOR THE YEAR 1943

The 117th annual report of the President and Directors for the year 1943, is being mailed to the Company's stockholders.

#### RESULTS OF OPERATIONS

The following is a summary of the Company's audited income account for the year 1943, compared with year 1942.

|                                                           | Year 1943        | Year 1942        | Increase over 1942 |
|-----------------------------------------------------------|------------------|------------------|--------------------|
| Railway operating revenues .....                          | \$358,142,152.08 | \$306,254,103.49 | \$51,887,958.59    |
| Railway operating expenses .....                          | 250,584,352.63   | 204,241,198.76   | 46,343,153.87      |
| Net railway operating revenue .....                       | \$107,557,799.45 | \$102,012,904.73 | \$5,544,894.72     |
| Railway tax accruals (including Federal income tax) ..... | 46,457,958.58    | 25,054,012.87    | 21,403,945.71      |
| Railway operating income .....                            | \$61,099,840.87  | \$76,958,891.86  | D \$15,859,140.99  |
| Equipment and joint facility rents—Net Debit .....        | 8,932,372.37     | 7,400,263.88     | 1,532,108.49       |
| Net railway operating income .....                        | \$52,167,468.50  | \$69,558,717.98  | D \$17,391,249.48  |
| Other income .....                                        | 8,637,968.62     | 8,670,683.14     | D 32,714.52        |
| Total income .....                                        | \$60,805,437.12  | \$78,229,401.12  | D \$17,423,964.00  |
| Miscellaneous deductions from income .....                | 2,035,995.35     | 1,685,984.95     | 350,010.40         |
| Income available for fixed charges .....                  | \$58,769,441.77  | \$76,543,416.17  | D \$17,773,974.40  |
| Fixed interest and other charges .....                    | 18,647,102.81    | 19,863,257.08    | D 1,216,154.27     |
| Income available for other purposes .....                 | \$40,122,338.96  | \$56,680,159.09  | D \$16,557,820.13  |
| Contingent interest charges .....                         | 9,612,858.50     | 11,356,562.50    | D 1,743,704.00     |
| Audited net income .....                                  | \$30,509,480.46  | \$45,323,596.59  | D \$14,814,116.13  |

(D) Denotes decrease.  
The decrease in net income of \$14,814,116 is the result of:—  
Loss due to suspension in 1943 of freight rate increases ..... \$7,100,000 |  || Increase in wage rates ..... | 9,282,000 |  |
| Increase in taxes after non-recurring tax credit of \$8,574,214 in 1942 ..... | 12,801,972 |  |
| Total ..... | \$20,123,972 |  |

Accruals for all taxes, year 1943, were \$46,757,209, absorbing 13 cents of each dollar of total operating revenues, 43 cents of each dollar of net railway operating revenue, and were equal to \$18.84 per share on the capital stock. As of December 31st, 1943, the record investment in property as related to railway operating income, is \$999,678,403, against which \$130,406,465 depreciation has accrued, leaving the net recorded investment \$869,271,938. There was no change in capital stock during the year, but there was a net reduction of \$58,661,935 in interest-bearing obligations of which \$57,537,050 were retired through the operation of the sinking fund created by the 1938 Plan for Modification of Interest Charges and Maturities.  
R. B. WHITE, President.

ESTABLISHED 1824  
**SCOTTISH UNION AND NATIONAL**  
INSURANCE COMPANY  
ASSETS EXCEED £18,500,000  
FIRE LIFE ACCIDENT MARINE  
Edinburgh: 25, St. Andrew Square.  
London: Northgate House, 25/26, Moorgate, E.C.2  
and 46, Pall Mall, S.W.1.



## COMPANY MEETINGS

## SPILLERS, LIMITED

## ACCOUNTS FOR THREE YEARS

## MILLING TRADE CONDITIONS

## SIR MALCOLM ROBERTSON'S SPEECH

The fifty-seventh annual general meeting of Spillers, Limited, was held at the Great Eastern Hotel, Liverpool Street, London, E.C., on the 25th instant, the chairman of the company, the Right Hon. Sir Malcolm A. Robertson, P.C., G.C.M.G., K.B.E., M.P., presiding.

The Chairman submitted to the meeting his statement, which had been circulated to stockholders with the directors' report, as follows:—

Before proceeding with my review I desire to record the deep sense of loss to my colleagues, the staff and myself occasioned by the death during the past year of Mr. Edgar Baker. Mr. Baker, when he retired from the board in 1938, had been connected with the company for 52 years, during 35 of which he had been a director. He was chairman from 1926 to 1930, and deputy chairman from then until his retirement. His was a record of loyal and unfailing service, of wise counsel and of unobtrusive kindness. It will, I know, be your wish that a message of condolence from the company which he served so long and so well should be sent to his family.

The directors are glad that it has been possible to prepare accounts for the three years ended January 31, 1940, 1941 and 1942, and these have been laid before you. While a separate profit and loss account for each year is submitted, it was felt that no real purpose would be served by giving a balance-sheet at any date other than January 31, 1942.

## TWO YEARS STILL IN ARREAR

This represents a considerable degree of progress, but still leaves the position two years in arrear, a state of affairs which, though inevitable in the circumstances does not commend itself to the board. You have been apprised in the past of the vast amount of extra detail work involved as a result of operating under control conditions, and while every effort will continue to be made to expedite the matter, I do not consider that it will be possible—even at the best—to submit accounts less than one year in arrear so long as present conditions subsist.

Turning now to the accounts before you I must first emphasise that these are of a provisional nature. So far as they relate to flour milling operations the figures have not yet been agreed with the Ministry of Food. In addition, the taxation liability arising on the Company's results during the period covered has not yet been determined with the Inland Revenue, and the provisions made for taxation should be regarded more from the standpoint of the three years as a whole than in relation to each particular year. In the ordinary course the Directors would have preferred to await final figures, but they considered that by reason of the lapse of time since the last accounts were submitted to the stockholders it was desirable to present to you the most reasonably accurate statement which it was possible to prepare at this time.

## REARRANGEMENT OF BALANCE SHEET

The balance-sheet has been arranged in order to group the assets and liabilities in accordance with modern form. The first sub-total on the assets side represents the total fixed assets, while the second records the total floating assets. On the liabilities side the liabilities to members, viz., issued capital, reserves and the undistributed balance of the profit and loss account are brought together in contra-distinction to the current liabilities under the head of "creditors."

Fixed assets show a small decrease as compared with the corresponding amount at January 31, 1939. This derives largely from the annual writing down to provide for depreciation and obsolescence. It is important to note that no adjustment has been made in respect of premises and plant destroyed or damaged by enemy action. The amount involved is considerable, but it is not appropriate to deal with this matter until a settlement has been reached in regard to the war damage claims to which this has unhappily given rise.

Floating assets have increased considerably as compared with January 31, 1939, but this has to be considered in conjunction with the amount under "Creditors" which has also increased. The surplus of net current assets at January 31, 1942, was £2,603,848 as compared with £2,267,511 at January 31, 1939.

## TRADING SURPLUS

The profit and loss and appropriation accounts for the three years are shown in columnar form. It will be seen that the surplus on trading was substantially greater in the year ended January 31, 1940, than for the previous or the two following years. This arises from several factors, the most notable being that as a result of the change in methods of trading brought about by the imposition of the Control Orders, the profit on contracts open at the date of the Orders was realised during the year, and the normal situation whereby unrealised profit on contracts open at the close of the financial year is carried forward, did not obtain. Consequently the realised profit for that year was increased, but it is necessary to bear in mind the offset that may arise from the reverse situation that will occur in the year in which Control is terminated.

In the two following years the results of the flour milling operations were determined wholly by the terms of the agreement with the Ministry of Food, the general nature of which I have previously explained to the stockholders. In these years the volume of business in those sections of the company's activities which are not governed by that agreement—notably the animal foods department—while progressively reduced by war-time restrictions, had not shrunk to the low levels subsequently reached. It has to be appreciated in this connection that economies and price advances cannot make good the effect of diminished output when this reaches serious proportions. It is anticipated that the results from these departments will show a falling off in the years following these accounts.

## A MEAGRE RESULT

Over the three-year period covered by these accounts after providing for taxation and dividends there is a net surplus of £62,811 which has been appropriated as follows:—

|                                                                                    |               |
|------------------------------------------------------------------------------------|---------------|
| By transfer to general reserve.....                                                | £ 50,000      |
| By adding to the carry forward (which at January 31, 1942 stood at £180,980) ..... | 12,811        |
|                                                                                    | <hr/> £62,811 |

This is no more than a bare surplus in relation to the extent of our business and scale of effort, particularly when regard is had to the difficulties which will emerge in re-establishing our trade on a peace-time basis, in rehabilitating our factories and from the other adverse circumstances to which I have previously referred. Complete figures are not yet available in relation to

our subsidiary companies, and their earnings have not to any material extent been incorporated in these accounts. But in this connection it is important to note that as regards the principal of these concerns, Hosegood Industries, Limited, our interest was acquired just prior to January 31, 1939, so that nothing was included in our pre-war profits from this investment.

## GOVERNMENT TERMS NOT GENEROUS

Consideration of the position has confirmed the view which I previously put to you, that taking into account all relevant aspects of the situation, the terms of the arrangements between the Government and the milling industry are not generous to the millers and supports the contention that these terms should be improved if only to the extent of recognising the output that has been achieved in excess of the pre-war level under conditions of the utmost difficulty and for which no profit or remuneration has up till now been paid.

I think I may say not only of this company, but of the milling industry as a whole, that it has endeavoured to contribute to the war effort by attaining the maximum output with the fullest efficiency and economy possible under existing conditions without relying upon any financial incentive to greater effort. Such an incentive is unnecessary to responsible industry engaged in the production of vital supplies in time of war, nor is it sought as such. But some reasonable return for services performed by a key industry to enable it to make a modest provision against the grave difficulties which clearly lie ahead, if its position in the national economy is to be maintained, seems both advisable and just.

## DIVIDEND DECISION

I now come to the question of dividend for the year ended January 31, 1944, which had again to be considered by the directors without accounts showing the results of that year and in the light of the circumstances which I have outlined. They have decided that despite the uncertainty attending the level of earnings and the outlook for the immediate future, the strength of the liquid position which derives from the building up of reserves over a long period before the war justifies them in recommending to you the payment of dividends at the same rate as for the previous year. A resolution to carry this into effect will be submitted to you at a later stage in the meeting.

Once more it is my pleasure to express on behalf of the board and the stockholders our thanks to our staff and workpeople for their devoted and untiring efforts throughout the past year, under conditions which continue to be exceedingly trying and difficult.

I would especially thank our area general managers, senior officials and mill managers who have so successfully met the added calls made upon them as a result of war-time conditions. I know that they have faced their increased troubles without complaint, not only out of their traditional loyalty to the company, but also because they recognise so fully that they are engaged in maintaining essential supplies in time of emergency.

## EMPLOYEES IN THE FORCES

Finally, I would convey our greetings to our employees now serving with the armed forces. We hope the time is appreciably nearer when we shall be able to welcome them back, and meantime we send them our very best wishes for a safe return. The report was adopted and the dividends approved.

The retiring directors, Sir W. Norman Vernon and Mr. Laurence Hosegood, were re-elected, and the retiring auditors, Messrs. Impey, Cudworth and Co., and Messrs. Deloitte, Plender, Griffiths and Co., were reappointed. The meeting was then adjourned for the reception of the accounts for the year.

The adjourned 53rd, 54th and 55th annual ordinary general meetings were then resumed and the accounts for the three years ended January 31, 1942, adopted.

A vote of thanks to the chairman concluded the proceedings.

## J. AND P. COATS, LIMITED

## SUCCESS OF GOVERNMENT CONTROL

## GOOD POST-WAR DEMAND EXPECTED

## MR J. O. M. CLARK'S VIEWS

The annual general meeting of J. and P. Coats, Limited, will be held, on the 15th prox., in Glasgow.

The following statement by the chairman (Mr J. O. M. Clark) has been circulated to stockholders in advance with the report and accounts.

Following the practice adopted in recent years, I am again sending to the stockholders a brief statement dealing with the accounts to be submitted at the general meeting on the 15th prox., together with a few comments on the position of the business in general.

## ACCOUNTS

The balance-sheet shows little change in comparison with that of the previous year.

Amongst the liabilities, sundry creditors have dropped from £12,049,000 to £11,209,000, the decrease being due chiefly to a reduction in trade creditors for raw cotton supplies and to reduced balances due to third parties for monies borrowed abroad on our behalf by our selling agents.

On the assets side the item "Shares in Subsidiary Companies" has risen from £21,822,000 to £21,974,000. This change is explained by increases in our shareholdings in two wholly-owned foreign subsidiaries whose share capitals have been raised to put them more in accord with local conditions. The new shares were issued in each case in satisfaction of a corresponding amount of current account indebtedness.

It will be noted that general investments have come down from £4,368,000 to £3,903,000, due to sales of investments in 1943 to improve our cash position and, in a lesser degree, to normal redemptions.

Stock of goods and stores has decreased from £5,380,000 to £4,798,000. Last year about half of the increase then apparent was accounted for by a large purchase of raw cotton, which cotton, I explained, had been sold to the Cotton Control early in 1943. This sale accounts for part of the decrease in the 1943 figure. Sales of raw cotton were also made to subsidiaries during 1943 out of 1942 stock, but were more than offset by an increase in the stock of finished goods.

The profit and loss account shows a balance of £1,711,000 after providing £865,000 for excess profits tax. As before, our income-tax liability has been fully covered for the year of account, so that tax to be deducted from the final dividend on the ordinary stock, payable on June 30th next, will come into the 1944 accounts as an offset to the liability for that year.

The earnings for 1943 are not changed materially from those of 1942, but in 1943 we have had to make certain exceptional provisions of which the chief relate to foreign taxation.

It will have been noted that a few minor changes have been made in our accounts with the purpose of more precise description. We have considered making further changes along the line of the recommendations made by various accounting bodies, but having regard to the many factors which presently affect our foreign interests, we consider it inadvisable to make such changes at the present time.

Though the profit figure after deduction of E.P.T. has varied very little in the last three years, our sales have again shown a satisfactory increase on the high figure of the preceding two years. This has been contributed largely by North and South American markets. There is, however, evidence that the exceptional activity may not continue, particularly in the United

States, where as a result of difficulties of production a much more stringent system of rationing of our customers has now had to be introduced.

## FUTURE PROSPECTS

So far as the future is concerned, your board look forward after the war to a considerable demand for our goods from many parts of the world, and we hope that when the time comes we will be in a position to meet this.

At the moment it is not possible to do much by way of preparation so far as our home mills are concerned, and later on our plans will have to be governed largely by the extent to which controls are retained in this country. As I informed you on a previous occasion, I consider it will be essential that some of these be retained until stability is reached, but I hope that as many as possible will be lifted without delay. It is not an easy matter to get rid of restrictions once they have been imposed, and many of us can remember the tenacity with which certain war-time regulations were clung to after the last war. The matter is important, but perhaps more important to manufacturers who are operating solely from Great Britain than it is to ourselves, nevertheless we should regret it if any further considerable part of our products should require to be manufactured abroad.

## GOVERNMENT CONTROL

While speaking of controls I wish to add this. The thread industry is a very highly specialised one and requires long experience to understand it properly, and I should like to pay a tribute to those who have been called upon by the Government to control both our requirements of raw materials and our exports of finished products for the efforts which they have made to use information acquired from us in such a way that the business was damaged as little as possible by any restrictions on our activities made necessary by the war.

The only connection between the sewing thread business and the cotton trade has hitherto been in the use of cotton yarns as raw materials, but it is clear that to remain abreast of the times and maintain the position of supremacy we hold on world markets, we must be free to take advantage of any discoveries in respect of raw materials available at any time of whatever nature they may be. Our industry must therefore stand on its own feet, in no way encumbered in its natural development by any restrictive legislation which might affect other branches of the textile industry. The same considerations also hold good for our selling organisation which, under the management of fully trained experts, maintains in all foreign markets well assorted stocks of all articles necessary for local requirements.

A year ago I referred to the low level to which our cotton stocks had fallen, and I expressed some anxiety for the future. I am pleased to say that, thanks to the efforts of the Cotton Control, the position has improved greatly, and I hope our stocks will now assure us of ample cotton for some time to come.

## EMPLOYEES

To our employees and staffs at home and abroad I would like again to express our hearty appreciation of the services they have rendered. Conditions have certainly not been any easier during the last year, and they have cheerfully undertaken the many additional responsibilities which have fallen upon them.

NORWICH UNION LIFE  
INSURANCE SOCIETY

## INCREASED NEW BUSINESS

The one hundred and thirty-sixth annual general meeting of the Norwich Union Life Insurance Society was held, on the 23rd instant, at Norwich.

Sir Robert Bignold (the president), having alluded to his gratification in becoming president of the Society founded by his direct ancestor 136 years ago, said that the most outstanding feature of the report and accounts was the large volume of new business put on the books during the year. The net figure of £9,471,569 represented an increase of just over £2,000,000, a notable achievement under current circumstances.

They were able to show over the whole of their funds a net return of £3 8s. 8d. per cent, against £3 8s. 6d. per cent. for 1942. They had been able to invest substantial sums in carefully selected real property, giving a good return.

The mortality of the year had been remarkably favourable and, even allowing for war claims amounting to over £180,000, was below the normal expectation.

A warm welcome awaited every member of the staff who wished to return to the Society after the war.

This Society with the old Amicable, which was absorbed nearly eighty years ago, had seen the collapse of three would-be European Dictators, Louis XIV, Napoleon and the Kaiser, and would, he trusted, ere long see the final eclipse of the fourth. The Norwich Union, which had been carried on during the past centuries by individual enterprise, looked forward now with confidence. Insurance overseas represented a valuable contribution to invisible exports, and this Society hoped to continue and increase its world-wide business, particularly in the great Dominions and other parts of the Empire. The report was unanimously adopted.

NORWICH UNION FIRE  
INSURANCE SOCIETY

## VITALITY OF THE BUSINESS

At the one hundred and forty-sixth annual general meeting of the Norwich Union Fire Insurance Society, Limited, held, on the 22nd instant, at Norwich, Sir Robert Bignold (the chairman) said how pleasing and encouraging it was that in the first report since he was elected chairman of the Society, with which his forebears had been intimately associated since its inception, the figures should not only be extremely satisfactory but such a clear indication of the undiminished strength and vitality of the Society.

The premium income in the fire account had increased over the preceding year by £197,698, and the profit of £170,805 could be considered very satisfactory despite disappointing results of their American business.

The accident account had again been a good one, showing the substantial underwriting profit of £246,085.

As was to be expected, the marine premium income showed a somewhat large decrease, but in transferring an amount of £150,000 to profit and loss, they were entirely satisfied that the reserves were ample.

The total amount of transfer to profit and loss account was £566,891, a very gratifying return for the year's working. The balance carried forward was £307,011.

The total assets of the Society at £8,685,798 showed an increase of £533,959.

The Society would be ready and eager to play their part in the post-war rebuilding of the business world, both at home and overseas. The future would give much scope for extension of their services. In aviation insurance, and in other forms of indemnity, the vast experience of the insurance companies would be of the greatest value of commerce when peace was once more with us.

The report was unanimously adopted.

# FORD MOTOR COMPANY, LIMITED

EXCELLENT RESULTS AND GRATIFYING POSITION

SOUND FOUNDATION FOR POST-WAR ACTIVITIES

LORD PERRY ON EMPLOYEES' WELFARE

The fifteenth ordinary general meeting of Ford Motor Company, Limited, was held, on the 24th instant, at the registered office, 88 Regent Street, London, W.

The Rt. Hon. Lord Perry of Stock Harvard, K.B.E., LL.D. (the chairman), presided.

The secretary (Mr J. L. Claridge, C.A.) read the notice convening the meeting and Mr F. Pragnell, F.C.A., of Messrs Mellors, Basden and Mellors, the auditors, read the report of his firm.

The following is the Chairman's statement, which was circulated with the report and accounts:—

I am continuing the war-time practice of issuing a statement instead of addressing you from the chair.

The accounts and directors' report submitted herewith reflect a gratifying position following a year of intense activity. Your directors are proud of the company's contribution to the national and Allied effort, in which the motor industry is playing so large and vital a part, and record their gratification of the official commendation which the company and its products have received. This excellent result has been achieved by the unflagging effort of the personnel and the able support of many dealers and suppliers.

You will find the accounts self explanatory. The directors have continued their policy of maintaining a strong, liquid position, and I trust you will agree that every step possible is being taken to ensure a sound foundation for post-war reorganisation.

## CLARIFICATION OF ACCOUNTS

I am pleased to note the developments taking place in legal and accountancy circles regarding company law amendment and clarification of published accounts. The company has always given its members full information, and, where appropriate, the present accounts incorporate the recent recommendations of the Institute of Chartered Accountants. Under existing conditions the presentation of consolidated accounts of the company and its subsidiaries is not possible, but it is hoped to issue them so soon as circumstances permit. The annual accounts of the greater number of the continental associated companies are, of course, not available and others are delayed owing to postal restrictions; the 1943 accounts of some of the subsidiaries, however, will be available at the general meeting for inspection by stockholders.

What little additional information is available regarding associated companies in enemy or enemy-occupied countries does not permit of forming a clear picture of the magnitude and complexity of the post-war problems to be faced in effecting their reorganisation. However difficult the task may be it will be expedited to the fullest possible extent so that essential road transport facilities in those countries are restored.

The holding company, which for the time being operates from this country under special Board of Trade licence, earned an increased profit during 1943. Its liquid resources are accumulating because the directorate desires to be in a position to give post-war financial assistance to those continental associated companies requiring it.

## FINE RESPONSE FROM EMPLOYEES

The company now has 3,543 employees in the Services. I regret having to report that 96 employees have died in the nation's service and I am sure you will wish to extend deepest sympathy to the bereaved

families. Decorations for gallantry have been awarded to several employees and we congratulate them.

I pay tribute again this year to our employees for the continuation of their fine response to the call for lending to the nation. The Ford Savings Group membership is 91 per cent. of the entire personnel; total savings have now passed £1,442,250, and the flow of contributions shows no signs of abating. "Salute the Soldier" campaigns, which have yet to be held in localities where we have interests will provide further opportunities to support the nation's war effort. Contributions to Red Cross Penny-a-Week Fund are also outstandingly good.

The dealer organisation, which served the public so well in pre-war years, has a proud record of war service in many different forms. I am glad to be able to report that the company has been of help to the dealers in these difficult times and, with them, looks forward to considerable post-war activity in the interests of all users of motor vehicles and tractors.

The various funds inaugurated for the benefit of employees have continued to operate during the year and their scope is being extended as circumstances require. I am confident that employees—working in the factories or serving in the Forces—and their families appreciate the assistance thus afforded, especially as the strain of war years begins to make itself increasingly felt. These activities, combined with the high standard of Ford working conditions, are part of the company's long-established policy in everything affecting the efficiency and well-being of its workers.

## AGREEMENT WITH TRADE UNIONS

Members will have read in the Press of the recent agreement that has been concluded with the trade union movement. This is a new departure but it was felt that the time had come when joint collaboration in maintaining the best possible conditions for the employees was desirable. The agreement did not arise out of any discontent with conditions of employment. The company recognises what the nation owes to the trade union movement, and the unions have acknowledged the leading part taken by the company in providing good conditions for its own employees and in influencing the advancement of better conditions for all workers generally.

## POST-WAR PROBLEMS

The final phases of this world-wide conflict are approaching and, despite war-time pressure, time must be found to think of the country's interests and those of the world in the years of peace which are, I trust, near at hand. I make no detailed forecasts of the part which each one of us will be called upon to play but it is apparent to all that the Government must look to large organisations such as ours for effective help during the reconstruction period and in the later expansion of sound home and export commercial activities. This being so I welcome the approaches which already have been made to our industry by the Government, but I ask that there shall be no delay in taking us into their full confidence on such post-war matters as tariffs, forms and levels of vehicle taxation, export requirements, road development plans and similar matters of vital importance to future progress. I also ask that there shall be given ample scope for initiative and individual enterprise. The company will endeavour to play its part to the full with the hope that the post-war

world will be co-operative in developing international commerce to mutual advantage everywhere.

The company is again indebted to officials of His Majesty's Government for their courtesy and help in the many problems which arise.

I desire to thank my colleagues, the executive staff and all the personnel for their able and continued effort in serving the company and, through it, the nation during the period under review.

## DIVIDEND OF 6 PER CENT

The needs of the future require a conservative financial policy at the present time. The directors recommend therefore that the war-time level of annual distribution be continued and that a dividend of 6 per cent., subject to income-tax, be declared.

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

The retiring director (Major Sir Malcolm Campbell, M.B.E.) was re-elected, and the auditors (Messrs Mellors Basden and Mellors) were reappointed.

A hearty vote of thanks to the chairman, directors and staff concluded the proceedings.

## CENTRAL MINING AND INVESTMENT CORPORATION LIMITED

### IMPROVED REVENUE

The thirty-ninth ordinary general meeting of The Central Mining and Investment Corporation, Limited, will be held on 1st proximo in London.

The following is an extract from the statement of the chairman (Sir R. Sothorn Holland, Bt.) circulated with the report and accounts:—

The revenue for 1943 of £1,097,468 shows an improvement of about £370,000 over that of 1942. This result is exceptional. Our dividend income in fact was lower, but, in a more active market, we realised larger profits on the sale of shares and we also received a payment on account of debentures of the Anglo-Spanish Construction Company, Limited, the book value of which had previously been written down to a nominal figure. Revenue has been charged with an allocation of £50,000 for Contingencies Account and with the amounts necessary to write down quoted stocks to or below market price at the end of the year and certain unquoted stocks to directors' valuation.

## APPROPRIATION

The amount set aside for taxation, which is naturally higher, is estimated to cover the total liability for all taxation arising in the fiscal year ending April, 1945. We propose again to add to our reserves, and in placing £100,000 to a new account—Exploration Reserve Account—we are making provision now for financing an extension of our active search for new business when conditions are favourable for this to be undertaken. The directors propose the payment of a final dividend on the ordinary shares of 8s. per share, and the exceptional profits permit of the distribution this year of a bonus of 4s. per share, making a total for the year of 16s. per share, or 10 per cent.

The strong position disclosed by the balance sheet and the further strengthening of our reserves are features which, I am sure, will give shareholders great satisfaction.

The statistics in the directors' report show the further contraction which has taken place in the scale of operations of the gold mining industry of the Witwatersrand during another year of operating under war conditions. The causes of the decline are, as in the previous year, the serious shortage of native labour and the continued necessity for the strictest

economy in the use of imported stores of all kinds. So long as these conditions persist it is difficult to forecast any improvement. I think I must draw your attention to the effect which the continued curtailment of development operations may have on certain of our mines. You will readily understand that in order that mining operations can be carried out on the most economical basis there must be an adequate number of working places to permit the mining of the various grades of ore in proportion which will conform to the average grade of the reserves. These conditions are ensured in normal times by carrying development well ahead, thus creating a large ore reserve.

## CURTAILMENT OF DEVELOPMENT

As was mentioned in our report last year, the enforced curtailment of development footage would not be a serious matter if normal development could be resumed within a reasonable period. On some of our mines, however, the point is being reached at which the considerable fall which has already taken place in ore reserves may affect efficient mining operations, and in order to correct the situation before it becomes really serious managements may be faced with the necessity of diverting a portion of their reduced labour force from mining operations to development work, at the cost of a further reduction in the tonnage milled, with consequent adverse effects on costs and profit.

With regard to the Orange Free State, the areas in the Odendaalsrust district on which we hold options are situated somewhat to the north of the area on which the Basal Reef has already been located in boreholes, and boring operations are in progress on these options or on contiguous farms. The boreholes, however, have not yet reached the reef horizon.

## GENERAL ACCIDENT ASSURANCE

### SATISFACTORY RESULTS

The fifty-eighth annual general meeting of the General Accident, Fire and Life Assurance Corporation, Limited, was held, on the 24th instant, at Perth, Sir Francis Norie-Miller, Bt., J.P. (Governor and Chairman) presiding.

The following is an extract from the chairman's statement circulated with the accounts:—The results could be fairly described as satisfactory. While the new Life business is about £300,000 less than in the previous year, the claims by death and maturity are relatively low. The funds show the large increase of £413,000 and the expenses are under 11 per cent.

The Fire department again shows very satisfactory results, but in the Accident account we have again to report a falling off in income of slightly over £500,000, the real reason for which is that motor business continues to be restricted. The Marine department shows very satisfactory results. The report was adopted.

Mr Frederick Richardson (Deputy-Chairman) said that it fell to his lot to express their sadness on learning that their Governor and Chairman, acting on his doctor's advice, had decided to retire from active control of the Corporation's affairs.

The story of Sir Francis's connection with the "General" was the story of the company itself, for it was a very small local concern when he became the founder of its fortunes. His energy and genius had recognised no bounds and he had served the Corporation for over 57 years. The Board wished to express its gratitude for the immense services which its distinguished Governor had rendered the Corporation. It paid tribute to his great personal charm and his generous, hospitable ways, to his fortitude in difficult times and to those qualities that belonged to a kindly heart and it expressed the hope that he and Lady Norie-Miller would enjoy long life and much happiness in a world more at peace.

## ASSOCIATED GAS AND WATER UNDERTAKINGS LIMITED

### DEVELOPMENT DESPITE DIFFICULTIES

The eleventh ordinary general meeting of Associated Gas and Water Undertakings, Ltd., was held on the 25th instant, at 2, Chart Lane, Reigate.

The Chairman, Mr W. H. Bennett, M.Inst.Gas E., said: The satisfactory nature of the accounts now before you indicates that our business has been successfully maintained both as to gas and electricity.

The results achieved are particularly gratifying having regard to the extreme difficulties under which gas undertakings work. Although their primary raw material—coal—is a national resource, the mining situation has been allowed to deteriorate to a critical stage. Coal is in short supply and is not made available in quantities suitable for efficient and economical gas manufacture. This has necessitated Governmental directions requiring us to manufacture gas from more expensive materials, which have to be imported from overseas, thus increasing the demand for shipping. Is it not remarkable, therefore, that the engineers and managers of our companies, with the loyal co-operation of their employees, have been able to maintain uninterrupted supplies of gas to the public in general and for war purposes in particular?

They have successfully surmounted the obstacles of labour shortage and of control at every point of their operations. Our sincere thanks are due to them for their efforts, the maintenance of which has become increasingly difficult in this fifth year of war. But the continuance of uninterrupted supplies of gas should not be taken for granted by those in authority, and we need the fullest measure of support and understanding from the Ministries, especially as to labour, if the essential service we provide is to be adequately maintained.

## RECONSTRUCTION OF GAS INDUSTRY

Since proprietors last met the British Gas Federation has issued its report on the planning of the gas industry, an outstanding and vital document which was described by "The Times" as "a notable contribution to the discussion of industrial reconstruction." The report strongly opposes the nationalisation of the industry, but advocates its continuance on a basis of company and municipal enterprise with a substantial measure of "geographical and functional integration." By this is meant the reduction, by association or amalgamation, of the number of undertakings operating independently and the integration of their practice, policy and organisation. This is precisely what your company, as one of the pioneer gas corporations, has accomplished.

## SATISFACTORY ACCOUNTS

There are a few points in the accounts to which attention might usefully be drawn. Revenue shows an increase of £15,092, while expenditure—including the provision of £4,000 as an additional reserve for taxation and writing £4,150 off discount on Debenture stock—has only advanced by £9,541. The increase in net profit is, therefore, £5,551. If proprietors approve the directors' recommendation regarding the declaration of final dividends, £32,500 will remain to be carried forward. This sum, with the reserve for equalisation of dividend set aside last year, suggests there is good prospect, despite these difficult times, of the maintenance of the current rate of dividend upon the Deferred stock, a position which, it is submitted, is decidedly satisfactory.

The report and accounts were unanimously adopted.

## CROWN MINES, LIMITED

(Incorporated in the Union of South Africa)

### RESULTS OF A DIFFICULT YEAR'S OPERATIONS

#### MR W. H. A. LAWRENCE'S REVIEW

Mr W. H. A. Lawrence presided at the annual meeting of Crown Mines, Limited, in Johannesburg on the 17th instant. After reviewing the year's operations, he said that the total profit had been £2,638,747. Dividends had absorbed £895,909, provision for taxation had amounted to £1,606,131, capital expenditure had accounted for £105,016 and further provision made in respect of miners' Phthisis outstanding liability had been £45,588.

Expenditure on capital account had been mainly in respect of an air cooling plant at No. 17 shaft. That plant had been completed during the year and brought into commission with beneficial effects in the underground workings connected with the shaft.

The drop in tonnage milled had been due to the acute shortage of native labour, which had seriously hampered operations at the mine and which continued at the present time. In conformity with the general policy followed by the gold mining industry to conserve essential stores to the fullest possible extent, development carried out during the year had been again on a much reduced scale. The total had amounted to 36,109 feet, which had been an increase of 1,683 feet compared with the previous year's figure but which represented a drop of 79,951 feet compared with the footage developed in 1941. The bulk of the work had been carried out on the Main Reef Leader, where disclosures remained satisfactory, the total payable ore developed amounting to 804,700 tons of an average value of 6.1 dwt. per ton.

## ORE RESERVE POSITION

The available ore reserve had been re-estimated at December 31, 1943, to be 14,809,600 tons of an average value of 4.8 dwt. over a stoping width of 44.6 inches. Compared with the position a year previously there had been a decrease in the available reserve of 2,381,700 tons, the value being unchanged and the width 0.4 inch higher. Owing to the reduction in the scale of development, the ore reserve position could no longer be considered to be entirely satisfactory, and it would be necessary to increase development footage very considerably as soon as circumstances permit.

The price received for gold and the rate at which normal income tax had been payable by the company had remained unchanged throughout the year. As from January 1, 1943, however, the special contribution which was based on taxable income before deduction of redemption allowance and any tax loss brought forward from a previous year had been increased from 20 per cent. to 22½ per cent.

## INCREASES TO NATIVE LABOURERS' WAGES

Since the close of the period under review the report of the Witwatersrand Mine Natives Wages Commission had been published and shareholders would no doubt be aware that the Government had not accepted in full the recommendations made by the Commission but nevertheless had decided that as from April 1, 1944, certain increases should be made in the wages paid to mine native labourers. Briefly the increases amounted to fivepence per shift for natives employed underground and fourpence per shift for natives employed on the surface, with payment of time and a half for all overtime and Sunday work.

Since January 1, 1940, the gold mining companies had been obliged to pay to the Government a gold realisation charge and since September 1, 1940, that charge had remained fixed at 38s. 3d. per cent. The Government had now decided to place in



a pool the sums thus collected from the industry during the year ending March 31, 1945, and to distribute those funds amongst individual mining companies in proportion to their share of the increased cost of the industry in respect of native wages. It was hoped that the amount thus made available would be sufficient to meet practically the whole of the industry's additional direct burden.

In order to conserve paper stocks the

report of the proceedings at the meeting would not be circulated to shareholders. Copies could be obtained, however, on application to the head office in Johannesburg or to the London office.

At the end of the year 423 employees of the company had been on full time military service with the armed forces and in addition the mine had continued to carry out its share of munitions production. The report and accounts were adopted.

## MAYPOLE DAIRY COMPANY, LIMITED

### TRADING AFFECTED BY WAR CONDITIONS

### EFFICIENCY AND STRENGTH OF THE ORGANISATION

### SIR GEORGE SCHUSTER ON FUTURE POLICY

The forty-sixth annual general meeting of the Maypole Dairy Company, Limited, will be held in London on the 16th proximo.

The following annual review by the chairman (Sir George Schuster, K.C.S.I., K.C.M.G., C.B.E., M.C., M.P.) has been circulated with the report and accounts:—

**General Trading Results.**—In my statement to the shareholders last year I reviewed the special difficulties which war conditions have brought to the Maypole Company. The story of 1943 has again illustrated those difficulties and confirmed the warnings which I thought it right to give. We have been affected by the now familiar war conditions—shortage of supplies, rationing, the elimination of our power to use our peace-time organisation for securing special quality supplies of butter, eggs, etc., the tendency of housewives (encouraged by the Government) to shop near their own homes and to confine themselves as far as possible to one supplier for all commodities. We must accept the fact that these conditions have had an exceptionally damaging effect on the business of a specialist company like ours which has its best branches located in the main shopping centres.

### HIGH STANDARD OF SERVICE

Considering everything it can be said that our business has come through nearly five years of war much better than might have been expected; but I must ask the shareholders to appreciate that, so long as the war continues, the essential purpose on which all our efforts should be concentrated is to keep our organisation and staff up to a high standard of efficiency so that we may return to our true rôle with advancing success when the war is over. The achievement of this purpose is of much greater importance than the level of profit which we can earn during the entirely artificial period of war controls and restrictions. Some retail traders may benefit from conditions like these, which place us all in a strait-jacket and leave practically no scope for individual initiative or special qualities. To us they are an unqualified disadvantage.

The one distinctive characteristic which we can retain is good personal service in our branches and, though most of our regular staff are away on war service, we can still claim that a high standard is maintained.

The figures of trading results given in the accounts and directors' report reveal the full effect of the drop in registrations in August, 1942, and are in accord with the forecast which I gave last year. Actually they have turned out better than I had then anticipated, and I am also glad to be able to inform the shareholders that, throughout the last quarter of 1943 and the first quarter of 1944, our sales have shown an upward trend.

### DEPLETION OF STAFF

Acknowledgment is due to all members of our staffs—at headquarters and at all

branches—for the manner in which they have tackled and overcome the many difficulties incidental to war-time trading. We have continued throughout the year to lose more of our male staff, as well as many of our experienced women workers, to the Forces or to other forms of national service. We have, therefore, to rely largely now on such over-age employees as we have been able to retain—with the help of young juniors—to cope with the many and increasing problems connected with all the Government regulations.

The total number of employees at head office and the branches was: In September, 1939, number of shops, 975; male, 4,692; female, 1,642; total, 6,334. In April, 1944, number of shops, 902; male, 927; female, 2,973; total, 3,900.

### SERVICE ALL OWANCES SUPPLEMENTED

Over 2,400 of our former staff are now serving in H.M. Forces. The company has throughout the war granted special allowances to the dependants of all employees in the Forces who, without such a supplement to their Service pay, would have suffered hardship. In addition we are keeping up the pension fund contributions of all Service members of the fund, so that they continue to retain and increase their rights and benefits of membership. The sum charged in last year's accounts for these purposes, together with the company's pension fund contributions for the remainder of the staff, amount to £38,282.

This is a substantial sum when compared with what, according to our proposals, the ordinary shareholders will receive by way of dividend. But the directors hope that no shareholder will grudge these payments. To make them is in accordance with the tradition of this company, which has always endeavoured to make its employees feel that they and their welfare are an essential part of the business.

I have another special reason for mentioning this matter now. The question of Service pay and allowances has just been prominent in the Press and Parliament, and the Government have now proposed a more generous scale of allowances. We regard this decision as meeting a clearly established need and one which, as explained above, we ourselves had throughout recognised for our own employees. It is somewhat remarkable that in all the Parliamentary and Press discussions there has, so far as I can ascertain, been no mention of the fact that companies like ours have throughout supplemented Service allowances from their own funds, with the result that in fact a large number of men who have joined the Services from good employment have not suffered the hardships which have rightly aroused so much dissatisfaction and criticism in the case of those who were left to rely only on what the Government paid them.

Another matter of great importance concerning our staff is demobilisation. The return of our men from the Forces after many years' absence will call for much

thought and planning. The war is not yet over and it would be foolish not to recognise that much hard struggle still lies before us. Nevertheless it is not too early to be giving thought to the future, and the question of looking after our staff on their return is already receiving our serious attention. We desire to play our part in providing for the people of this country, when the war is over, a life of peace which will prove to have been worth fighting for.

### FUTURE POLICY

It is also right to be looking ahead to future business policy, though, of course, it is not yet possible to work out precise plans. We shall have to go through a transition period of some length before normal trading is restored. Post-war conditions cannot be predicted with certainty, nor do we know how far Government controls of trading will be continued, or what will be the policy of the Government in regard to the production in this country and the import from overseas of the commodities in which we mainly deal. I think the time has come when the Government could safely be more informative on the last two points. All those who are responsible for the conduct of important forms of economic activity would be greatly helped by having some knowledge of the shape of things to come in matters which depend on Government policy. It ought, for example, to be possible for the Government with their present knowledge to indicate what is to be the target for home agricultural production, and broadly what is to be the quantity, nature and source of supply of our food imports from overseas.

Personally I believe that a factual appreciation will show that, if we are going to give all the people of this country a proper nutritional diet, we can keep our own agriculture beneficially employed at full stretch and still buy from our good friends abroad, Canada, Australia, New Zealand, and I would add countries like Denmark and Holland, food products on a scale which will provide adequate outlets for their own production. It would then be only a question of these countries making it possible for us to pay them by taking goods from us. If I am right in this belief then the sooner the British Government make the position clear the better, since our relations with so many countries are affected.

### DIVIDEND PROPOSAL

We have for the first time this year included in the accounts a consolidated statement of the assets and liabilities of our company and its subsidiaries, and in the directors' report an analysis of the combined trading results has been given. I hope that these statements will help to give the shareholders a clear understanding of the position.

The net profit shown as available for distribution is £5,850 higher than for last year; but this result has only been obtained by reducing the provision for deferred repairs by £58,000. In so far as the directors consider that the resources already accumulated are quite adequate to cover the actual arrears of repairs, this is a justifiable change, but it may be necessary to restore the provision in future years, and in any case the directors have thought it right to take account of the reduced trading profit by making a reduction in the dividend on the deferred ordinary shares from 4 per cent. last year to 3 per cent. this year.

### FUTURE PROSPECTS

It will be seen that the liquid financial position of the company is very strong. Beyond this I can assure you that the spirit of the staff and the efficiency of the organisation are as good as ever. Therefore, while I will not venture on any prophecy about results for 1944, we look forward to the future, when more normal conditions return, with cheerful confidence.

## THE DAILY MIRROR NEWSPAPERS, LIMITED

### MR JOHN COWLEY'S STATEMENT

The annual general meeting of the Daily Mirror Newspapers, Limited, was held on the 24th instant, at the Memorial Hall.

The following statement by the chairman, Mr John Cowley, was circulated with the report and statement of accounts:—

I should like to pay a tribute to the memory of our old friend, Mr William Graham, who died a few months ago. He was from the inception of the company our legal adviser and dealt in most able fashion with matters calling for his professional attention on the commercial side of our business.

In framing our accounts this year we have given effect to some of the suggestions recently made by the Institute of Chartered Accountants. Stockholders will notice that items previously embraced under the heading "Creditors, etc.," are now shown separately. The information regarding investments has been amplified, and there are other alterations which we have no doubt will be welcomed as being an improvement on the old style of presentation. Necessary adjustments have been made in the figures for the previous year for comparison purposes.

### ANOTHER GOOD TRADING YEAR

Again we have had a very good trading year, but the amount of profit available for distribution to ordinary stockholders is governed by the provision needful to be made for Excess Profits Tax. We feel justified however in recommending the payment of a final dividend of 5 per cent. on the ordinary stock, making a total of 10 per cent. for the year. Our income from investments has improved and the outlook in this connection is satisfactory. We have received information by cable of the intention of the directors of Anglo-Canadian Pulp and Paper Mills, Limited, in which company we have a very big investment, to pay a small dividend in respect of their financial year to December 31, 1943. This is very welcome news.

Your directors felt it a duty, as well as a pleasure, to make a further investment of £50,000 in 3 per cent. Savings Bonds on behalf of your company during the recent London "Salute the Soldier" week in support of the financial side of the war effort. Stockholders will no doubt be interested in the market value of the company's quoted investments shown in the balance sheet against their book value. We have in addition to Government securities and large holdings in newspaper and newsprint companies, further interests in many first-class industrial undertakings.

### QUESTION OF NEWSPRINT

The Newsprint Supply Company continues to serve its purpose extremely well. During the year larger supplies of newsprint were made available to all papers. The chances of a further increase are at the moment problematical. The sales of the Daily Mirror continue to be highly satisfactory. We print close upon two million copies daily and are not able, by a big margin, to satisfy the insistent demands of would-be purchasers. The demand for advertisement space in the Daily Mirror is continuous and we have to apologise to the many advertising agents and their clients whose needs cannot be fully met. Editorially we make the best use of our limited space, giving a good service of news, views, and pictures, and displaying our many exclusive popular features to advantage. Although the drain on our manpower continues to give your management concern, so far the problem of securing qualified and skilled staffs for the many departments concerned in the production of a National daily newspaper has been met.

It will be noticed from the examination of the profit and loss account that we have not made any provision to increase the reserve account which stands at the very substantial figure of £420,000. We have, however, made a larger transfer to the

"Provision for Pensions," bringing this up to a total of £200,000. This I am sure will prove to be a very useful sum to have put on one side for this purpose.

### TRIBUTE TO STAFF

Again I have to commend the good work of all our employees. The burden of management is not light, but the task is eased through the loyal service received on every hand. During the year Mr John Coope was appointed a director. He will, I think, prove to be a valuable addition to the board—a man of wide experience of newspaper work whose talent in the years to come will be turned to the advantage of our business. To those members of our staff on National duty at home and in many lands I would like to convey greetings and thanks, and to wish them a safe return.

The report and accounts were unanimously approved, and the auditors, Messrs Deloitte, Plender Griffiths and Co., re-appointed.

## SUNDAY PICTORIAL NEWSPAPERS (1920), LIMITED

### MR JOHN COWLEY'S STATEMENT

The annual general meeting of Sunday Pictorial Newspapers (1920), Limited, was held, on the 24th instant, at the Memorial Hall.

The following statement by the chairman, Mr John Cowley, was circulated with the report and statement of accounts:—

In framing our accounts this year we have given effect to some of the suggestions recently made by the Institute of Chartered Accountants. Stockholders will notice that items previously embraced under the heading "Creditors, etc.," are now shown separately. The information regarding investments has been amplified, and there are other alterations which we have no doubt will be welcomed as being an improvement on the old style of presentation. Necessary adjustments have been made in the figures for the previous year for comparison purposes.

### GRATIFYING RESULTS

The results of the year's working are gratifying. We have maintained our trading profit and I am pleased to be able to record that the dividends received from our investments again improved. Since the period covered by our accounts we have received information by cable of the intention of the directors of Anglo-Canadian Pulp and Paper Mills, Limited, to pay a small dividend in respect of their financial year to December 31, 1943—you will recall that we have a considerable stake in this company.

It has not been thought needful to augment the amounts of the "General Reserve" and "Contingencies," which together total £725,000 in the balance sheet, but an extra £5,000, making £10,000 this year, has been set aside as a provision for pensions, so that the amount now standing under this heading is £100,000.

An interim dividend of 6½ per cent. was paid last November and the final dividend of 11½ per cent. proposed, against 10 per cent. last year, will make a total distribution of 17½ per cent. for the year on the ordinary capital, against 15 per cent. We feel that the decision made to recommend the increase is fully justified and will be approved by the ordinary stockholders.

### SUPPORT FOR GOVERNMENT FINANCE

We have continued the policy started in the early days of the war of subscribing to issues of Government securities. Recently, during the London "Salute the Soldier" week, we applied for £50,000 3 per cent. Savings Bonds, bringing the total invested by your company in war issues to £275,000. Although there is nothing very exciting about these investments, it is felt that the Government's plan to secure war finance at a low rate of interest should have our practical support. During the year the voluntary service performed by our employees in connection with

the War Savings Groups at our offices and works has been continued with good results.

There has been appreciation in the value of our quoted investments and I have no doubt stockholders will look with satisfaction at the figures shown in the balance sheet against this item. In the main our investments are in pulp, paper-making, and newspaper companies.

### SUNDAY PICTORIAL FOR THE FORCES

Again I am glad to be able to tell you that the Sunday Pictorial has prospered. Sales exceed 2,000,000 weekly. We are still in the unfortunate position, owing to the limited quantity of newsprint available, of having to disappoint a large number of potential customers. Here may I ask for your support of the scheme for the supply of Sunday newspapers for the Forces. If you will send your copy of the Sunday Pictorial every Monday in a wrapper (postage one penny), addressed: Newspapers for the Forces, 23, Farringdon Street, London, E.C.4, it will be a welcome addition to those already being received from other quarters. Sunday newspapers so sent are dispatched by the War Office to Forces overseas, and I can assure you that you will be doing a good turn to our men who cannot by other means get Sunday newspapers from home. Thank you.

We regret that we have had to disappoint many advertisers who have desired to use our columns for their announcements. The demand for space in our paper is insistent and augurs well for the time when we are able to print larger papers.

Once again it is very pleasing to say a few words of thanks to the members of our staff. In spite of very many difficulties they have contrived to carry out their duties to advantage and meet all calls made on their services.

The report and accounts were unanimously approved, and the auditors, Messrs Deloitte, Plender, Griffiths and Co., re-appointed.

## AULT AND WIBORG, LIMITED

### RECORD TURNOVER

The tenth ordinary general meeting of Ault and Wiborg, Limited, was held, on the 19th instant, in London.

Mr Gerald Wellesley (the chairman) said that during the year under review the total turnover in respect of all products now made by the company and its subsidiaries had been the highest in their history, being no less than 30 per cent. in excess of that of the previous year. Owing, however, to the lower margin of profit on sales, the net profit of the company only showed a 5 per cent. increase as compared with 1943 and amounted to £84,164. The directors recommended a dividend of 6½ per cent., less tax, and a further 3½ per cent., less tax, on the ordinary shares. It was perhaps worth pointing out that during the four years immediately preceding the war the average ordinary dividend paid was 14½ per cent., whereas for the four full war years the average had been 5½ per cent.

A considerable portion of the increased turnover had taken place in their peace-time products, namely, printers' inks and rollers, varnishes, industrial finishes and metal decorating products. Papers and periodicals carrying news to the public played a vital part in the lives of a people at war, and the board was well satisfied that they had been able not only to maintain but also to increase supplies to their good friends in the Press and printing trade generally.

The running of any manufacturing business during war-time was an anxious and strenuous job. Conditions governing orders, supplies and labour varied rapidly and at short notice, and it was never possible to see very far ahead. That notwithstanding, the board viewed the future of their company with confidence.

The report was adopted.

# RECORDS and STATISTICS

## INVESTMENT

### Stock Exchanges : London

"FINANCIAL NEWS" INDICES

| 1944       | Total<br>Bargains<br>in S.E.<br>List | Corres.<br>Day<br>1943 | Security Indices   |                   | Yields         |                |
|------------|--------------------------------------|------------------------|--------------------|-------------------|----------------|----------------|
|            |                                      |                        | 30 Ord.<br>Shares* | 20 Fixed<br>Int.† | Old<br>Consols | Ord.<br>Shares |
| May 18.... | 5,444                                | 4,090                  | 108.3              | 134.6             | 3.17           | 3.88           |
| " 19....   | 5,880                                | 4,144                  | 108.4              | 134.6             | 3.17           | 3.87           |
| " 22....   | 7,861                                | 4,828                  | 108.2              | 134.6             | 3.17           | 3.88           |
| " 23....   | 6,293                                | 4,364                  | 108.2              | 134.6             | 3.17           | 3.88           |
| " 24....   | 5,968                                | 4,242                  | 108.4              | 134.9             | 3.17           | 3.88           |

\* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1944: highest, 108.5 (May 12); lowest, 103.0 (Feb. 28). 20 Fixed Int., 1944: highest, 138.4 (Feb. 23); lowest, 134.0 (Jan. 3).

### New York

#### STANDARD STATISTICS INDICES DAILY AVERAGE OF 50 COMMON STOCKS

| 1944       | Average | Transactions | 1944       | Average | Transactions |
|------------|---------|--------------|------------|---------|--------------|
|            |         |              |            |         |              |
| May 12.... | 119.4   | 747,000      | May 16.... | 118.3   | 536,000      |
| " 13....   | 118.4   | 220,000*     | " 17....   | 118.3   | 818,000      |
| " 15....   | 118.3   | 337,000      | " 18....   | 119.1   | 944,000      |

1944: High, 121.2 (Mar. 18). Low, 113.8 (Feb. 8). \* Two-hour session.

(WEEKLY AVERAGES) (1935-36=100)

| 1944                | Low      | High      | May 3, 1944 | May 10, 1944 | May 17, 1944 |
|---------------------|----------|-----------|-------------|--------------|--------------|
|                     |          |           |             |              |              |
| 37 Industrials..... | 95.1 (a) | 99.7      | 97.5        | 98.1         | 98.5         |
| 32 Rails.....       | 88.9 (a) | 101.2 (c) | 97.7        | 98.4         | 98.6         |
| 40 Utilities.....   | 85.0     | 88.9 (d)  | 87.2        | 87.1         | 87.7         |
| 419 Stocks.....     | 93.6 (a) | 97.9      | 95.9        | 96.4         | 96.8         |
| Av. yield %.....    | 4.83 (e) | 4.60      | 4.69        | 4.66         | 4.90         |

\* Common Stocks. (a) Feb. 9. (b) Jan. 5. (c) Mar. 22. (d) Mar. 8. (e) Feb. 23.

### Capital Issues

| Week ending<br>May 27, 1944                          | Nominal<br>Capital<br>£ | Con-<br>versions<br>£         | New<br>Money<br>£             |
|------------------------------------------------------|-------------------------|-------------------------------|-------------------------------|
| Particulars of Government issues appear on page 733. |                         |                               |                               |
| Year†                                                | £                       | Including<br>Conversions<br>£ | Excluding<br>Conversions<br>£ |
| 1944.....                                            | 652,051,337             | 640,952,856                   |                               |
| 1943.....                                            | 748,474,404             | 733,125,320                   |                               |
| Destination* Nature of Borrowing*                    |                         |                               |                               |
| Year†                                                | U.K.                    | Brit. Emp.<br>ex U.K.         | Foreign<br>Countries          |
| 1944.....                                            | 640,622,135             | 330,721                       | Nil                           |
| 1943.....                                            | 731,110,958             | 1,375,685                     | 638,677                       |
|                                                      |                         |                               | 725,910,493                   |
|                                                      |                         |                               | 659,837                       |
|                                                      |                         |                               | 6,554,990                     |

\* Conversions Excluded. † Includes Government issues to May 16, 1944, only. Above figures include all new capital in which permission to deal has been granted.

## INDUSTRY AND TRADE

**Retail Grocery Labour.**—The present labour position in retail grocery, compared with before the war, is well illustrated by the experience of the Maypole Dairy Company. The following figures are given in the chairman's annual statement of the number of employees at the head office and branches:—

| Year†            | No. of<br>Shops | Male<br>Employees | Female<br>Employees | Total<br>Employees |
|------------------|-----------------|-------------------|---------------------|--------------------|
|                  |                 |                   |                     |                    |
| Sept., 1939..... | 975             | 4,692             | 1,642               | 6,334              |
| April, 1944..... | 902             | 927               | 2,973               | 3,900              |

More than 2,400 of the former staff are serving in H.M. Forces.

**Cotton Exports.**—The Board of Trade has announced that in the first quarter of this year shipments of cotton cloth were 96,497,000 square yards against 80,899,000 square yards in the fourth quarter of 1943 and 82,130,000 square yards in the first quarter of 1943. The exports of yarn during the first three months of this year were 4,708,000 lb., against 4,840,000 lb. in the fourth quarter of last year and 4,678,000 lb. in the first quarter of last year. Since exports are strictly controlled by Cotton Board allocations to merchants, shipments cannot vary very much from quarter to quarter.

**Cotton Mill Deal.**—It was reported in Manchester at the beginning of this week that one of the cotton combines had purchased the Valley Ring Mill, Ltd., Rochdale. This mill has 49,276 ring spindles and has been closed since May, 1941, under the concentration of production scheme. If the sale is ratified

by the shareholders, the purchase price, together with the investments and cash in hand, will be sufficient to provide approximately 17s. per share. The current price of the shares is about 13s. The capital of the company is £144,000 in £1 fully-paid shares. It is estimated on the particulars given that the purchase price is about 35s. per ring spindle, and in view of current values, this figure is considered reasonable.

**"The Economist" Sensitive Index.**—There was no change in the index during the week ended May 24th. The complete index (1935 = 100) was 158.6; crops 135.6; and raw materials 185.5.

### COST OF LIVING INDEX

(July, 1914=100)

| First Day of<br>Month | Food | Rent | Clothing | Fuel and<br>Light | Other<br>Items | All<br>Items |
|-----------------------|------|------|----------|-------------------|----------------|--------------|
| Weights:              | 7½   | 2    | 1½       | 1                 | ½              | 12½          |
| Sept., 1939.....      | 138  | 162  | 208      | 182               | 179            | 155          |
| 1940.....             | 166  | 164  | 295      | 212               | 219            | 187          |
| 1941.....             | 166  | 164  | 380-385  | 228               | 230            | 199          |
| 1942.....             | 160  | 164  | 395-400  | 240               | 265            | 200          |
| 1943.....             | 166  | 164  | 345      | 244               | 291            | 198          |
| Mar., 1943.....       | 165  | 164  | 360      | 244               | 268            | 199          |
| April, 1943.....      | 165  | 164  | 355      | 244               | 268            | 198          |
| Mar., 1944.....       | 168  | 164  | 340-345  | 251               | 291            | 200          |
| April, 1944.....      | 168  | 164  | 340-345  | 252               | 291            | 200          |
| May, 1944.....        | 168  | ...  | ...      | ...               | ...            | 200          |

Source: Ministry of Labour Gazette.

## FINANCE AND BANKING

**THE MONEY MARKET.**—The money market position, discussed in a business note on page 723, is well described by the latest Bank return. Bankers' deposits, at £177,156,000, have risen by £9,920,000 over the week, but still remain at a comparatively low level for the last week of the month when the banks are making up for their monthly returns. The main counterpart to this expansion in bank cash is a rise of £11,070,000 in Government securities, a movement which indicates the official purchases of bills made in the open market during the past week. Public deposits at £13,546,000 have fallen by £3,025,000, but still remain at a relatively high figure. The note circulation has only risen by £1,516,000 over the week, a small movement for the pre-Whitsun holiday return and one which indicates that the restrictions on civilian and military travelling are having an effect on spending plans.

**MONEY RATES, LONDON.**—The following rates remained unchanged between May 18th and May 25th:—

Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days, 1½%; 3 months, 1½%; 4 months, 1½%; 6 months, 1½%; 1½%. Treasury Bills: 2 months, 1½%; 3 months, 1½%; Day-to-day money, 1½%. Short Loans, 1½%. Bank deposit rates, 1%. Discount deposit at call, 1%; at notice, 1%.

**Exchange Rates.**—The following rates fixed by the Bank of England remained unchanged between May 18th and May 25th. (Figures in brackets are par of exchange).

United States. \$ (4.86) 4-02½-03½; mail transfers 4-02½-03½. Canada. \$ (4.86) 4-43-47; mail transfers 4-43-47. Switzerland. Francs (25.22) 17-30-40. French Empire. Francs 197½-200½. Syria. p. 8-81-85. Sweden. Krona (18.15) 16-85-95. Dutch West Indies. Florin (12.11) 7-58-62. Portugal. Escudos (110) 99-80-100-20; mail transfers 99-80-100-30. Panama. 4-02-04; mail transfers 4-02-04. Brazil. 83-64½ cr. (buying); mail transfers 83-56½. Uruguay. 7-6597 p. (buying).

Fixed Rates for Payment at Bank of England for Clearing Offices. Spain. Pesetas 44-00. Turkey. Piastres 520. Italy. 71-25 lire.

Market Rates.—The following rates remained unchanged between May 18th and May 25th.

Egypt. Piastres (97½) 97½-98. India. Rupee (18d. per rupee) 17½-18½ d. Belgian Congo. Francs 176½-180. China. National 3-3½. Iran. Rl. 128-130.

Special Accounts are in force for Chile, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London. Rate for payment into Argentine special account: 16-16 pesos.

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

### NEW YORK EXCHANGE RATES

| New York<br>on      | May<br>17 | May<br>18 | May<br>19 | May<br>20 | May<br>22 | May<br>23 | May<br>24 |
|---------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Cables              |           |           |           |           |           |           |           |
| London.....         | 402½      | 402½      | 402½      | 402½      | 402½      | 402½      | 402½      |
| Montreal.....       | 90-750    | 90-750    | 90-875    | 90-875    | 90-810    | 90-625    | 90-810    |
| Zurich.....         | 23-40     | 23-40     | 23-40     | 23-55     | 23-55     | 23-80     | 23-80     |
| Buenos Aires.....   | 24-88*    | 24-88*    | 24-88*    | 24-88*    | 24-90*    | 23-80*    | 24-90*    |
| Rio de Janeiro..... | 5-16      | 5-16      | 5-16      | 5-16      | 5-16      | 5-16      | 5-16      |
| Lisbon.....         | 4-09      | 4-09      | 4-09      | 4-09      | 4-09      | 4-09      | 4-09      |
| Barcelona.....      | 9-25      | 9-25      | 9-25      | 9-25      | 9-25      | 9-25      | 9-25      |
| Stockholm.....      | 23-86     | 23-86     | 23-86     | 23-86     | 23-86     | 23-86     | 23-86     |

\* Official Buying Rate 29-78. † Free Rate. § Bid.

## GOVERNMENT RETURNS

For the week ended May 20, 1944, total ordinary revenue was £42,763,000, against ordinary expenditure of £103,440,000, and issues to sinking funds of £299,072. Thus, including sinking fund allocations £1,180,028, the deficit accrued since April 1st is £447,465,000 against £514,439,000 for the corresponding period a year ago.

### ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

| Revenue                                | Receipts into the<br>Exchequer<br>(£ thousands) |                                     |                                     |                                     |
|----------------------------------------|-------------------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
|                                        | April<br>1 to<br>May<br>22,<br>1943             | April<br>1 to<br>May<br>20,<br>1944 | Week<br>ended<br>May<br>22,<br>1943 | Week<br>ended<br>May<br>20,<br>1944 |
| ORDINARY<br>REVENUE                    |                                                 |                                     |                                     |                                     |
| Income Tax.....                        | 96,729                                          | 90,877                              | 10,672                              | 11,348                              |
| Sur-tax.....                           | 5,912                                           | 5,013                               | 410                                 | 476                                 |
| Estate, etc.,.....                     | 14,536                                          | 16,003                              | 1,876                               | 1,930                               |
| Duties.....                            | 1,390                                           | 452                                 | 800                                 | ...                                 |
| N.D.C.....                             | 2,733                                           | 2,659                               | 310                                 | 428                                 |
| E.P.T.....                             | 50,512                                          | 55,504                              | 6,201                               | 7,822                               |
| Other Inland Rev.....                  | 100                                             | 50                                  | 10                                  | 30                                  |
| Total Inland Rev.....                  | 171,912                                         | 170,558                             | 20,279                              | 22,034                              |
| Customs.....                           | 75,380                                          | 81,097                              | 10,832                              | 14,988                              |
| Excise.....                            | 57,500                                          | 64,300                              | 3,200                               | 3,800                               |
| Total Customs &<br>Excise.....         | 132,880                                         | 145,397                             | 14,032                              | 18,788                              |
| Motor Duties.....                      | 1,617                                           | 1,948                               | ...                                 | ...                                 |
| Post Office (Net<br>Receipts).....     | 3,250                                           | 3,100                               | 200                                 | 650                                 |
| Wireless Licenses.....                 | 300                                             | 320                                 | ...                                 | ...                                 |
| Crown Lands.....                       | 140                                             | 140                                 | ...                                 | ...                                 |
| Receipts from<br>Sundry Loans.....     | 748                                             | 815                                 | ...                                 | ...                                 |
| Miscell. Receipts.....                 | 9,411                                           | 8,152                               | 719                                 | 1,291                               |
| Total Ord. Rev.....                    | 320,259                                         | 330,430                             | 35,230                              | 42,763                              |
| SELF-BALANCING<br>P.O. & Brdcastg..... | 13,400                                          | 14,100                              | 1,800                               | 1,700                               |
| Total.....                             | 333,659                                         | 344,530                             | 37,030                              | 44,463                              |

| Expenditure                            | Issues out of the<br>Exchequer to meet<br>payments<br>(£ thousands) |                                     |                                     |                                     |
|----------------------------------------|---------------------------------------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
|                                        | April<br>1 to<br>May<br>22,<br>1943                                 | April<br>1 to<br>May<br>20,<br>1944 | Week<br>ended<br>May<br>22,<br>1943 | Week<br>ended<br>May<br>20,<br>1944 |
| ORDINARY<br>EXPENDITURE                |                                                                     |                                     |                                     |                                     |
| Int. & Man. of<br>Nat. Debt.....       | 58,097                                                              | 62,091                              | 1,065                               | 1,640                               |
| Payments to N.<br>Ireland.....         | 671                                                                 | 664                                 | ...                                 | ...                                 |
| Other Cons. Fund<br>Services.....      | 267                                                                 | 266                                 | ...                                 | ...                                 |
| Total.....                             | 59,035                                                              | 63,021                              | 1,065                               | 1,640                               |
| Supply Services.....                   | 774,445                                                             | 713,694                             | 105,480                             | 101,800                             |
| Total.....                             | 833,480                                                             | 776,715                             | 106,545                             | 103,440                             |
| SELF-BALANCING<br>P.O. & Brdcastg..... | 13,400                                                              | 14,100                              | 1,800                               | 1,700                               |
| Total.....                             | 846,880                                                             | 790,815                             | 108,345                             | 105,140                             |

A change has been made in the method of showing an excess of Post Office Expenditure over Post Office Revenue. Such excess is now included as ordinary expenditure (under "Total Supply Services") instead of being shown, as up to July 24 inclusive, as a deduction from ordinary revenue.

After decreasing Exchequer balances by £87,410 to £2,746,261, the other operations for the week (no longer shown separately) raised the gross National Debt by £61,325,489 to £20,039 million.

### NET ISSUES (£ thousands)

|                                |     |
|--------------------------------|-----|
| P.O. and Telegraph.....        | 120 |
| Overseas Trade Guarantees..... | 7   |
| War Damage Act.....            | 310 |
|                                | 437 |

## BANK OF ENGLAND RETURNS

MAY 24, 1944

### ISSUE DEPARTMENT

| Notes Issued :                 | £            | Govt. Debt...                                             | 11,015,100   |
|--------------------------------|--------------|-----------------------------------------------------------|--------------|
|                                |              |                                                           |              |
| In Circul.....                 | 1127,806,805 | Other Govt. Securities.....                               | 1138,127,094 |
| In Bankg. De-<br>partment..... | 22,434,913   | Other Secs.....                                           | 844,723      |
|                                |              | Silver Coin.....                                          | 13,083       |
|                                |              | Amt. of Fid. Issue.....                                   | 1150,000,000 |
|                                |              | Gold Coin &<br>Bullion (at<br>168s. per oz.<br>fine)..... | 241,718      |
|                                |              |                                                           | 1150,241,718 |

### BANKING DEPARTMENT

|                               |             |                                               |             |
|-------------------------------|-------------|-----------------------------------------------|-------------|
| Props.' Capital               | 14,553,000  | Govt. Secs. ...                               | 221,562,151 |
| Res. ....                     | 3,204,123   | Other Secs. :<br>Discounts &<br>Advances..... | 2,321,015   |
| Public Deps. ...              | 13,546,372  | Securities.....                               | 16,085,920  |
|                               |             |                                               | 18,406,935  |
| Other Deps. :<br>Bankers..... | 177,155,822 | Notes.....                                    | 22,434,913  |
| Other Accs. ...               | 34,560,234  | Gold & Silver<br>Coin.....                    | 621,602     |
|                               |             |                                               | 263,025,601 |
|                               |             |                                               | 263,025,601 |

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

### COMPARATIVE ANALYSIS

|                                         | (£ millions) |        |        |        |
|-----------------------------------------|--------------|--------|--------|--------|
|                                         | 1943         | 1944   |        |        |
|                                         | May 26       | May 10 | May 17 | May 24 |
| Issue Dept.:                            |              |        |        |        |
| Notes in circulation.....               | 945.0        | 1129.2 | 1126.3 | 1127.8 |
| Notes in banking depart-<br>ment.....   | 55.3         | 21.0   | 24.0   | 22.4   |
| Government debt and<br>securities*..... | 999.1        | 1149.1 | 1149.2 | 1149.1 |
| Other securities.....                   | 0.9          | 0.9    | 0.8    | 0.8    |
| Silver Coin.....                        | 0.0          | 0.0    | 0.0    | 0.0    |
| Gold, valued at s. per<br>fine oz. .... | 168.00       | 168.00 | 168.00 | 168.00 |
| Deposits:                               |              |        |        |        |
| Public.....                             | 3.2          | 12.1   | 16.6   | 13.5   |
| Bankers'.....                           | 174.1        | 168.1  | 167.2  | 177.2  |
| Others.....                             | 51.0         | 55.2   | 54.4   | 54.6   |
| Total.....                              | 228.3        | 233.4  | 238.2  | 245.3  |
| Banking Dept. Secs.:                    |              |        |        |        |
| Government.....                         | 171.0        | 208.0  | 210.5  | 221.6  |
| Discounts, etc.....                     | 4.6          | 5.7    | 5.1    | 2.3    |
| Other.....                              | 1.12         | 16.0   | 15.9   | 16.1   |
| Total.....                              | 186.8        | 229.7  | 231.5  | 240.0  |
| Banking depart. res.....                | 56.2         | 21.5   | 24.5   | 23.1   |
| " Proportion ".....                     | 24.5         | 9.2    | 10.2   | 9.4    |



**COMPANY RESULTS (May 10, 1944, to May 22, 1944)**

| Company                             | Year Ended | Total Profit | Deprecia-<br>tion, etc. | Net Profit<br>after Deb.<br>Interest | Available for<br>Distribution | Appropriate |            |          |                  |                            | Preceding Year |             |
|-------------------------------------|------------|--------------|-------------------------|--------------------------------------|-------------------------------|-------------|------------|----------|------------------|----------------------------|----------------|-------------|
|                                     |            |              |                         |                                      |                               | Prof. Div.  | Ord. Div.  | Rate     | To Free Reserves | + or -<br>in Carry Forward | Total Profit   | Net Profit  |
| <b>Breweries, &amp;c.</b>           |            |              |                         |                                      |                               |             |            |          |                  |                            |                |             |
| Brampton Brewery Co.                | Mar. 31    | 102,278      | £                       | 35,040                               | 75,543                        | 5,500       | 25,000     | 10       | £                | + 4,540                    | 82,981         | 34,830      |
| Buchanan-Dewar Limited              | Mar. 31    | 715,743      | ...                     | 715,743                              | 839,113                       | 163,044     | 554,584    | 27 1/2   | ...              | + 1,885                    | 715,295        | 715,295     |
| Chesters Brewery                    | Mar. 31    | 116,367      | ...                     | 103,367                              | 153,302                       | 11,347      | 58,688     | 25       | 7,000            | + 3,332                    | 116,938        | 100,938     |
| Rowell (John) & Son                 | Mar. 31    | 102,277      | ...                     | 25,361                               | 56,222                        | 2,500       | 13,500     | 13 1/2   | 9,000            | + 361                      | 92,345         | 22,676      |
| <b>Coal, Iron and Steel</b>         |            |              |                         |                                      |                               |             |            |          |                  |                            |                |             |
| Babeock & Wilcox                    | Dec. 31    | 789,026      | ...                     | 276,250                              | 383,311                       | 7,726       | 244,353    | 11       | ...              | + 24,161                   | 741,827        | 253,443     |
| Bowes (John) & Partners             | Dec. 31    | 258,173      | 56,752                  | 25,283                               | 90,468                        | ...         | 21,000     | 6        | 5,000            | + 737                      | 188,590        | 23,056      |
| Colvilles Limited                   | Dec. 31    | 648,407      | 350,000                 | 296,407                              | 463,870                       | 55,000      | 156,782    | 8        | ...              | + 85,125                   | 622,535        | 221,035     |
| Johnson (Richard) & Nephew          | Mar. 31    | 43,713       | ...                     | 35,023                               | 73,207                        | 10,500      | 13,500     | 9        | 10,000           | + 1,023                    | 42,042         | 33,292      |
| Pressed Steel Co.                   | Dec. 31    | 538,268      | ...                     | 180,396                              | 541,696                       | 14,700      | 113,394    | 27 1/2   | ...              | + 51,762                   | 956,052        | 179,877     |
| Settle, Speakman & Co.              | Dec. 31    | 127,186      | ...                     | 32,586                               | 68,389                        | ...         | 25,000     | 12 1/2   | 3,284            | + 4,302                    | 145,758        | 29,158      |
| Stewarts & Lloyds                   | Dec. 31    | 1,799,075    | 738,609                 | 916,057                              | 1,109,138                     | 123,685     | 544,993    | 12 1/2   | 250,000          | + 2,621                    | 1,922,309      | 905,458     |
| Yorkshire Amalgamated Collieries    | Mar. 31    | 202,023      | ...                     | 174,506                              | 304,708                       | 7,500       | 109,320    | 7 1/2    | 50,000           | + 7,686                    | 155,743        | 127,950     |
| <b>Financial, Land, &amp;c.</b>     |            |              |                         |                                      |                               |             |            |          |                  |                            |                |             |
| Associated Gas & Water              | Mar. 31    | 187,806      | ...                     | 65,861                               | 95,260                        | 28,800      | 33,960     | 5 & 6    | ...              | + 3,101                    | 172,714        | 60,310      |
| Natal Land & Colonization           | Dec. 31    | 72,234       | ...                     | 22,239                               | 41,948                        | 3,962       | 17,017     | 5        | ...              | + 1,260                    | 65,701         | 19,809      |
| Warner Estate Limited               | Mar. 31    | 197,912      | ...                     | 46,566                               | 55,011                        | 18,750      | 19,500     | 6        | 10,000           | + 1,684                    | 196,791        | 56,153      |
| <b>Hotels, Restaurants, &amp;c.</b> |            |              |                         |                                      |                               |             |            |          |                  |                            |                |             |
| Callard, Stewart & Watt             | Jan. 1     | 44,940       | ...                     | 8,389                                | 12,625                        | 7,875       | ...        | ...      | ...              | + 514                      | 45,063         | 4,890       |
| Criterion Restaurants               | Mar. 31    | 87,492       | ...                     | 15,237                               | 30,622                        | ...         | 14,062     | 12 1/2   | 3,000            | + 1,825                    | 83,626         | 20,760      |
| <b>Motor, Aviation, &amp;c.</b>     |            |              |                         |                                      |                               |             |            |          |                  |                            |                |             |
| Brooks (J. B.) & Co.                | Dec. 25    | 27,123       | 9,726                   | 16,202                               | 30,976                        | 2,500       | 7,000      | 7        | 5,000            | + 1,702                    | 26,283         | 15,778      |
| Ford Motor Co.                      | Dec. 31    | 2,329,857    | 794,988                 | 533,795                              | 1,724,805                     | 270,000     | 6          | 100,000  | + 163,795        | 2,303,891                  | 510,169        |             |
| Perfecta Motor Equipments           | June 30    | 14,956       | 2,647                   | 9,175                                | 20,391                        | ...         | 5,250      | 17 1/2   | 2,500            | + 1,425                    | 15,504         | 9,427       |
| R.F.D. Co.                          | Dec. 31    | 9,644        | ...                     | 8,274                                | 12,199                        | ...         | 4,500      | 12       | 3,000            | + 774                      | 9,935          | 8,355       |
| <b>Oil</b>                          |            |              |                         |                                      |                               |             |            |          |                  |                            |                |             |
| British-Borneo Petroleum            | Mar. 31    | 32,832       | ...                     | 26,585                               | 52,195                        | ...         | 26,250     | 10       | ...              | + 335                      | 30,954         | 26,423      |
| <b>Rubber</b>                       |            |              |                         |                                      |                               |             |            |          |                  |                            |                |             |
| Allied Sumatra Plantations          | Dec. 31    | 8,261        | ...                     | Dr. 9,599                            | 11,523                        | ...         | ...        | ...      | ...              | + 9,599                    | 11,402         | Dr. 125,595 |
| Anglo-Malay Rubber                  | Dec. 31    | 1,043        | ...                     | Dr. 1,242                            | 31,131                        | ...         | ...        | ...      | ...              | + 1,242                    | 3,477          | Dr. 641     |
| Batu Caves Rubber                   | Dec. 31    | 1,258        | ...                     | Dr. 128                              | 10,254                        | ...         | ...        | ...      | ...              | + 128                      | 1,317          | Dr. 1,570   |
| Brooklands Selangor Rubber          | June 30    | 141          | ...                     | Dr. 1,390                            | 20,838                        | ...         | ...        | ...      | ...              | + 1,390                    | 13,744         | Dr. 274     |
| Ceylon Para Rubber                  | Dec. 31    | 49,951       | ...                     | 11,200                               | 13,177                        | ...         | 11,250     | 12 1/2   | ...              | + 50                       | 43,656         | 2,796       |
| Chota Rubber                        | Dec. 31    | 102          | ...                     | 1,764                                | 3,947                         | ...         | ...        | ...      | ...              | + 1,764                    | 78             | Dr. 369     |
| Danmawta Rubber Estates             | Dec. 31    | 11,405       | ...                     | 5,995                                | 13,724                        | ...         | ...        | ...      | ...              | + 5,995                    | 2,028          | Dr. 1,286   |
| Eow Seng Rubber                     | Dec. 31    | 136          | ...                     | 2,919                                | 6,589                         | ...         | ...        | ...      | ...              | + 2,919                    | 171            | Dr. 2,754   |
| Grand Central (Ceylon) Rubber       | Dec. 31    | 228,933      | 5,067                   | 97,228                               | 131,086                       | ...         | 92,379     | 7        | ...              | + 4,849                    | 225,155        | 93,194      |
| Johore River Rubber                 | Dec. 31    | 4,005        | ...                     | 2,569                                | 4,463                         | ...         | ...        | ...      | ...              | + 2,569                    | 717            | Dr. 2,273   |
| Kapowas Rubber                      | Mar. 31    | 1,764        | ...                     | 1,505                                | 1,375                         | ...         | ...        | ...      | ...              | + 1,505                    | 269            | Dr. 583     |
| Kelani Valley Rubber                | Dec. 31    | 17,363       | ...                     | 4,185                                | 6,755                         | 420         | 2,625      | 7 1/2    | 1,000            | + 140                      | 15,155         | 13,138      |
| Nahalma Rubber                      | Dec. 31    | 4,605        | ...                     | 4,165                                | 1,880                         | 420         | 1,000      | 5        | ...              | + 140                      | 18,798         | 11,240      |
| Neboda (Ceylon) Rubber & Tea        | Dec. 31    | 19,335       | 356                     | 11,860                               | 14,066                        | ...         | 12,000     | 6        | ...              | + 97                       | 15,743         | 13,848      |
| Panagula Rubber                     | Dec. 31    | 15,886       | ...                     | 5,103                                | 7,253                         | ...         | 5,000      | 5        | ...              | + 4,474                    | 6,534          | Dr. 4,032   |
| Patalang Rubber Estates             | Dec. 31    | 2,553        | ...                     | Dr. 4,474                            | 30,662                        | ...         | ...        | ...      | ...              | + 1,818                    | 292            | Dr. 1,784   |
| Rubber Estates of Johore            | Dec. 31    | 238          | ...                     | Dr. 1,818                            | 11,647                        | ...         | ...        | ...      | ...              | + 2,205                    | 434            | Dr. 1,755   |
| Rubber Estates of Krian             | Dec. 31    | 455          | ...                     | 2,205                                | 3,686                         | ...         | ...        | ...      | ...              | + 473                      | 1,000          | Dr. 1,321   |
| Seafeld Rubber                      | Dec. 31    | 983          | ...                     | Dr. 473                              | 21,716                        | ...         | ...        | ...      | ...              | + 1,337                    | 168            | Dr. 218     |
| Siak Rubber Estates                 | Dec. 31    | 174          | ...                     | 1,337                                | Dr. 2,183                     | ...         | ...        | ...      | ...              | + 130                      | 7,838          | Dr. 47,282  |
| Sialang Rubber Estates              | Jan. 31    | 3,738        | ...                     | Dr. 130                              | 10,226                        | ...         | ...        | ...      | ...              | ...                        | ...            | ...         |
| <b>Shipping</b>                     |            |              |                         |                                      |                               |             |            |          |                  |                            |                |             |
| Anchor Line Limited                 | Sept. 30   | 258,970      | 109,871                 | 42,532                               | 78,904                        | 13,750      | 15,000     | 6        | 10,000           | + 3,782                    | 178,368        | 43,826      |
| Clan Line Steamers                  | Dec. 31    | 212,322      | 127,865                 | 84,988                               | 174,738                       | 39,875      | 45,000     | 15       | ...              | + 113                      | 346,633        | 88,697      |
| General Steam Navigation            | Dec. 31    | 208,849      | ...                     | 28,618                               | 53,566                        | 9,190       | 18,996     | 5        | ...              | + 432                      | 174,248        | 28,197      |
| <b>Shops and Stores</b>             |            |              |                         |                                      |                               |             |            |          |                  |                            |                |             |
| Evans (D. H.) & Co.                 | Jan. 31    | 339,434      | 22,336                  | 63,404                               | 96,666                        | 6,000       | 40,500     | 9        | 13,440           | + 3,464                    | 338,508        | 56,485      |
| Forne Brothers                      | Jan. 31    | 90,360       | ...                     | 53,530                               | 124,900                       | 38,500      | 11,250     | 2 1/2    | ...              | + 3,780                    | 91,646         | 56,582      |
| Narwick House                       | Jan. 31    | 27,158       | ...                     | 4,312                                | 15,725                        | ...         | ...        | ...      | ...              | + 4,312                    | 25,856         | 1,923       |
| <b>Tea</b>                          |            |              |                         |                                      |                               |             |            |          |                  |                            |                |             |
| Lawal Tea & Rubber                  | Dec. 31    | 6,681        | ...                     | 1,841                                | 2,254                         | 525         | 1,326      | 6        | ...              | + 10                       | 8,615          | 1,943       |
| Thera India Tea                     | Feb. 28    | 32,624       | 1,958                   | 8,631                                | 9,181                         | 438         | 5,176      | 8        | 3,000            | + 17                       | 17,983         | 8,615       |
| Vanarsia Tea                        | Sept. 30   | 74,041       | 3,000                   | 20,756                               | 24,371                        | 5,823       | 10,650     | 10       | 3,500            | + 783                      | 61,184         | 20,770      |
| <b>Telegraphs and Telephones</b>    |            |              |                         |                                      |                               |             |            |          |                  |                            |                |             |
| Anglo-American Telegraph Co.        | Mar. 31    | 262,500      | ...                     | 131,250                              | 196,875                       | 102,146     | 29,104     | 37 & 1/2 | ...              | ...                        | 262,500        | 131,250     |
| Arcon Int. Marine Communication     | Dec. 31    | 668,998      | 70,864                  | 93,392                               | 123,825                       | ...         | 89,454     | 7 1/2    | ...              | + 3,938                    | 612,569        | 94,477      |
| <b>Textiles</b>                     |            |              |                         |                                      |                               |             |            |          |                  |                            |                |             |
| t (John) & Brothers                 | Mar. 31    | 102,720      | 20,000                  | 16,724                               | 38,657                        | 6,875       | 9,025      | 21       | ...              | + 824                      | 82,884         | 20,234      |
| h Cotton & Wool Dyers               | Mar. 31    | 131,302      | 55,940                  | 43,378                               | 94,669                        | ...         | 38,708     | 5        | ...              | + 4,670                    | 135,379        | 42,737      |
| sh Enka Limited                     | Dec. 31    | 147,580      | 47,604                  | 71,432                               | Dr. 87,016                    | ...         | ...        | ...      | ...              | + 71,432                   | 151,737        | 66,680      |
| s (J. & P.) Limited                 | Dec. 31    | 1,796,156    | ...                     | 1,711,316                            | 2,852,557                     | 330,000     | 1,290,625  | 8 1/2    | ...              | + 90,691                   | 1,802,291      | 1,706,161   |
| Antonia Textiles Limited            | Mar. 31    | 45,385       | 12,000                  | 21,046                               | 63,699                        | 10,541      | 9,660      | 7        | ...              | + 845                      | 42,465         | 26,375      |
| <b>Tramway and Omnibus</b>          |            |              |                         |                                      |                               |             |            |          |                  |                            |                |             |
| Potteries Motor Traction            | Dec. 31    | 197,376      | ...                     | 62,849                               | 84,352                        | ...         | 54,125     | 10       | 8,679            | + 45                       | 208,430        | 64,871      |
| <b>Trusts</b>                       |            |              |                         |                                      |                               |             |            |          |                  |                            |                |             |
| Alliance Investment Co.             | April 15   | 33,600       | ...                     | 23,051                               | 56,826                        | 14,119      | 6,275      | 4        | 2,000            | + 657                      | 32,536         | 22,025      |
| American Investment & General       | Mar. 15    | 194,015      | ...                     | 87,863                               | 158,243                       | 43,750      | 43,750     | 5        | 10,000           | + 363                      | 186,934        | 95,452      |
| Continental Union Trust             | Mar. 31    | 89,072       | ...                     | 36,620                               | 77,195                        | 16,125      | 19,350     | 6        | ...              | + 1,145                    | 85,845         | 34,662      |
| English & Caledonian Investment     | Mar. 31    | 48,006       | ...                     | 14,816                               | 17,362                        | 7,937       | 5,292      | 5        | ...              | + 1,509                    | 53,855         | 17,619      |
| General Scottish Trust              | Mar. 31    | 58,955       | ...                     | 18,311                               | 31,978                        | 9,350       | 6,852      | 5 1/2    | ...              | + 1,424                    | 58,535         | 18,051      |
| Gresham Trust                       | Mar. 31    | 45,537       | ...                     | 16,852                               | 20,394                        | ...         | 11,428     | 12       | ...              | + 579                      | 37,446         | 12,723      |
| Industrial & General Trust          | Mar. 31    | 478,371      | ...                     | 190,118                              | 314,864                       | 42,820      | 114,353    | 12 1/2   | 50,000           | + 17,035                   | 465,376        | 183,322     |
| Lake View Investment Trust          | Mar. 31    | 139,019      | ...                     | 45,941                               | 130,619                       | 8,156       | 29,349     | 9        | 10,000           | + 1,564                    | 133,560        | 42,132      |
| London & Holyrood Trust             | Mar. 31    | 130,307      | ...                     | 40,256                               | 87,891                        | 24,625      | 9,450      | 3        | ...              | + 7,181                    | 125,490        | 37,350      |
| London & Provincial Trust           | Mar. 31    | 83,184       | ...                     | 23,499                               | 85,933                        | 8,269       | 9,188      | 5        | ...              | + 6,038                    | 79,821         | 22,120      |
| London & S. American Investment     | Mar. 31    | 38,316       | ...                     | 21,440                               | 75,906                        | 13,125      | ...        | ...      | 4,953            | + 3,362                    | 35,584         | 18,850      |
| Nelson Financial Trust              | Oct. 31    | 56,616       | ...                     | 19,534                               | 33,499                        | 12,000      | 8,200      | 11       | ...              | + 566                      | 58,557         | 13,827      |
| Sphere Investment Trust             | Mar. 31    | 60,346       | ...                     | 40,975                               | 115,827                       | 18,000      | 15,000     | 5        | 10,000           | + 2,025                    | 56,254         | 37,258      |
| <b>Other Companies</b>              |            |              |                         |                                      |                               |             |            |          |                  |                            |                |             |
| Allied Dairies Limited              | Jan. 2     | 12,190       | ...                     | 4,232                                | 11,156                        | 1,077       | 2,400      | 20       | ...              | + 755                      | 9,930          | 4,023       |
| Armstrong Shock Absorbers           | June 30    | 18,488       | ...                     | 13,280                               | 14,689                        | ...         | 5,000      | 10       | ...              | + 280                      | 16,875         | 13,190      |
| Balfast Ropework Co.                | Dec. 31    | 32,773       | ...                     | 32,773                               | 47,804                        | 2,500       | 21,000     | 7        | 5,000            | + 4,273                    | 13,663         | 13,342      |
| British Drug Houses                 | Dec. 31    | 59,360       | ...                     | 36,423                               | 54,359                        | 8,750       | 6,000      | 3        | 20,000           | + 1,673                    | 52,957         | 22,591      |
| Brush Electrical Engineering        | Dec. 31    | 262,921      | 44,950                  | 70,248                               | 80,519                        | 10,766      | 32,567     | 9        | 5,000            | + 1,261                    | 215,887        | 64,911      |
| Buttons Limited                     | Dec. 31    | 36,567       | ...                     | 17,549                               | 43,734                        | 3,167       | 8,802      | 8        | 7,500            | + 54                       | 85,328         | 33,811      |
| Canning Town Glass Works            | Dec. 31    | 67,547       | ...                     | 36,253                               | 46,501                        | ...         | 28,639     | 10       | ...              | + 167                      | 61,965         | 29,993      |
| Collett (J.) Limited                | Dec. 31    | 67,657       | ...                     | 24,886                               | 32,640                        | ...         | 14,719     | 12 1/2   | 10,000           | + 1,571                    | 33,678         | 12,723      |
| Daily Mirror Newspapers             | Feb. 29    | 353,747      | 30,000                  | 14,852                               | 22,219                        | 2,250       | 12,375     | 33       | ...              | + 227                      | 35,304         | 15,023      |
| Ellis & Goldstein                   | Nov. 30    | 36,606       | 1,897                   | 605,777                              | 705,925                       | 20,000      | 404,160    | 40       | 178,247          | + 3,370                    | 680,248        | 583,761     |
| Ever Ready Co. (Great Britain)      | Dec. 31    | 14,535       | 2,892                   | 6,364                                | 20,651                        | 1,800       | 2,800      | 8        | ...              | + 1,764                    | 40,053         | 15,392      |
| Grieve (I.) & Co.                   | Nov. 30    | 121,945      | ...                     | 49,096                               | 72,770                        | 11,250      | 6,328      | 13 1/2   | ...              | + 31,518                   | 97,974         | 35,507      |
| Illustrated London News & Sketch    | Nov. 30    | 196,007      | ...                     | 79,540                               | 96,335                        | 99,000      | Dr. 50,000 | ...      | ...              | + 30,540                   | 160,186        | 63,383      |
| Imperial Chemical Industries        | Dec. 31    | 6,685,345    | ...                     | 5,685,345                            | 7,550,844                     | 1,682,468   | 4,032,148  | 8        | 774,210          | + 96,519                   | 6,499,859      | 6,399,859   |
| Inns & Co.                          | Dec. 31    | 235,193      | 21,000                  | 36,889                               | 38,112                        | 10,500      | 18,750     | 15       | 7,500            | + 139                      | 222,745        | 57,920      |
| Laporte (B.), Limited               | Mar. 31    | 203,189      | ...                     | 40,561                               | 96,033                        | 5,851       | 25,390     | 15       | 10,000           | + 680                      | 158,613        | 42,745      |
| Laurence, Scott & Electromotors     | Dec. 31    | 142,362      | 28,369                  | 41,314                               | 46,797                        | 4,256       | 25,062     | 12 1/2   | 10,608           | + 25,759                   | 120,417        | 42,355      |
| London & Thames Haven Oil Wharves   | Dec. 31    | 176,056      | 10,000                  | 65,759                               | 212,309                       | 40,000      | 7,500      | 10       | ...              | + 2,641                    | 45,325         | 31,880      |
| McNeill (F.) & Co.                  | Dec. 31    | 32,901       | 2,129                   | 20,141                               | 35,654                        | 10,000      | ...        | ...      | ...              | + 2,487                    | 114,050        | 60,895      |

|                                                               | May 16,<br>1944<br>Cents | May 23,<br>1944<br>Cents |
|---------------------------------------------------------------|--------------------------|--------------------------|
| <b>MISCELLANEOUS</b> (per lb.)— <i>cont.</i>                  |                          |                          |
| Rubber, N.Y., smkd. sheet spot..                              | †                        | †                        |
| " " Jan.-Mar. ....                                            | †                        | †                        |
| Sugar, N.Y., Cuban Cents., 96<br>deg. spot. ....              | 3-74½                    | 3-74½                    |
| Sugar, N.Y., 96 deg., No. 4, f.o.b.<br>Cuba, Mar. ....        | †                        | †                        |
| Moody's Index of staple com-<br>modities, Dec. 31, 1931=100.. | 250-0                    | 250-4                    |

† Nominal

(t) Six months.

## THE CHARTERED BANK OF INDIA AUSTRALIA AND CHINA

(Incorporated by Royal Charter 1853)  
**CAPITAL (PAID UP) - £3,000,000**  
**RESERVE FUND - £3,000,000**  
 Branches and Agencies throughout INDIA and the EAST  
**AFFILIATED BANK IN INDIA**  
**THE ALLAHABAD BANK LTD.**, with 16 Branches & Sub-Agencies  
 The Bank offers a complete Banking Service and provides exceptional facilities for financing every description of trade with the East.  
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 Manchester Branch: 52, MOSLEY STREET  
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 C. H. Hunt, Manager

HEAD OFFICE: MONTREAL  
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## NATIONAL BANK OF EGYPT

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 Liability of Members is Limited

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 Commercial Register No. 1, Cairo

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

London Agency:

**6 & 7 King William Street, E.C.4**  
 Branches in all the Principal Towns in EGYPT and the SUDAN

## THE BANK OF NOVA SCOTIA

(Incorporated in Canada with Limited Liability)  
 Established 1832.

General Office: Toronto, Canada.

Paid Up Capital ... £12,000,000  
 Reserve Fund ... £24,000,000  
 Total Assets over ... £400,000,000

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

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 CAPITAL FULLY PAID ... £2,400,000  
 RESERVE FUND & BALANCE carried forward ... £2,259,161  
 DEPOSITS & CREDIT BALANCES  
 as at 29th Feb., 1944 ... £62,235,580

Head Office: THE MOUND, EDINBURGH

Over 200 Branches and Sub-Branches throughout Scotland.

London Offices:

CITY OFFICE, 30 BISHOPSGATE, E.C.  
 PICCADILLY CIRCUS BRANCH, 16/18 PICCADILLY, W.

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ESTABLISHED 1837.

LIMITED

Capital Authorised and Issued ... £12,000,000  
 Paid-up Capital ... £4,000,000  
 Reserve Liability of Proprietors ... £8,000,000  
 £12,000,000

(Not capable of being called up except in the event of and for the purpose of the bank being wound up)  
 Reserve Fund ... £3,250,000  
 Special Currency Reserve ... £1,600,000

Head Office: 71 CORNHILL, LONDON, E.C.3  
 West End Agency: 15 CARLOS PLACE, W.1

Drafts are granted on the Bank's Branches throughout the Australian States and Dominion of New Zealand. Telegraphic Remittances are also made. Commercial and Circular Letters of Credit and Travellers' cheques issued. Bills are purchased or sent for Collection. Deposits are received for fixed periods on terms which may be ascertained on application.

## THE BANK OF AUSTRALASIA

Incorporated by Royal Charter 1835.

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

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## LONDON AND MANCHESTER ASSURANCE CO., LTD.

Life, Annuity, Accident, Fire, Motor, Burglary.

Chief Office: Finsbury Square, LONDON, E.C.2

## REFUGE ASSURANCE COMPANY LTD.

Chief Office: OXFORD STREET, MANCHESTER, 1

ANNUAL INCOME EXCEEDS - £14,500,000  
 ASSETS EXCEED - £85,000,000  
 CLAIMS PAID EXCEED - £155,000,000

(1943 Accounts)

# THE ECONOMIST

ESTABLISHED 1843

Vol. CXLVI No. 5258

REGISTERED AS  
A NEWSPAPER

JUNE 3, 1944

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

ONE  
SHILLING

Employment Policy - - - 737

Colonial Progress - - - 739

Reflections on Philadelphia 740

NOTES OF THE WEEK - - - 745

Peace Plans; To Rome; Reactions on Spain; Farm Prices; Parliamentary Government; Mission to London; France and the Franc; Indian Reconstruction; South American Recognition; Little Men Combine; Wartime Hardships; The Government of London; "The Great Web"; Poor Persons' Legal Aid; Shorter Notes.

AMERICAN SURVEY - - - 750

Is Isolation Dead?; Remote Control; Full Employment; Bridges in Wonderland; The Hog at the Door; Political Action.

LETTERS TO THE EDITOR - - - 753

Hire Purchase and Employment; Trade Policy; Swedish Credit Policy.

Conciliation in Greece - - 742

The White Paper - - - 743

Anglo-Indian Finances - - 754

THE BUSINESS WORLD

BUSINESS NOTES - - - 755

Full Employment for Capital; Equalising Returns; Lord Portal's Houses; Design of Accounts; Truthful and Unambiguous; Scientific Instruments; Science in Industry; Dunlop's Record Profit; Policy for the Rand; Mining Royalties; Future of Linen Industry; Postwar Perfumery; National Debt Milestone; Netherlands Indies Guilder; Mercury Supplies; Company Results.

COMPANY MEETINGS - - - 759

RECORDS AND STATISTICS - - 762

THE ECONOMIST, BRETTENHAM HOUSE, LANCASTER PLACE, STRAND, LONDON, W.C.2. TELE: TEMPLE BAR 3316. ANNUAL SUBSCRIPTION £3.

## Employment Policy

THE publication of the Government's White Paper on Employment Policy is a landmark in economic history. In the last half-century, and especially since the last war, there has been a steady and massive encroachment of the state in the economic domain. But—in this country at least—the process has been reluctant, hesitant, pushed forward by ineluctable circumstances, rather than deliberate and of set purpose. By the same token it has been piecemeal and incomplete of purpose. Now for the first time there is a bold and conscious assumption of responsibility and authority (the second necessarily follows the first) over a whole vast terrain of policy. The state, acting as the agent of the community, asserts its resolve to dominate one more aspect of the environment in which human society lives. The White Paper's opening words are that "the Government accept as one of their primary aims and responsibilities the maintenance of a high and stable level of employment after the war."

The revolution of thought involved in this new policy is far larger than dwellers in the present day can easily realise unless they are skilful at recapturing their own past moods. In most respects, the content of democratic policy has not changed very much since the closing days of the last war. Over most of the range, the world is fighting now for the same things as were fought for then.

Responsibility for economic welfare is the chief novelty. "Not long ago," says the White Paper,

the ideas embodied in the present proposals were unfamiliar to the general public and the subject of controversy among economists. To-day, the conception of an expansionist economy and the broad principles governing its growth are widely accepted by men of affairs as well as by technical experts in all the great industrial countries. But the whole of the measures here proposed have never yet been systematically applied as part of the economic policy of any Government. In these matters we shall be pioneers.

The boast is justified. It is true that full employment—and over-full employment—has twice been attained in this country in wartime. It is true also that some other industrial countries—Russia and Germany, notably—have attained it in peacetime—but only at the triple cost of employing a large part of their national industries on war preparations, of conscripting the persons and restricting the consumption of their citizens. What is now to be attempted in Britain is something quite new—and something much more difficult than any of these. For there are two unspoken assumptions in any full employment policy for a democracy. The first is that full employment is to be achieved without any departure from



methods of persuasion and agreement; it is to be achieved under free criticism and without conscription. The second is that employment is to be devoted to supplying the idiosyncratic wants of individuals. No community, of course, can survive if its citizens insist on devoting all of what they produce to current consumption. But it is the democratic dogma that the people themselves shall decide how much they will consume, how much they will provide for the needs of the state and how much they will set aside for additions to capital. A democratic full employment policy must attain its goal while obeying these instructions. No country has ever done this. Until last week, no country had even announced a policy for doing it. Irrespective of the precise nature of its contents, the first formal resolution of democracy to shoulder a new responsibility on behalf of its members deserves a round of applause.

Apart from this great general merit, the contents of the White Paper are good, much more virile and imaginative than could reasonably have been expected. Perhaps the most satisfactory feature of all is the wide scope of the policy outlined. The beginning of all wisdom in these matters is to realise that there is no one solution of the problem of employment. It may be that the financial aspect is the most important; but the more the financial aspect—the irregularity of total outlay as compared with total income—is examined, the more it appears to be merely the expression of non-financial emotions and circumstances. There is no Philosophers' Stone—least of all, as the White Paper so rightly and repeatedly points out, for a small island so closely dependent on foreign trade. Success can only come through the combined pursuit of several different policies at once.

The White Paper—which is fully summarised on pages 743 to 745—embodies, in all, ten separate lines of advance. The distinction of topics in the following paragraphs is not that of the White Paper, since several of the policies appear in different guises in different paragraphs. But it is the logical arrangement:

1. *The Transition from War to Peace.*—The White Paper is entirely right in giving the place of priority to the problems of the transition. Unless they are well managed, the longer-term policy in later years will be much more difficult. If the price structure is distorted by inflation there will inevitably be painful adjustments, which no policy, however well conceived, will be able to prevent. Similarly, if the pressure of immediate demand is allowed to swell some of the construction and consumers' capital industries (such as building and furniture) to a size larger than the permanent demand for their products would justify, nothing could prevent unemployment when the first peak of demand had been met. The policies the White Paper propounds are those of planned demobilisation and of maintenance during the transition period of the apparatus of control, including the rationing of consumer goods. The general order of priority is to be exports first, civilian necessities second, and industrial equipment third.

Beyond question, this policy is on the right lines, and it is reassuring to see the need for maintaining control throughout the period of shortage so uncompromisingly stated. It is impossible to foresee how far the policy will, in fact, be successful in attaining its object. The detailed difficulties will be very great, and they will depend on skilful administration as much as upon the enumeration of general principles. There is also a political hazard; nobody now can foresee to what extent the public will be ready to put up with restrictions once the fighting is over. But at least it can be said that policy can do little more in advance than what is laid down in the White Paper.

2. *International Trade.*—The emphasis that the White Paper, in every section, lays on the necessity of a proper ordering of the country's overseas trading relationships cannot possibly be gainsaid. It is also perfectly true that, while one Government can propose, only international agreement can dispose. But much depends on the nature of the proposals. Doubts have been expressed in *The Economist* in recent months whether the order of ideas that is being advanced in the international discussions takes sufficient account of the necessities of a full employment policy. The present White Paper does nothing either to increase or to remove these doubts, which must await further information. It is now acknowledged, as a deliberate act of policy, that

depressions in home trade cannot be avoided or cured by removing all purposive direction from economic affairs. The same truth applies with equal strength to depressions in foreign trade. It may be that the Government have plans for the organised maintenance of the volume of overseas trade; if so, nothing has yet been said about them.

3. *Industrial Efficiency.*—This is an enormous subject on which, perhaps, it would be unreasonable to expect more than a generalised sentence or two in a White Paper of this sort, particularly since further reports on the subject are promised. Nevertheless, it is legitimate to express a doubt whether the full magnitude of the task is fully appreciated. The Budget proposals for the amendment of taxation on the depreciation of plant were, within their limits, excellent. But it is a little disturbing to see them put forward as the main constituent of the Government's policy for assisting an increase in the productivity of industry.

4. *Location of Industry.*—In many ways, this is the most satisfactory chapter of the whole White Paper. Several important principles have been accepted. The first is that the Government has any responsibility in the matter at all. This in itself is quite a victory. The second reversal of policy is hardly less important. It is now accepted, as a general principle, that it is better, wherever possible, to take the work to the labour rather than the labour to the work. So far as whole regions are concerned, it is the Government's policy to take diversified industries into the Special Areas rather than to drain them of their population. The major instruments of policy to this end are to be the exercise of negative powers over location (that is, the prohibition of building in the wrong areas) with the "use of the Government's influence to steer new factory development into areas which call most urgently for further industrial diversification." The industrialist will be told that he must not build in London, and an attempt will be made to induce him to think kindly of Merthyr Tydfil. Trading estates and assistance with the raising of capital are also to be provided. All this is very much to the good, and a great advance on the policies of the past. Nevertheless an obstinate core of doubt remains whether the policy will be quantitatively large enough to achieve its objects. The areas from which new factories will be banned will be few—London is the outstanding example—and many of those who have their applications for London turned down will prefer to build in a "neutral" area rather than yield to the rather mild blandishments of the Government's "steering" towards the special areas. It may well prove that, to secure an adequate flow of new enterprise to these areas, one or other of two new hurdles will have to be taken—either the Government will have to exercise positive compulsion, telling the industrialist where he is to build his factory, or else direct financial assistance will have to be provided.

5. *Mobility of Labour.*—The new policy on the location of industry will not diminish the necessity for mobility of labour between industries. The right lines are, once again, laid down: training facilities, training grants at a rate better than unemployment benefit, re-settlement grants and the like. But the White Paper frankly acknowledges that the success of the policy depends upon the cooperation of the trade unions. Judgment must again be suspended until it can be seen whether the necessary and very considerable change in individual and collective habits can be secured.

6. *Stabilisation of Private Investment.*—This, by general consent, is the most important of all lines of policy. The policy sketched by the White Paper, if it is to be regarded as a final statement, cannot be called anything but weak. There is to be some use of the weapon of interest rates—which is, in any case, apter for restriction than for expansion. There is to be "encouragement" of large private enterprises to plan their capital expenditure, with the vaguest hint of tax inducements for so doing. And that is all. This is the point on which the attack on the White Paper will concentrate. There will be many who will use the dilute nature of these proposals as an argument for the wholesale nationalisation of heavy industry. The argument is very largely fallacious—a Government-owned industry will be even harder than a private firm to persuade into large expenditures at times when its managers expect to lose money—but it will be widely accepted unless it can be effectively countered. The only acceptable counter is a really thoroughgoing policy of influencing private capital expenditure which is prepared to use every weapon, including those of taxation and control, to whatever extent is necessary to achieve the result. Such a policy should not ignore the problem of varying stocks and

inventories, the quantitative importance of which is certainly large and possibly crucial.

7. *Public Works.*—Here again the principle, so long ignored or denied, is fully accepted. Public authorities should not cut down their expenditure in bad years, but should expand it. But here again the reader of the White Paper is left wondering whether it goes far enough. Those works that would be undertaken in any case are to be timed so as to assist the general policy. So much is excellent; but there is apparently no thought of having in reserve a large volume of projects that would never be undertaken at all unless idle labour and capital were available. Every effort should, it is true, be made to avoid the necessity for recourse to "unnecessary" public works. But if, in spite of those efforts, unemployment does arise, is it not better to use it for works that are desirable, even if not necessary, rather than to leave men without work?

8. *Maintenance of Consumer Purchasing Power.*—The proposal of variable rates of social insurance contributions is the chief novelty of the plan. Once again the proposal is excellent, but does it go far enough? It is estimated in the Appendix to the White Paper that by this means consumption expenditure might be increased by £70-£80 million a year. But the total of consumption expenditure in 1938 was over £4,000 million, and will be more at post-war prices. If social insurance contributions can be varied in this way, cannot the principle be applied to other personal taxes and exercise a much greater influence?

9. *Price and Wage Stabilisation.*—It would be idle to deny that a successful policy of full employment conjures up the spectre of inflation, which can only be avoided if the community will consent, in case of need, to exercise the same restraint as in wartime. The White Paper says all the right things, and that is all that can now be done. The rest is a matter of public responsibility.

10. *Restrictive Practices.*—Few sentences in the whole White Paper are more enticing or more ambiguous than the one that promises a Government inquiry into the extent and effect of restrictive practices and the taking of "appropriate measures" to check them. It may mean a great deal or it may mean almost nothing at all. In default of further information, and in the absence of any sign of willingness on the Government's part to take the initiative in its general industrial policy, it seems the more probable interpretation that the sentence means very little.

None of these comments should be taken as decisive criticisms of the White Paper. This is, after all, the very

first public appearance of a whole new conception of economic policy, and it would be unreasonable to expect more than a preliminary and generalised statement. The organism has unlocked the doors of the instrument and pulled out all the right stops; but he has not got sufficient wind in the bellows. The remedy is therefore simple. Hard work in keeping up the pressure will make it possible for the tune to be played in all its necessary harmonies. *C'est le premier pas qui coûte*, and much more than the first step has been taken. Expansion and development, rather than criticism, are now the need.

To this general judgment, there must unfortunately, even now, be an exception. The section of the White Paper devoted to the financial implications bears all the marks of a compromise. It starts with the statement that "none of the main proposals contained in this Paper involves deliberate planning for a deficit in the National Budget in years of sub-normal trade activity." But this, unless the word "deliberate" cloaks a verbal quibble, is equivalent to saying that "none of the main proposals in this Paper is conceived on a large enough scale." It is impossible to imagine a successful employment policy that did not involve a deficit in some years—as indeed a later paragraph seems to imply. Nor is it even quite certain that a successful policy is compatible with the balancing of the Budget over a longer period. In economic policy, as in war, it would be nice to combine victory with a balanced budget, but a deficit is better than defeat. In the very longest run, the test is whether the net interest burden of the National Debt is a rising proportion of the national income—as is also pointed out by the White Paper, which, in this section, is nothing if not catholic. But there are surely more ways of bringing Mahomet and the mountain together than by imposing any financial rigidities.

With this one exception, however, the blessing can be pronounced with some enthusiasm. It is very much to be hoped that the White Paper will not become the sport of sectaries. It has been produced by an all-party Government and its merits are such that, malcontents apart, any reasonable man should be willing to accept it at least as a basis for further exploration. It is, after all, a pioneering job and the difficulties of working it out in practice will be great enough in any case without the artificial obstacles of faction and prejudice.

## Colonial Progress

IT is just four years since the Colonial Development and Welfare Act was debated in Parliament, and nearly three years since the colonial governments were encouraged and requested to make use of its provisions by submitting schemes to be financed out of it. In the meantime, the wealthiest part of the colonial empire has been lost, and British imperialism has been under constant fire from critics in the United States. Mostly, this foreign criticism has been concerned with the political aspects of British colonial rule—with its right to exist at all. But at home criticism has tended to concentrate on its economic aspects—on whether the Colonial Office is wholehearted in its avowed policy of pursuing development and welfare in the colonies and whether it is going the right way about it.

The Colonial Office can certainly reply that it has not been idle. In the West Indies, whose troubles were the occasion of the new policy formulated in the Colonial Development and Welfare Act, Sir Frank Stockdale's organisation has been at work for three and a half years and has issued a report which illustrates very clearly the new attitude of mind towards the colonies. The Anglo-American Caribbean Commission has been set up to promote co-operation on the problems of the area between the United Kingdom and the United States. New committees have been set up to advise the Colonial Office on such matters as labour and economic policy. The advisory

committee on education has issued a report on mass education in Africa and proposed a bold plan for abolishing illiteracy. A commission on university education in the colonies has been set up and another commission on higher education has visited West Africa. The present Secretary of State has been out to Africa to see something of the colonies' problems for himself. It can be officially pleaded that the war has not prevented the last few years from being, on paper, one of the most fruitful periods in the history of the colonial empire.

But what does it all amount to in terms of the health, wealth and progress of the colonial peoples? There was published last week (Cmd. No. 6532) a return of the schemes made under the Act since it came into operation. These amount to £7,722,516 in grants and loans for development and welfare and £297,333 for research. Well over half of the schemes for development and welfare have been approved in the last financial year, which shows that the machinery is now getting into its stride. Nevertheless, these sums are for schemes approved; they are not necessarily for schemes carried out. It is quite true that the official answer to this perennial criticism is justifiable. Many schemes cannot be carried out in wartime because of the shortage of men, materials and capital equipment. But it is not only the sums of money they represent that are small; the schemes themselves are minute compared with what needs to be done. The largest

single grant is an amount of £525,000 for agricultural development in Jamaica, which is not for any specific service but will be merged with the ordinary expenditure of the local government, and will enable it "to meet the cost of extensive agricultural development throughout the colony at an estimated cost of £990,000 in the five-year period from 1943-44." There are a few other comparatively large grants, such as for soil conservation, drainage and irrigation, a new dredger for Lagos harbour, and agricultural development in Barbados. But on the whole there are very few instances of planning on anything like a large scale. For the rest, it is mainly a question of a nutrition experiment here and a tuberculosis survey there, of a rice station in the Gambia and a home for delinquent girls in British Guiana—all admirable and necessary but hardly amounting to a long-term policy of development and welfare.

The inadequacy of these schemes compared with the colonies' needs can be illustrated by the single example of elementary education in Jamaica. In the Stockdale report, it is stated that the number of teachers required to provide for a 90 per cent school attendance of children aged 5-15 would involve a rise in annual expenditure from £640,000 to £2,000,000, which is double the sum originally allocated to all the West Indies for all development and welfare purposes out of the total of £5,000,000 allowed to be spent out of the Fund every year. The estimate of £2,000,000 is, it should be emphasised, for Jamaica alone. No estimate was given of the cost of the scheme for abolishing mass illiteracy in Africa, but the proportionate increase over the present expenditure on education there could hardly be less. And elementary education is only one branch of education. And education is only one branch of development and welfare, which also includes health; communications; the combating of soil erosion and such pests as the mosquito and tse-tse fly; the promotion of a healthier and better agriculture; the establishment of secondary industries; the encouragement of the co-operative system, and so on, all projects which have received official recognition. It is small wonder that even officially it is recognised that the sum of £5,000,000 a year hardly touches the fringe.

But it is not only that the money is not enough. The question also arises whether the machinery of the Fund is the right one. The items enumerated cannot properly be dealt with by the present procedure, which means that isolated governments produce isolated schemes that are then approved or disapproved for a grant from the Fund. Even if its total were doubled or trebled or multiplied indefinitely, it is becoming clear that the method of passively drawing on a fund as occasion arises cannot meet the case.

It is easy to say that the fund is inadequate, but it is more difficult to say what sort of machinery should be

set up. It is possible, however, to suggest the conditions which it should fulfil. First of all, a programme of what is needed in each area should be drawn up—a five, ten or fifteen-year plan designed to attain a specific goal in terms of welfare and development—and then an estimate of the cost, not only in money but in physical resources, should be made, instead of, as at present, fixing the maximum sum in money which development and welfare throughout the colonies can be allowed to cost. Secondly, the areas should not be limited to the boundaries of individual colonies but should be regional, because many of the problems to be tackled—soil erosion and communications are the obvious examples—are regional, and this involves not only intercolonial co-operation but international co-operation as well. Thirdly, although development and welfare policy should thus be framed at the centre and on an inter-colonial basis, the co-operation and consent of the individual colonies must be secured. This rules out the main idea of the Development Board planners because they assume that the policy drawn up at the centre can be imposed on the colonial peoples willy-nilly, whereas it is essential that it should be related and modified to fit individual needs. Thus a large amount of discretion in the execution of the policy will have to be left to the administrations on the spot, and suggestions coming from the colonies, particularly from the colonial people themselves, should be welcomed and fitted into the general framework wherever possible. Finally—a condition which is linked to the preceding one—there must be no question of a colony's greater financial dependence on the United Kingdom, which will result from a big programme of development and welfare, postponing its progress towards political independence. In 1933, Newfoundland became financially dependent on the United Kingdom and lost its Dominion status. This, it is true, was also due to the inefficiency of the island's government; nevertheless, more than ten years have passed since the Commission of Government took office and though war conditions have made Newfoundland financially self-supporting again, responsible government has not been restored, nor, probably, are the people ready for it because government from without has led to political apathy. The history of Newfoundland in the last ten years is a good example of how colonial development, carried out at the expense of the British taxpayer but carried out in the wrong way, can retard political progress instead of helping it. There will, it is true, have to be assurances that money, made available to a colony to enable it to play its part in the general plan of colonial development, is spent in the right way, but this should not hinder its progress towards internal self-government. No development without representation is what the colonies will expect of the new colonial system. Taxation without authority is what the United Kingdom must be prepared to give.

## Reflections on Philadelphia

THIS is an age of Charters—first the Atlantic Charter and now the Philadelphia Charter. Future historians will perhaps record the middle 1940s as the years when, at the height of the war, the nations met to lay the foundations for a new peaceful society. Cynics may say that it was the same in 1918-20, when equally good intentions and goodwill were displayed at international conferences. But the delegates of forty nations who went "off to Philadelphia in the morning" for the International Labour Conference met in a very different atmosphere from pre-war Geneva days. With the Red Army's victories in the East and the Anglo-American preparations for the Western offensive, the prospects of peace seemed not too remote. The representatives of occupied nations, in daily touch with their underground resistance movements, introduced a sobering and realistic note in speaking of the problems of restoring freed Europe. Earlier conferences, on relief, refugees and food, had already established a basis for concerted inter-

national action in tackling the restoration of economic and social life in war-ravaged countries.

The ILO conference, seen from this side of the Atlantic, had a curiously patchwork effect. It was difficult to see the wood for the trees, or the trees for the wood, because the general outline of the conference as well as the details were blurred. In the day-to-day press reports, the divisions were given great prominence. Many of these differences arose on questions of procedure or personalities—such as the exclusion of the Argentine delegate—or on matters of policy, which would really seem to be outside the scope of the ILO. The controversy between Sir Walter Citrine and Mr. Robert Watt, the American labour delegate, about the war guilt of the German people was hardly relevant to the conference discussions. Reparations, and American labour's opposition to the suggested use of German labour to rebuild devastated areas in Russia and Europe obviously could not be settled by the ILO, and

the discussion, in the absence of any representative of the Soviet Union—after all the most interested party—became meaningless. The British Government showed good sense in moving the reference back of the resolution on the administration of Axis territories.

Most confusing to the outsider were the criticisms of the attitude of the British Government. The accusations of obstruction and sabotage were undoubtedly wild. There was a great deal to be said for the British proposal that the social security recommendations should be referred to the various Governments, with a view to framing a draft convention for the next conference. But Mr Tomlinson's motion was defeated by a big majority, thus appearing to be a resounding defeat for the British Government. He was supported by all the employers' delegates—except Peru—but opposed by all the Governments and the workers' delegates. It was suggested that the British Government's motive was the fear that adoption of the ILO recommendations might prejudice its own social security plan. Mr Tomlinson's speech, explaining the reasons for the motion, and his defence at a press conference, provided adequate reply to the critics. As he put it,

The Conference was called to enable Governments, employers and workers to exchange views and not to enforce the acceptance of views prepared in advance.

A charge which can more fairly be levelled against the British Government delegation is that it did not give the open and firm lead that could have been expected from the country that is furthest along the path of social security and labour rights. This gave an impression of belated acquiescence and of lagging behind the less advanced countries. It was significant in the discussions that the delegates most in a hurry for decision and action were the workers' representatives of the economically weaker countries. They probably hoped that they could use the ILO decisions as a lever for forcing the pace of social reform in their own countries. When M. Schevenels, secretary of the workers' side—though speaking purely in an individual capacity—accused the British Government of holding up the funds for future projects, Mr Tomlinson described the charge as "outrageous," and showed that last year the British Commonwealth contributed two-thirds of the ILO's funds, and Britain alone contributed a third, whereas the South American countries which showed most impatience were generally in arrears and many of them had failed to ratify conventions. Finally the sum of 12½ million Swiss francs was voted for next year's ILO budget.

Apart from these over-publicised differences, the general impression of Philadelphia is that it was a valuable and successful meeting. No conference would be healthy without divisions of opinion, and this is especially true of the ILO with its tripartite character. The workers' side, being the most vitally interested, tends to set the pace, and the comment of Mr Hallsworth, British workers' delegate, that "We have achieved 95 per cent of what we

set out to do" is a significant tribute to the positive achievements of the conference.

In the first place, the conference succeeded in putting the ILO firmly and squarely on the map. Until its Governing Body met in London last December, there were suspicions that the ILO was being side-tracked and left out of international discussions. These fears have now finally been laid. The ILO is assured of a place, in its own right, at the peace talks, and its relations with other international bodies have been placed on a stable footing. One important decision was the appointment of a negotiating committee, consisting of three representatives each of Governments, employers and workers, to conduct relations with other international agencies, and to deal with any world political agency that might be set up.

The Philadelphia Charter, formally the statement of the ILO's aims, is in effect the counterpart in the social field of the Atlantic Charter in the political sphere. It has been described as "not a programme of action, but a framework of reference for the achievement of an international code of rights for the common man." The Charter starts from four fundamental principles—that labour is not a commodity; that freedom of expression and association is essential to progress; that poverty anywhere endangers prosperity everywhere; that each nation must carry on the war against want with "unrelenting vigour."

Among the points stressed in the document are the opportunity for useful and regular employment at fair wages; the establishment of minimum standards of employment; the provision of child welfare; adequate nutrition, housing and recreational facilities; facilities for the training and transfer of labour; the extension of social security measures to provide a basic income and comprehensive medical care for all in need of protection. The Charter emphasises the recognition of collective bargaining and freedom of association, and the cooperation of management and labour in the improvement of productive efficiency—a recognition of the value of wartime joint production committees. The inclusion of this clause represents a great advance from the workers' point of view.

Although the Charter was the most significant and far-reaching decision of the Conference, covering the whole field of the ILO's work, important decisions were reached in other directions. For example, the recommendation on "minimum standards in dependent territories" was accepted unanimously. It proposes measures for establishing minimum wage machinery, for protecting women and young children's employment, for raising the standards of health, housing, social insurance and assistance. It also recognises the need for international cooperation in providing financial and technical assistance to colonial territories. Mr Tomlinson gave an assurance that the recommendation would be accepted throughout the British Empire, and that there would be immediate discussions with the governing authorities of all British Colonies.

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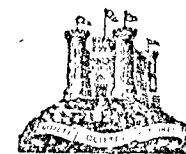
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Recommendation III—the organisation of employment in the transition from war to peace—was also carried unanimously, and proved to be one of the least controversial issues. The report of the Committee on which the recommendation was based covers demobilisation of the armed forces and of war industries; the machinery of employment exchanges; vocational guidance; training and retraining of labour; the employment of young persons and women; the employment and retraining of disabled workers; and the collection of labour statistics.

A great deal of the attention of the Conference was inevitably taken up with discussion of the organisation of the ILO itself. From the point of view of machinery, two important decisions were taken. The first of these was the setting up of a special committee of 18 members, in effect to bring the 1919 Constitution up to date and incorporate the 1944 decisions in it. The second was the appointment of a committee to work out the details of the industrial committees, proposed by the British Government. These committees will cover the main industries—coal, textiles, chemicals, iron and steel, engineering, building and civil engineering, transport, docks and distribution. Mr Bevin in particular has stressed the value of occupational, as opposed to purely national groups. A difference of opinion arose about whether they should be purely worker-employer groups or should include representatives of the Governments; the majority view was that they should be tripartite, as more in keeping with the character of the ILO. It was also decided to strengthen the regional activities of the ILO, and as a first step, it was agreed to call a conference of the Middle and Near Eastern countries. In this and other ways the structure and machinery of the ILO will be strengthened and developed, to equip it for the formidable programme of work which it has set itself. It is impossible to judge the practical results of the Conference until it is known what action the various Governments take to translate the recommendations into practice. The ILO is, after all, not an executive body. It can only make recommendations to the Governments on general lines of policy and on social objectives. It cannot enforce their application.

Though the Philadelphia Conference established the ILO's position as an international labour agency, it left the fundamental question of its powers and scope largely undefined. This was perhaps the most controversial issue

at the conference. The most enthusiastic supporters of the ILO tend to vest it with omnipotence and to impose no limitations on its scope. They argue that, since improved labour and social standards can only result from a general level of prosperity, the ILO should be responsible for economic action in the wider sense. The Australian Government's proposal that an inter-governmental conference on employment policies should be called was defeated, largely because it would be contrary to the tripartite character of the ILO. In the end, a compromise was reached—it was decided to recommend the Governments to call an employment conference in association with the ILO. On the suggestion of the American Government, it was agreed that if and when a fall in the general level of employment threatened, the ILO should call a special conference to discuss concerted action.

The Philadelphia Conference certainly resulted in extending the work of the ILO. The Charter lays down that it is one of the responsibilities of the ILO to "examine and consider all international economic and financial policies and measures." This does not mean that the ILO will have executive responsibility, but it does mean that it will want to be consulted on matters which before the war were regarded as outside its province. The ILO provides an unparalleled opportunity for a forum, and for obtaining the views of organised employers and labour on matters in which they are directly interested. It would, however, be a pity if its admirable work in the field of raising labour and social standards were to be defeated by too lofty an objective, or if it were to perform the functions for which it is eminently suited less well because it diffused its efforts. The ILO should be made to fit in to the post-war world economic framework, as an essential part, but rather as a specialist than as a general practitioner. Another question remaining to be solved is that of the membership. The fact that Russia has not rejoined the ILO—the chief obstacle in Soviet eyes is that it still regards the ILO as an "appendage of the League"—must weaken its effectiveness.

But it could hardly be expected that agreement would be reached on all these large matters in the three short weeks of conference. Whatever it has or it has not done, the Philadelphia Conference has undoubtedly laid the basis for international action in social and economic policies, and has been a pointer for the peace settlement.

## Conciliation in Greece

(By a Correspondent)

THE Greek Unity Conference held in the Lebanon from May 17th to May 21st was attended by twenty-nine delegates, representing the Greek Government in exile, all political parties including the Communists, and the three guerilla organisations, ELAS, EDES and EKKA. The Conference unanimously accepted a National Charter consisting of eight points: (1) The re-organisation of the Greek forces in the Middle East and the re-establishment of discipline; (2) the unification of all guerilla organisations in Greece under the orders of the Royal Government; (3) the cessation of arbitrary rule by the guerillas in territories occupied by them; (4) the sending of supplies of food and medicines to Greece; (5) popular freedom to decide on the constitutional issues after liberation; (6) the punishment of quislings and traitors; (7) the preparation of plans for post-war relief and reconstruction; (8) the satisfaction of Greek national claims on Bulgaria and Italy.

The result of the Lebanon Conference is a striking political success for the recently appointed Prime Minister, M. Papandreu. The basis of his broad compromise with the Communist-led Front of Liberation (EAM) and its guerillas (ELAS) is the agreement to form a Royal Government, including the representatives of all the Greek parties and guerillas. Had this concession been made earlier, many of the stormy conflicts which culminated in the recent mutiny of the Greek Forces in the Middle East might have been avoided. The only demand of the sailors

and soldiers who took part in the revolt was the formation of a Government of National Unity and the inclusion of the Greek Left in it.

In exchange for the concession now made by the King and his Prime Minister, the Communist party and the EAM have for the first time unreservedly recognised the authority of the Royal Government in exile. They have also agreed to give up the independent existence of their guerilla organisation, and have strongly condemned the mutineers without apparently making any specific demand for an amnesty. It is also significant that the National Charter does not repeat the demand, previously made by EAM, that the King should not return to Greece before a plebiscite is taken on the issue of Monarchy or Republic. It merely speaks in general terms about the people's "sovereign rights to decide on the constitutional and social regime and on the Government they want."

The conflict between the Royal Government and EAM and ELAS, as well as between the latter organisations and the two other guerilla groups—EDES and EKKA—has had its roots in the unhappy legacy of the dictatorial regime of Metaxas, which was established in 1936 and lasted until the occupation of Greece by the Axis. True, by military tests, the war record of the Metaxas regime was unimpeachable. During the campaign in Greece, Metaxas managed to arouse a wave of popular patriotism which for a while submerged all political feuds and

cleavages. But shortly after his death, this record was spoiled by the majority of his associates, who remained in Greece and formed the quisling administration, under General Tsolakoglu, the commander of the Greek army that surrendered to the Germans in the Epirus. The Metaxist military leaders have utterly compromised themselves in the eyes of the Greek people; and it has not been a matter of chance that the leaders of all guerilla bands, without political distinction, have as a rule been not generals but colonels. More important still, the fact that the monarchy had identified itself with the Metaxist regime has contributed greatly to a renewal of strong Republican sentiment all over Greece.

Traditionally the leading party of Greek republicanism was the Venizelist Liberal Party. This seems no longer to be the case. No Liberal leader of the stature of Venizelos has emerged since the latter's death in exile. The years of Metaxas' dictatorship resulted in an atrophy of the old party system. The strong constitutional sense of the Liberals prevented them from descending into the underground and waging an illegal struggle from there against the King and Metaxas; and the dictatorship left no scope for legal and political action. So Liberal influence shrank. Some of Venizelos' successors restricted themselves to ineffective forms of pressure on the regime, while others destroyed their influence by an equivocal attitude towards the dictatorship.

The gap left by Liberalism was largely filled by the Communist party, which had absorbed the bulk of the Socialist movement and monopolised the Republican programme. The Communist party had been illegal throughout the Metaxas period. After the occupation of Greece, therefore, it had a big start over other political groups; there was no need to make any fundamental re-adjustment in its political methods; the illegal activities of previous years had provided its membership with the best of training for the tasks with which it was now confronted under enemy occupation; and the newly awakened Republican mood in the country was strongly blowing into its sails.

In the first years of the occupation, the Communist-led Front of Liberation, EAM, attracted many non-Communists, and became a genuinely national movement. Later on, however, EAM seems to have lost some of its influence, because of the contradiction between its relatively moderate, popular and republican programme and its reckless and

often terrorist methods of action—against its Greek opponents. Even so, EAM has remained the chief factor in the Greek resistance. It has led mass demonstrations and strikes in Greek towns. Its armed forces, the ELAS, operating in the countryside, has been incomparably stronger than the National Democratic Army, EDES, which claims to continue the tradition of Venizelist republicanism, or than EKKA, the non-political guerilla band of officers.

The successive Royal Governments in exile have been coalitions of Metaxists and Right-wing Liberals, in which the Metaxists kept the key positions. Attempts to bridge the gap between the Governments in exile and the various sets of guerillas in Greece itself were made on several occasions. A delegation of the partisans went to Cairo in September, 1943, but the negotiations yielded no results; the King was not yet ready to include representatives of the EAM in his Government, while EAM was not prepared to waive or mitigate its republican claims. As late as February, 1944, an agreement was concluded between the various guerilla bands under which all internecine fighting was to cease; but the agreement was not observed because of the lack of political unity.

Shortly before the Lebanon Conference, the EAM created a Political Committee of National Liberation, a potential rival to the Royal Government. All evidence pointed to the possibility of a final breach. Paradoxically enough, the mutiny seems to have prepared the ground for a compromise. The King and the Metaxists could now appreciate the strength of the EAM, whose influence they previously tended to underrate. The leaders of the EAM, on the other hand, became frightened by the consequent split and the effect on the Greek contribution to the war effort. They came to the Lebanon Conference with something of a sense of guilt, which was reflected in their message to Mr Churchill.

The Lebanon agreement can become a turning-point in Greek politics. It can destroy the seeds of civil war in Greece. Whether it will do so depends now on the degree of willingness on both sides to carry out the terms of the agreement without indulging in any artful manoeuvring for position. It remains to be seen whether the Metaxist elements in exile are really prepared to share power with the Left. It also remains to be seen whether the radical following of the EAM in Greece itself will accept their leaders' decision to disband the party guerillas and to incorporate them into one national army under the King's orders.

## ✓ Employment: The White Paper

[The following is a full summary, prepared by The Economist, of the Government's White Paper on "Employment Policy." (Cmd. 6527.)]

THE White Paper is an outline of Government policy, a recognition of the Government's responsibility for the maintenance of a high and stable level of employment after the war. The problem is an international as well as a national one, and some steps have already been taken towards collaboration. Mass unemployment will not arise, however (apart from temporary unemployment due to dislocation) until after the transition period from war to peace is past. To implement the policy outlined in the Paper, legislation, though necessary to confer the requisite powers, will not be enough. The full support of industry and workers will be no less important than Government action.

### I.—THE INTERNATIONAL AND INDUSTRIAL BACKGROUND

Although the White Paper is concerned with domestic policy, it is apparent that a high level of employment depends also on the expansion of British exports above the pre-war volume, to make up for the loss of foreign investments during the war. Such expansion would be impossible without general economic stability and prosperity abroad. It will therefore be an essential part of the employment policy actively to co-operate with other nations to this end. As proof of their intentions, the Government have already concluded general international agreements in this field (Atlantic Charter, US Mutual Aid Agreement, acceptance of Hot Springs Conference recommendations). Further action aiming at the development of economic strength in the Commonwealth and Empire, with a consideration of the ILO conference recommendations, are among the first con-

tributions which the British Government can make.

A resilient and flexible industry, however, will bear the chief responsibility for the recovery of export markets. To give priority to the export industries in labour, raw materials and factory space does not mean that efficiency in industry can be left to those industries alone. The proposals made in the recent Budget speech for helping industry through tax-modifications for research and replacements will help British industry to improve its technique and efficiency.

### II.—THE TRANSITION FROM WAR TO PEACE

The duration of the transition period between the end of the European and Pacific wars is incalculable. It will bring an unsettling of economic conditions, starting with the release of some of the labour force. National service legislation and price control have served respectively to reduce unemployment from 1.3 million to 75,000, and to check the demand for consumer goods. The return to civilian production, for which there will be a great demand, will involve a change of employment for about 7 of the 23 million persons now in the Armed Forces and gainful employment. Government expenditure, now employing some 80 per cent of the manufacturing labour force, will be partially reduced, and these workers, together with those demobilised from the Forces, must be absorbed in expanding civilian production. The integration of the two movements, however, cannot be always and everywhere perfectly matched. There will be a threefold danger of local unemployment, of inflation and distorted expansion of civil industry. For the first, the danger of unemployment developing where local industries fail to adapt themselves quickly enough to civilian production can be exaggerated: immediately after the last war unemployment was neither great

nor of long duration. To reduce it to a minimum, the Government are preparing both to assist industry and labour to adapt themselves to changing conditions, and to regulate Government production and stock sales to meet the needs of priority civilian production so as to promote orderly expansion in the transition period. These plans will be assisted by experience of war-time transfers and by discussions with the industries concerned.

To avoid the second danger of inflation arising from an excess of purchasing power over supplies, both Government action and public restraint will be necessary. Rationing and price control will have to be maintained, though no definite level of prices can be assured since the cost of imports will depend on world prices. Savings must also be continued if a sufficient portion of increased civilian production is to be diverted to schemes of reconstruction and social development. Lastly, the uses of capital must be carefully regulated to avoid dear money and to direct expenditure to priority needs. These essential restrictions will not be altogether palatable, but the Government feel confident of the same popular support that has been given in time of war.

The danger of misdirected demand interfering with the production of essentials will necessitate a system of broad priorities for food, raw materials and labour. Lend-lease and credit will no longer be available for importing essential food and raw materials. To take their place export industries must be given the first opportunity to expand. In the home market, the necessities of civilian life and the capital equipment required by industry must be produced before anything else. How long these controls must be kept up depends on the length of the transition period. When that period comes to an end it will be necessary to take deliberate action to maintain an adequate level of expenditure on goods and services.

### III.—THE BALANCED DISTRIBUTION OF INDUSTRY AND LABOUR

The fact that the effects of localised unemployment in the transition period will continue long after it is ended necessitates a brief description of measures which the Government propose to take to check its development. Apart from seasonal unemployment, longer-term unemployment in particular industries and areas, which was a familiar feature in this country between the wars, is usually due to technical change, to the trend of fashion, or to foreign competition. The situation under conditions of depression is aggravated by a lack of industrial balance and, in particular, by the localisation of industries of one type or of industries with a common market. ("Industry," here as elsewhere in the White Paper, is used as a generic term for all types of productive process, including commerce and agriculture.) Besides promoting the prosperity of the basic industries in the areas concerned, the position can be eased by the encouragement of secondary industries within the area and by removing the physical and educational barriers to mobility of labour. By means of compulsory notification to the Government of new factory development, and the prohibition of development in areas already over-crowded, industrial expansion can be steered into areas which require greater balance and diversity of production. Further influence can be exerted by the Government through the location of continuing munitions production, the grant of priorities and Government contracts; the erection at the expense of the Government of factories in "development areas" for sale or lease to industry, and assistance with the capital requirements of industries in these areas. The Government will also ensure that they are adequately supplied with the basic services—power, communications, housing and other public services. In view of the constantly changing conditions from time to time no final list of these areas can be drawn up. Special Areas legislation can be dropped, since in all but a few cases, as the war has shown, there is no reason why they cannot be re-established on a sound economic basis. The main responsibility for the implementation of this policy will rest with various Government departments. A regional organisation will bring together representatives of those concerned in the local application of these measures—chiefly the Board of Trade, the Ministry of Labour and the Ministry of Town and Country Planning. On the national level, however, the Government propose to give responsibility for all questions of general industrial policy to the Board of Trade.

To increase the mobility of labour, the Government proposes not only to implement fully and make per-

manent the temporary resettlement schemes for ex-Service men and women and released war workers, but to give every encouragement to industry to make provision for the training of its own recruits. Many jobs will require only a short period of training, and it is considered that this can best be undertaken in the factory itself. To meet the need for a longer training, the present Government Training Centres and Technical Colleges can be developed and extended. This will facilitate the supply of trained workers as they are needed. Training allowances, at a scale higher than unemployment benefit but lower than the expected wage of the trained worker, will be made by the Government. These measures can only be successful, however, if there is full co-operation from employers and trade unions, especially in industries which have previously been apprehensive of admitting new trainees. The physical obstacles to mobility of labour are considered no less important. A substantial proportion of the houses erected after the war must be made available to workers at reasonable rents, and resettlement allowances made to workers transferred from one area to another.

### IV.—GENERAL CONDITIONS OF A HIGH AND STABLE LEVEL OF EMPLOYMENT

Even after the transition from production for war to production for peace has been smoothly accomplished, the long-term problem of cyclical unemployment remains. The three conditions of full employment are stated to be the maintenance of a steady and adequate level of expenditure on goods and services, the stabilisation of prices and wages relative to efficiency, and adequate mobility of labour. These are treated in turn.

#### (a) The Maintenance of Total Expenditure

The first step in a policy of maintaining general employment must be to prevent total expenditure from falling away. The Government accept full responsibility for taking action at the earliest possible stage to arrest a threatened slump. Experience has shown that a trade depression does not bring its own corrective.

In order to construct a policy to maintain total expenditure it is necessary to analyse its component parts, to see how widely each may be expected to fluctuate and how easily the fluctuations may be controlled or offset. It can be decided that neither public nor private consumption expenditure is likely to vary to any great extent, since buying habits, individual and collective, are fairly constant. While public capital expenditure, especially by local authorities, has, in the past, been greatly reduced in depressions, this need not be so in the future. The greatest danger lies in fluctuations in private investment expenditure and in the foreign balance of exports and imports. Neither is easy to control; nor will it be easy to offset a decline in either by an increase in one of the other categories of expenditure. So far as is possible, the guiding principles of policy must include an expansion of exports, a stabilisation of all types of spending, a public capital expenditure policy planned to offset variations in private capital expenditure and a reversal of the decline in private consumption expenditure as soon as it appears.

#### (b) The Stability of Prices and Wages

The effectiveness of the first condition, however, will depend on the fulfilment of the second. If stability of wages, other than changes due to increased productivity or the removal of anomalies, is not maintained, an increase in expenditure will have no effect on unemployment rates. Similarly if higher expenditure results only in higher prices, real wages will remain roughly constant and there will be no reduction in unemployment. The Government are prepared to do all in their power to fulfil this condition, but without the full co-operation of labour and employers their policy cannot be effective. In particular, everything possible must be done to neutralise the potential threat of restrictive agreements on prices and output. Powers will be taken to collect information of the extent and effect of restrictive agreements and of the activities of combines, and appropriate action will be taken to check restrictive practices.

#### (c) The Mobility of Labour

The third condition is equally dependent on public co-operation with the Government. A certain amount of temporary and seasonal unemployment is unavoidable, but the responsibility for reducing it to its minimum rests as much on individual initiative as on Government assistance.

### V.—METHODS FOR MAINTAINING TOTAL EXPENDITURE

After the transition period, in which it will be essential to keep the rate of interest as low as possible, the Government intend to see what can be done, through variations in the rate of interest, to influence capital expenditure for the promotion of stable employment. Monetary policy, operated collectively by the Bank of England, the Treasury and the joint-stock banks, will not always be an adequate weapon against depression, and the Government propose to supplement it with a more direct influence on the volume of public and private investment expenditure. In particular, larger private enterprises can be encouraged to plan their capital expenditure in conformity with the general stabilisation policy. The question of adjusting taxation policy to accord with this plan is being considered. Within the limits of its powers and of the urgency of some investment plans, the Government can also influence local authorities so that they increase expenditure at the onset of a depression and contract in periods of boom. This, it is proposed, should be done by means of co-ordination of five-year public works programmes submitted by each authority, in the light of the prospective employment situation. By using their control over loan sanctions and grants, the Government can set an annual target of public works for the succeeding year. By cutting out all possible causes of delay between decision and construction, the effectiveness of public investment expenditure as a stabilising influence can be greatly increased. This policy may be extended to the public utilities. The assistance and co-operation of industry is again stressed as a vital factor in facilitating and speeding-up any changes between private and public expenditure that are felt to be necessary.

#### (b) Consumption Expenditure

A second line of defence, should it prove impossible entirely to offset variations in capital expenditure, lies in the power to influence the national expenditure on consumption. This, it is believed, can best be done by a thermostatic control of social insurance contributions. The White Paper has an Appendix showing how purchasing power could be increased in the event of falling employment by a temporary reduction of contributions, so as to encourage an increase in demand for consumption goods and services and increase employment. It is not proposed that such variations should be introduced until after the transition period or that the policy should reduce the total contributions made over a number of years. An auxiliary system of deferred tax credits might also be undertaken should it prove both practicable and necessary. Lastly, the purchasing power of the Government and local authorities can be directed towards the same object of stabilisation.

#### (c) Central Finance

None of the proposals in the White Paper involves a

sudden or major change in past Exchequer practice; in stabilising the national income they will even assist the problems of national finance associated with periods of depression. With regard to a possible increase in financial assistance to local authorities undertaking capital expenditure for reasons of employment policy, and to the inevitable costs of reconstruction plans, however, some increase in national indebtedness on top of that incurred as a result of the war must be taken into consideration. Although in single years there is no need to adhere to a strict balance in the Budget, the principle that it must be balanced over a longer period cannot be abandoned. These facts will inevitably result in a high level of taxation which can only be met without excessive strain if the national income is fully maintained by means of progress in technical efficiency. A balance must therefore be struck between the need for a high national income and for budgetary equilibrium to ensure public confidence.

### VI.—THE POLICY IN PRACTICE

In putting forward the proposals outlined in the White Paper, the Government are fully aware that the suggested measures, involving as they do a great extension of state control over the volume of employment, are a new departure in practical politics. These untried plans must be flexible in order to adapt themselves to unforeseen difficulties and obstacles. Quick and accurate diagnosis of cause and effect in the national economy will be indispensable to success, and can best be undertaken by a small staff of statistical and economic experts able to advise the Ministers concerned. Their work will be impossible without accurate and up-to-date statistics, a need which only the full co-operation of industry can meet. Information will be needed, in addition to that already available, on present employment, unemployment and prospective employment in each industry and area; on savings and projected capital expenditure, both private and public; on the annual quantity and value of production; on monthly production and consumption and on stocks and orders on hand; and, lastly, annual and quarterly estimates of foreign capital movements and balance of foreign payments. An extension of the scope of the annual White Paper on National Income and Expenditure is also intended to provide a more complete analysis of the national economy. A parallel study of the manpower position by the Ministry of Labour will serve to complete a constantly changing review. The debates on the Budget can be adapted to provide an annual opportunity for Parliament to discuss the national economy and the general policy of the Government in promoting full employment and a rising standard of living. The latter objective, the White Paper emphasises in conclusion, cannot be achieved by full employment alone without a steady increase in the economic efficiency of the nation.

## NOTES OF THE WEEK

### Peace Plans

The American Government has taken the initiative in inviting their British, Russian and Chinese allies to consult together on the framework of the future peace organisation, the "new and better league of nations" to which President Roosevelt referred this week. The draft plan prepared by the Americans has not been published officially, but press reports speak of five main points: a United Nations Council of the Big Four with a few small states appointed by election and serving in rotation; a United Nations Assembly later to include all nations; a police power composed chiefly of the forces of the Big Four; a world court; and machinery for mediation. The plan obviously and rightly follows the old League idea and it is an improvement on it in so far as it lays military responsibility where it alone can lie—with the Great Powers. One of the chief drawbacks of the old League was, as Mr Mander put it in last week's debate on foreign affairs, that "the police power was everybody's business and therefore nobody's." It is too early to criticise a plan which at this stage is little more than bare bones. Such important questions as the setting up of adequate functional machinery to deal with all the economic and social questions which make up the substance of international life, the place of regional arrangements and groupings, such as the

British Commonwealth, within the larger framework—these are questions which can be discussed only when a fuller plan appears. But it can be said at once that the inclusion of China in a group of privileged Great Powers will lead to endless difficulties with other states, especially France, whose claim to greatness and efficiency is at least as great.

### To Rome

Last week's fighting brought striking successes to the Allied armies in the south of Italy, but also a certain amount of disappointment. The fall of Terracina was quickly followed by the linking-up of the forces on the main front with those from the Anzio beachhead. By their joint impetus these two forces overran about two-thirds of the Appian Way and struck towards Highway 6, the chief road connecting the Liri front with Rome. At the same time, an attack from the area of the beachhead threatened to outflank the Alban Hills, the last range of mountains in front of Rome. For a time it looked as if General Alexander had managed to achieve two objectives: to cut off the main roads of supply and retreat for Kesselring's forces and to destroy their chance of making a last stand to the south of



Rome. This, however, did not happen. The German defence stiffened in front of Highway 6, which the Germans were still able to use on Wednesday, in spite of stubborn Allied assaults on Valmontone. Similarly, the move to outflank the Alban Hills was temporarily halted in the area of Velletri and Lanuvio. Kesselring thus won a precious respite that may have enabled his divisions to achieve a relatively orderly withdrawal from the Liri sector and the Lepini Mountains northwards to the area of the Sabine Mountains. Reports from the line that runs from Valmontone to the sea and covers the Alban Hills also suggest that the Germans there were able to use the short breathing space to strengthen their defences, especially in anti-tank weapons. Even so, their losses have been already substantial—three German divisions are reported to have been destroyed and fifteen thousand prisoners taken. General Alexander has presumably also used his time to mass his forces for a telling blow in the west, which may be expected to turn the Alban Hills and to carry the Allies to Rome. The territorial gains are secure. What now looks less certain is the prospect that Kesselring's forces will be put out of action or "annihilated" to the south of Rome.

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### Reactions on Spain

Mr Churchill's references to Spain in last week's debate had a cool reception from Britain's two great Allies. This was understandable in Russia, where until recently a Spanish division has been fighting on the side of the German invaders. The Russian authorities marked their displeasure by omitting all mention of Spain from their broadcasts and newspaper reportings of Mr Churchill's speech. What is perhaps more surprising was the strength of the American reaction. The liberal and moderately conservative press were unanimously hostile to this portion of the Prime Minister's speech, and their attitude was given official force by President Roosevelt, who at his Press Conference, said, in contrast to Mr Churchill's "warm words," that "nobody is satisfied with what the Spanish Government is doing." One of the most frequent criticisms levelled in this country at British diplomacy is its supposed subservience to Washington. It is quite clear that on the Spanish issue, the British have gone their own way, and dragged the United States faintly protesting behind. It is perhaps a pity that Mr Churchill should have chosen this particular issue on which to take an independent line. It is a very questionable one, and the wisdom of the Prime Minister's policy is open to serious doubt. For example, if the deep motive behind it is, as some continental observers suggest, the buttressing of British power in the Mediterranean, why try to win a government which may not long survive the war and at the same time snub one in Turkey whose stability is not in doubt? In any case, now that the idea of British subservience to Washington has been proved—in this instance, at any rate—a myth, could not this newly demonstrated independence be used in a more fruitful cause? There is no doubt about the provenance of the Allies' distrust of Algiers. Washington has taken the lead in not recognising officially the French Provisional Government. But it is the British who will chiefly suffer from the consequences of this diplomatic blunder. If a joint attitude cannot and need not be taken on all questions—over Spain it apparently cannot—why should the British Government be at such pains to maintain a united front over Algiers and thus to prejudice their own relations with their vital French neighbour and Ally?

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### Farm Prices

In his four-year plan for British farming Mr Hudson has to pursue two not entirely compatible objectives. The first is to proceed on wartime lines in the production of the maximum quantity of food for human consumption, during a period in which both foodstuffs and the means of production and transport will continue to be scarce; and, if good fortune attends our arms, the needs of Europe will be added in the near future to our own. The second objective is to prepare for peacetime production, in which quality and economic efficiency will count for most in our domestic agriculture. The problem of combining these two lines of policy was the main theme of the Hot Springs Conference last year. In his latest addition to the four-year programme, the Minister of Agriculture has touched the heart of the dilemma so far as this country is concerned. He has promised that British producers of mutton, beef

and milk will have an assured market for the next four years at prices not below the present level. Meat and milk are key commodities in this problem because, while they will be urgently required during the period of emergency and transition both here and in Europe, they will equally be among the foundations of peacetime farming in this country, based upon the specialisation of function between one region of the world and another. Whether or not Mr Hudson will succeed in reconciling his dual aims depends upon the prices which he proposes to pay to the producers of these foodstuffs and upon the degree of efficiency in production which he requires in return for the payment of both prices and subsidies. The mutton subsidy, for instance, already amounts to about half the price that was charged before the war. Put bluntly, the duty of Mr Hudson is to refrain from guaranteeing prices which are too high, either in relation to the capacity of consumers to pay or in relation to the relative efficiency of British producers. During the war years Mr Hudson has not been conspicuous for his hard bargaining in the matter of farm prices; and if at the end of his four-year programme British producers have been given assurance of over-high prices for over-large quantities of produce, the whole future of British agricultural policy and of the standard of living may be disastrously prejudiced. About the principle of guaranteed prices and assured markets for agricultural produce, there can be no two views. About the arithmetic, that is, about the cost to the community, there can be several views; and only one—that which imposes the least additional charge in return for the maximum of efficiency—can be the right one.

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### Parliamentary Government

It is right and proper that the House of Commons should be concerned to keep its proceedings up with the times. It is somewhat disturbing, however, to find MPs in two minds about the correct way of doing this. Two recent examples illustrate the point. The Government recently accepted, in general terms, the suggestion that there should be a Standing Committee of the Commons to scrutinise the departmental rules and orders which constitute "delegated legislation." Last week Lord Winterton pressed for another Standing Committee, this time upon the actual procedure of Parliament; and the general view was expressed in debate that the way in which the Commons transacts its business is in need of "streamlining" to fit the press of modern business. These two aims—Parliamentary scrutiny and the efficiency of government—are not, of course, incompatible. The more swiftly and successfully that Parliament can conduct its several functions of deliberation, scrutiny and consultation, the better equipped will the Executive be to deal, either by direct or by delegated legislation, with the widening range of communal activities which come within its purview. Yet in Parliament itself there are plainly two opinions which are not complementary but contradictory. One would limit governmental action to the minimum that can be passed under deliberate Parliamentary review. The other would extend Parliament's powers of review to cover the maximum of governmental activities that modern conditions may require. There is little doubt that the second attitude is the right one. The outstanding advantage possessed by the British system of Parliamentary government over other democratic methods is the power to act possessed by governments which are at the same time representative of the people and responsible to Parliament. Anything that weakened that power would be quite as disastrous as anything that lessened that responsibility.

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### Mission to London

Almost on the first anniversary of General de Gaulle's arrival in North Africa it was announced in Algiers that he would visit London. General de Gaulle has gone a long way in twelve months. In the spring of last year his journey to Algiers was the subject of long and intricate discussion between himself and General Giraud, who formally was still free to allow or forbid entry to the leader of Fighting France. But now the "arrival from Carlton Gardens" is to all intents and purposes sole master at Algiers; and there is little doubt that the Provisional Government over which he presides has every chance of establishing itself as the sole

French authority in liberated France. True, that Government has not been given complete recognition by Great Britain and the United States. But, as an official statement issued at Algiers on Sunday points out, General de Gaulle does not now attach much importance to the formulae of recognition. This problem will therefore not figure on the agenda of his negotiations in London. Similarly, the transformation of the National Committee into the Provisional Government of France is "a purely internal French issue." In reply to reports in the press about the political prerogatives of the Allied Commander-in-Chief in France, the Algiers statement bluntly declares that

the question who is going to exercise the supreme power in France has also been resolved, and cannot be the subject of any negotiations. . . . Any other solution would have to be forcibly imposed by the Allied Command, and would lead to chaos.

Thus on the eve of his visit to London General de Gaulle has made it known with some vigour that he is not coming to London to discuss any suggestions that might be regarded as infringements of French sovereignty or place any doubt upon his right to speak on behalf of all France. Instead, he proposes to negotiate on two sets of problems: the forms of French military assistance to the Allies, and the economic and financial arrangements which an Allied descent on France will make necessary. Plain speaking on these matters will probably be all to the good.

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### France and the Franc

The crucial issue which General de Gaulle intends to discuss in London is the question of French currency. In Washington the Minister of Finance from Algiers, M. France, has just concluded negotiations on the proposed exchange rate between the franc and the dollar; and he will now accompany General de Gaulle on his mission to London. It seems fairly certain that the earlier intention to change the rate from 200 francs to the pound to 300 has now been abandoned, after considerable and widespread criticism. In the meantime, however, a new and even more important problem has arisen. The Algiers press has reported that the American military authorities have decided to issue their own "military francs" to their soldiers in France; and that eighty billion of those banknotes have already been printed in the United States. The reports have caused consternation among Frenchmen; and the Provisional Government has recorded its protest in semi-official statements. There cannot be the slightest doubt about the disastrous effect of any such arrangement on the relations between France and the Western Allies. The issue of francs by a foreign Power would be a grievous blow to the sovereignty of France. Actually, it is still doubtful whether this step has really been seriously considered by the American authorities. Financially, the pumping in of new billions of francs into the channels of circulation would turn the existing inflation of the currency in France into catastrophe; and it would seriously interfere with the plans of the Algiers Government to stem the inflation or to convert the Vichy francs into new French banknotes. Two methods are possible for the invading forces. Either the Allied soldiers in France can be issued with pounds and dollars or they can be issued with francs acquired by the military authorities from the Provisional French Government. From the French point of view the second method is by far the better. The spending of dollars and pounds by Allied soldiers is bound to stimulate the flight from the franc and the hoarding of foreign currency by private individuals. If, on the other hand, Allied soldiers are paid in francs issued by the Provisional Government, the Government itself accumulates in its hands a reserve of pounds and dollars or of claims to those currencies. Immediately after the war, France will badly need that reserve; and it is much more convenient for the Government to have it ready at hand than later on to force an inflation-scared population to dehoard the pounds and the dollars and to hand them to the authorities. Whatever the eventual arrangement, the need to restrict drastically the spending of money—even of French money—by Allied soldiers in France will be inescapable, as experience in liberated Italy has shown. Currency may be a technical matter, but it can easily become the festering sore in the relations between France and its Allies.

### Indian Reconstruction

Lord Wavell has decided to add a Department of Planning and Development to the Government of India. The new member of the Viceroy's Executive Council, responsible for the new Department, will be Sir Ardeshr Dalal, who recently assisted the group of Bombay industrialists in the preparation of their now famous plan for Indian economic development. He will have at his disposal, in addition to this and other plans—of varying usefulness—drawn up by other political groups, the reports already made by experts to the reconstruction committee of the Council. It is certainly a healthy sign that political discussion in India has taken a new turn away from the old and arid discussions of constitutional and communal forms which have so signally failed to produce any vestige of national agreement about India's political future. War and famine have diverted Indian attention to economic affairs; it has been realised that the dominant political fact in India is the poverty of its people. The plan of the Bombay industrialists for the rapid increase of India's national income was followed by a "people's plan" from the Moslem League, and by a plan for economic nationalisation from the Indian Federation of Labour. There is talk of a five-year plan from the Government of India before the end of this year. All roads for the moment lead in the ways pointed by the Bombay plan, though the political implications of the various proposals which are being matured differ most radically. It would be a grave misjudgment, however, to assume that, through this indispensable sphere of material improvement, a short cut has been found towards a solution of the political problems which have so far proved so intractable. It is one of the commonest errors of our times to assume that political difficulties can be by-passed by economic manipulation, whereas all the logic of history, recent and remote, tells precisely the opposite story. It may be, of course, that common thought and action in these economic matters can draw together political groups in India hitherto antagonistic. But it is nevertheless true that none of these economic projects, from the highest to the lowest, or from the most Right to the most Left, has the

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monarch  
had a bright  
idea . . .*



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slightest chance of actual application without the coming together of a majority of politically-conscious in a common method of political progress towards Indian freedom.

### South American Recognition

Writing in January, *The Economist* rashly hazarded the prediction that President Arroyo del Rio would be the first President of Ecuador since 1924 to finish his term of office. Now within a week of the Presidential elections, a violent *coup d'état* has driven the President from power and the military leaders, backed, it is said, by a strong popular majority, have, apparently, brought back the former president, Dr. Ibarra, from his exile in Colombia. Since force has undoubtedly been used to by-pass the elections, the question is now whether the new government will come under the non-recognition ban agreed to last year at the Pan-American Conference at Rio de Janeiro. The lead lies with Washington and it seems likely that recognition will not be withheld. The revolutionaries are not Axis-inspired. They are simply the "outs," or opposition party, returning to power by what must now be regarded the traditional method in Ecuadorian politics, where changes of government are ensured not by regular elections but by quite as regular *coups d'état*. The new Government will be no more pro-Axis than the last. It will probably secure recognition for, however legalistically the formula of non-recognition may be regarded in theory, in practice it is not violent or non-violent change that decides the Allies' attitude, but the policy of the new Government towards hemisphere defence, Lend-Lease, Axis agents and Pan-Americanism generally. The Bolivian Government, for example, has recently shown its good will by sending prominent Axis agents to the United States for internment. The State Department has sent a special envoy, Mr Avra Warren, to enquire into the real state of affairs in La Paz. If his report reveals a Bolivian desire for collaboration, recognition may follow. This would be a blow to Argentina which has been priding itself on the possibility of building a "southern bloc." Here, there will be no change in Allied policy, at least so long as all the Axis statesmen remain in Buenos Aires, thus making the rupture of relations look a complete farce.

### Little Men Combine

The small shopkeeper is often the symbol of competitive independence. But the "little men" who own fruit and vegetable shops are beginning to display a corporative, even a monopolistic, spirit themselves. Their organisation, the Retail Fruit Trade Association, has come out in favour of the permanent registration and licensing of food traders. The shopkeepers fear competition from both above and below—from both the multiple store and the barrow man. Clearly, the greatest danger to their post-war prosperity lies in the probable expansion of multiple stores, which can sell at low and uniform prices and can spice their salesmanship by the variety of their attractions. Shopkeepers also dislike the street-vendor, because he sells cheap fruit and vegetables in times of glut at prices which, applied to shops, may not only be unprofitable but tend to interfere with the sale of higher-class goods. Through licensing, it would be possible to restrict supplies of fruit and vegetables to those who traded in them for twelve months in the year. Yet it is only this periodic cheap selling in the street or in the market which brings many kinds of produce within the reach of the poorer town dwellers. The aim of registration in fact would seem to be the exclusion, or at any rate the strict limitation, of new entrants, together with the stopping up of irregular outlets. This is not only most undesirable. It is very doubtful whether, in any case, it could be done. The Association is large—it has 35,000 members—but there are over 40,000 greengrocery shops in the country, in addition to the multiple and co-operative stores and street vendors against whom protection is sought. Some of the Association's suggestions for joint action are genuinely directed towards increasing efficiency. Such are the proposals for more standardisation in methods of packing, grading, and marketing, and for the creation of a market intelligence service, to even out the balance of gluts and dearths between areas. But these laudable aims do not require a monopolistic organisation. Such an organisation could serve only to prop up the present owners at the public expense.

### Wartime Hardships

One of the reasons why small shopkeepers fear for their future in peacetime is that so many have had to shut down under the pressure of war. Some 15,000 is the total of non-food shops (there are no figures for food shops) which have been registered as closed at the Board of Trade, with a view to securing the assistance promised them in re-opening after the war. According to Mr McCorquodale, the call-up has been an important, but not the major, factor in causing the closing of shops. He was replying, on behalf of the Government, in the adjournment debate last Friday, to the many MPs who had urged that mobilisation had pressed specially and unfairly hard on the little shopkeeper. A great number of distressing individual cases were quoted. But the general problem is clearly that, whereas the withdrawal of staff from a co-operative or multiple store does not put an end to the business, the call-up of the owner-shopkeeper or his staff frequently does. This difficulty has, in fact, received special consideration. Where the call-up is for military service, it is true, the shopkeeper can only use the normal hardship machinery. But where it is a question of directing him to war work, it is officially claimed that, as a rule, he is not taken if this would cause the closing of his shop. It is hard to see what more, in principle, can be done for the small shopkeeper in present circumstances. The complete exemption of any class of citizen from mobilisation would be impossible; and it is unavoidable that the dice should be loaded in war-time against the small shopkeeper's competitive position. The Government must be accordingly generous in giving post-war relief. These war-time difficulties explain the emergence of a self-protective instinct, born of doubt and fear and aimed at walling round the shopkeeper's position; but they do not justify the various attempts which are being made, with these hardships as an excuse, to make the occupation of shop-keeping into a permanently closed shop.

### The Government of London

The London County Council has rather more power than most county councils, and the Metropolitan boroughs rather less than most boroughs. How functions are distributed within the LCC area and, more especially, who bears their cost, has been set out in a Survey of London Local Government made by two members of the Institute of Municipal Treasurers and Accountants. London's problem here, as in so many of its other problems, is largely peculiar to itself—and, the cynic may add, largely insoluble. In theory, the whole of the Greater London area is administered on the "two tier" system of local government. But in practice, quite apart from the unique position and privileges of the City, duties are divided very differently from elsewhere. The LCC is (in peacetime) responsible for the Fire Brigade, infectious diseases hospitals, and main drainage, services which are elsewhere administered by the smaller authorities. It also undertakes the bulk of the more important and more costly services—all education (elsewhere, elementary education frequently belongs to the smaller authorities), public assistance, many of the health services, and town and country planning (elsewhere, again, a more local responsibility). The LCC is in a special position with regard to housing, since it is responsible for all rehousing undertaken outside its area, which now represents much the most of the country's rehousing. In 1936-37 the London County Council's expenditure out of rates was nearly £21 million, compared with about £7 million spent by all the Metropolitan boroughs. Yet despite the fact that the LCC's rates are raised by a more or less uniform precept—7s. odd in 1936-37—and despite further provisions for evening out charges, the rates levied by the boroughs in that year varied from 9s. 10d. in Westminster to 18s. in Poplar. These differences reflect great differences in the wealth of the boroughs—for the product of a penny rate brings in 20 times as much in Westminster as in Bethnal Green. Thus even the comparatively minor functions which they exercise put a heavy burden upon the poorer Metropolitan boroughs. The cost of the upkeep of highways, it is true, weighs more heavily upon them than on boroughs outside London. But even if they were granted relief in this respect, doubts arise whether they should continue to exist in their present form—for reasons of size and function as well as of finance.

### "The Great Wen"

The shape of London's local government was laid down at a time when its size and needs were very different from

the present. The area of the London County Council is roughly the same as that administered by the old Metropolitan Board of Works, which was set up in 1855 and superseded by the LCC in 1888. Nobody can say to exactly what point London should now be deemed to have spread, but certainly the Metropolitan Police district contains little that is not built-up. Within this district, in 1939, the population of outer London, and—for that matter—its number of industrial workers (though not of factories), was larger than for the County of London, although the density of the population of the former was under a quarter that of the LCC area. Defined in this way, Greater London includes the whole of another county, Middlesex, as well as large suburban areas in Surrey, Kent, and Essex. It is hard to see any logical reason why these three counties should continue to administer parts of London, which—in the case of Kent and Essex—are very different from the rest of their area and not at all necessary to its unity. There is a strong case for establishing one authority for the Greater London area, or, at least, for retaining Middlesex and having two. Cobbett described London as a great wen over a century ago, and it may be perhaps that words might have failed even him to-day. The power that would be possessed by a single all-purposes authority in the London region is frightening to contemplate. But unless the present structure of local government is modernised for the task of regulating London's chaotic spread, this remedy may yet be inescapable.

### Poor Persons Legal Aid

The appointment of a special committee to investigate the system of legal aid to poor persons in England and Wales is a welcome and progressive step. The Lord Chancellor's Committee, under the chairmanship of Lord Rushcliffe (who as chairman of the Assistance Board, had wide experience of social problems) is a representative and not a purely legal body. It will, it is to be hoped, take evidence from representatives of the various workers' and social service organisations, who know the "consumer's" end, as well as from professional bodies. Present facilities seem to be inadequate, and in many respects behind those of other nations. Except in criminal courts, poor persons have to depend mainly on charity for legal advice, and there is no provision for those of only moderate resources. The County Court was originally established as the Poor Man's Court, but losers of an action may have to pay costs from £20-£50. There is no official scheme of assistance for persons in County Courts. In London, the Bentham Committee for Poor Litigants assists in securing the services of barristers and solicitors, though there is often difficulty in finding lawyers willing to take up non-remunerative cases in court. The Bentham Committee, through its Poor Man's Lawyer Advice Centres, provides legal advice free of charge, but their effectiveness is rather limited. In other parts of the country, schemes for poor man's lawyers are run in connection with local councils of social service, and since the war, Citizens' Advice Bureaux have gone some way to meet the gaps. But they are not really qualified to give expert legal advice. The Haldane Society is putting forward a scheme for a chain of local legal advice bureaux on the lines of the Swedish Municipal Bureaux, which will assist with advice, correspondence and negotiations; it also suggests improved provision for legal assistance in the County Courts and in the High Court. Legal aid, it is argued, should be a right and not a charity. A recent article in the *Law Quarterly Review* sums up the position in these words:

Legal aid cannot be left to the initiative of private organisations. It is a service which the modern State owes to its citizens as a matter of principle. . . . The State is responsible for the law. That law is made for the protection of all citizens, poor and rich alike. It is therefore the duty of the State to make its machinery work alike for the rich and the poor.

### Shorter Notes

By a meeting in the Court of Appeal an important precedent has been set on the interpretation of the law with regard to divorce on the grounds of insanity. Under the present law, five years of "continuous care and treatment" were required for the respondent before divorce proceedings could be undertaken. Absence due to the trial of the patient,

to his being sent to a specified place for the benefit of his health, or absence for less than 48 hours with the permission of the medical officer of the hospital or institution, were treated as interruptions in his continuous care and treatment. It has now been held that absences of this kind should be treated as a part, rather than an interruption, of care and treatment.

A report published by the Aircraft Production Board of the US War Production Board on Anglo-American aircraft output enables figures to be calculated for British aircraft production since 1940.

|               | Combined Output | US Output | British Output | Monthly Average (British) |
|---------------|-----------------|-----------|----------------|---------------------------|
| 1940 . . . .  | 23,000          | 6,086     | 16,914         | 1,409                     |
| 1941 . . . .  | 42,500          | 19,290    | 23,210         | 1,934                     |
| 1942 . . . .  | 75,000          | 47,873    | 27,127         | 2,260                     |
| 1943 . . . .  | 114,000         | 85,946    | 28,054         | 2,337                     |
| Total . . . . | 254,500         | 159,195   | 95,305         |                           |

Since January, 1940, the numerical output of American aircraft has expanded by 3,400 per cent and the structural weight by 6,800 per cent. That is, the average weight of each unit produced has doubled, and British experience has probably been similar. The report estimates that US output is four times as great as that of Germany, whose present monthly output of all types is put at 1,800, or only about 75 per cent of its 1942 (peak) output. Japanese total output is estimated at between 1,000 and 1,400 a month; its output of fighter planes is believed to be only 13 per cent of US production.

There were 10,497 road casualties in April, 1,743 more than in April last year. Deaths increased from 396 to 567; the numbers injured from 8,358 to 9,930. The average number of children killed was nearly five a day.

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## AMERICAN SURVEY

### Is Isolation Dead?

(From a Correspondent in Ohio)

THERE could be few more dangerous illusions about American public opinion to-day than to suppose that Isolationism has been dead as a political force ever since Pearl Harbour, or that the only region still haunted by its ghost is the Midwest. Isolationism is not dead but sleepeth. Signs of its wakefulness are now multiplying in many parts of the country. The isolationist press in New York and Washington, as well as in Chicago, has a larger circulation than newspapers with a more or less, internationalist editorial policy. On a recent Sunday, the circulation of the arch-isolationist *Chicago Tribune*, for the first time in its history, exceeded 1,350,000. On the same day, the xenophobic *New York Daily News* sold more than 3,850,000 copies—almost three times the combined Sunday circulation of the *New York Times* and the *Herald Tribune*, while in the Nation's capital the *Times-Herald*, a Washington version of *Daily News*, outsold its competitors. The daily circulation figures tell the same story.

Colonel McCormick credits this fact to "the forthright, unashamed Americanism" of the McCormick-Patterson press. The Colonel's critics attribute it to such things as better features, comic strips, local news coverage, or even to the appeal of the combative. Perhaps the Colonel is somewhat nearer the truth than his critics. The McCormick-Patterson press is the prototype for many other newspapers throughout the "Isolation Belt," stretching from the Great Lakes to the Gulf of Mexico. And it is abetted by the nationalistic Hearst Press in the East, the Midwest and the West. Kept warm in editorials and editorialised news, isolationism is hibernating until the winter of war comes to an end.

The delusion that Isolationism is dead, an opinion often expressed even in the United States until lately, was based mainly upon the fact that most "Keep-out-of-war" groups naturally disbanded and their leaders took to the storm-cellars when the bombs rained on Pearl Harbour. The "America First" movement, which claimed 15 million enrolled members in its heyday, expired on December 7, 1941, for the expressed and proper reason that all Americans would henceforth put America first. Colonel Lindbergh went to work for Henry Ford. Senators Wheeler, Nye and Reynolds temporarily dropped out of sight, though they bob up occasionally on the floor of the Senate, and—increasingly of late—on the lecture platform. Father Coughlin is still silent, despite rumours from time to time that he will return to the air. The Axis agents who infiltrated the isolationist movement before Pearl Harbour are either in jail or awaiting trial. Many of the women who were a prominent part of the movement before December, 1941, have joined one or other of the various "Mothers' Day" organisations, whose loyalty is open to question, or, together with their menfolk, have enlisted in the "Peace Now" movement, whose common sense is even more doubtful.

Most of the isolationists, unchanged at heart, belong to no organisation—the organisers, with the exception of Gerald Smith and the America First Party, are still waiting for the end of the war and counting on another postwar national reaction like that of 1919. But you can hear the undertones, often ignorant but nonetheless significant, in bar and restaurant conversations. You can detect its presence behind the innumerable worried public meetings on "How We Can Win The Peace," in the tenor of recent postwar discussions on the radio, and in sceptical or cynical Letters to the Editor.

To what extent the Republican upsurge is evidence of this revival it is impossible to say. The Republican victories in eight of the eleven by-elections since the 1942 general election reflect popular discontent with the New Deal. There has been no clear test of isolationist sentiment at the polls. The Republican primary election in Wisconsin eliminated Mr Willkie from the race and put Governor Dewey far in the lead, and naturally Colonel McCormick claimed this as a victory for "the principles of America First." But

Governor Dewey has often spoken out for "international co-operation" since Pearl Harbour, while Lt.-Cmdr. Stassen, who won the second largest number of delegates in Wisconsin, flatly endorses a world super-state. On the other hand, the Willkie supporters can hardly argue that isolationism had nothing to do with the result. Mr Willkie took a bold stand on internationalism and was snowed under, while General MacArthur, who ran second in the popular vote, was the undoubted favourite of Wisconsin isolationists. Bitter intra-party politics played a big rôle in this election. Most of the voters were plainly out to "stop Willkie," some because they disliked his international crusade, more because they believed him tainted with New Dealism.

As convention time approaches, however, more and more Republican leaders begin to voice doubts about post-war planning, air their suspicions of Soviet Russia, and refer to Uncle Sam as "Uncle Sap." Senator Vandenberg predicts that foreign policy will be an issue in the presidential campaign. Identical foreign policy planks in the two major party platforms are still possible, though the possibility is dimmer now than it was when the Republicans drew up their Mackinac Island Declaration and voted overwhelmingly for the Fulbright Resolution.

The growing Republican strength at the polls acts as a curb on the President in the exercise of foreign policy. Fearful of handing the opposition a campaign issue, Mr Roosevelt and Secretary Hull limit themselves to vague generalities in discussing the problems and responsibilities of the postwar world. This reticence is, in turn, one of the two main reasons why the isolationist spirit is growing. The other reason is political developments abroad, especially in Eastern Europe.

The United States still harbours three broad types of isolationists: (1) the traditional and most common type, relic of the Frontier, who dreads "foreign entanglements," puts his faith in the two oceans, and believes that faith is confirmed by the long delay in the invasion of Festung Europa across the Channel; (2) the moderate isolationist, who hoped against hope in 1939 that "this is one war we can stay out of," but who realised his mistake—and admitted it—after the fall of France; (3) the "isolationist with a difference," who believes that the United States should stand with the other English-speaking peoples behind sea and air power, but must avoid being "dragged into" land wars on the contentious Continent.

All three types are affected in varying ways by political events abroad, and the silences and confusions of American foreign policy. A curtain of official silence was dropped after the Teheran Conference. Nevertheless, it is pretty obvious that the Big Three have not been giving concrete expression to "the varying desires and consciences of a world family of democratic nations"—to quote the language of Teheran. Most Americans, isolationists and internationalists alike, are troubled by Stalin's disposition to play a lone political hand in Eastern Europe, regardless of his Moscow pledges. Few Americans pretend to know what to do with Germany after the war, but none, apart from the Communists and their fellow-travellers, feels that giving East Prussia to Poland as "hush-money" for acquiescence in Russian territorial claims in East Poland will make for lasting peace. As for Italy, the thorny maze of Russian and Anglo-American policy toward the Badoglio regime bewilders our internationalists as much as our isolationists, and naturally troubles them more. As for the Atlantic Charter, several foreign correspondents who have been lecturing over the country, report that Americans in general to-day regard that document as a dead letter.

The milder isolationists, who for four years have sincerely favoured mutual security, are confused and disillusioned. The pro-British, sea-power isolationists are perturbed by signs of a reversion to balance-of-power politics in London. The ingrained isolationists, who have never ceased to believe that "this is not our war," are daily more free with their "I-told-you-so's."

Isolationism as a political force is still in the minority. It has not yet fully recovered from the shock of Pearl Harbour; and besides, there is still a war to be won. It is not, at the moment, politically very articulate. But the conflict between promise and performance in the political conduct of the war is beginning to give it a voice. And the obscurantism of American foreign policy is making isolationist recruits every day.

## American Notes

### Remote Control

Within less than a fortnight of the opening of the Republican Convention at Chicago, the attitude of the leading contenders in both parties remains as ambiguous as it was at Christmas. The Lobster Quadrille, with its refrain, "Will you, won't you, will you, won't you join the dance," might well serve as the theme song for either convention. To heighten the general mystification, stories have been put out that both President Roosevelt and Governor Dewey may take trips abroad during the critical weeks, while Vice-President Wallace departs for Chungking. It is even said that Mr Roosevelt may make only one campaign speech, his acceptance of the nomination. It is all of a piece with the fantastic character of political speculation this feverish summer that Mr Wallace's chances of renomination are thought to be stronger if he is in China than if he remains in Washington; and that President Roosevelt and Mr Dewey should feel that distance would also lend enchantment to their candidature. Amid this ballet of the coy suitors there is at least one candidate who sturdily believes in the value of declaring his intentions in no uncertain voice. Governor Bricker pursues his courtship in the simple, direct, old-fashioned Ohio tradition—he calls round with a bunch of morning glories every other day, and makes it plain that the old American way of life is good enough for him, with no dangerous nonsense of New Deals at home, or entangling alliances abroad, or whimsical pretences that he does not really want the nomination. Mr Bricker is fortified by the knowledge that seven Ohio presidents before him wooed and won the electorate by that tried and true technique; and he may yet make a respectable showing at Chicago. There are strong forces in the Republican party that would be very happy with Governor Bricker. "We are folks, just folks," said Mrs Harding, at the start of the 1920 campaign, and that is still a powerful appeal in America.

### Full Employment

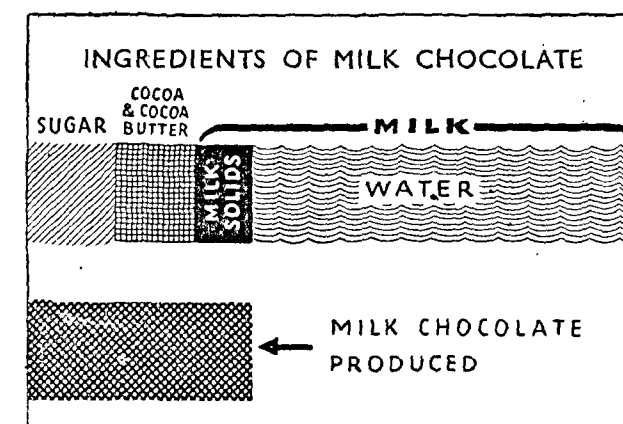
Some interesting estimates of the post-war demand for employment were made a fortnight ago at the annual meeting of the National Industrial Conference Board, an employers' research organisation. Both Mr Dave Beck, Vice-President of the International Brotherhood of Teamsters, and Mr Ralph Flanders, President of Jones and Lamson Machine Company, who addressed the meeting, estimated that to provide full employment, given a forty-hour week, between 50 and 55 million jobs would be necessary. Mr Flanders suggested that this would require a net national output of from \$130 million to \$140 million, and that though the aim was admittedly high, to set it lower would be tantamount to planning for a considerable volume of unemployment. High though the aim of 55 million jobs may be, it apparently is based on the assumption that most of the war increment to the labour force will vanish in peacetime. A recent publication of the National Bureau of Economic Research—"The Labor Force in Wartime America"—sets the labour force, including the armed forces, at 62 million at the end of 1943. The civilian labour force for that date is put at about 52 millions. At the end of 1940, before the enlargement of both the services and civilian employment, the total labour force stood at about 54 millions. Mr Clarence Long, author of the study, is confident that most of the wartime additions to the labour force will not remain after the end of hostilities. Nearly half the new recruits, he points out, have been persons of school age, who no doubt will wish to resume their education, particularly as Congress appears inclined to make generous provision for this purpose. He expects also that many of the women, who are a quarter of the increment, will leave the labour market, as employability standards rise, wage inducements drop, and the return of Service men makes

holding a job less necessary or attractive. Finally, most of the other accretions to the labour force have been from persons over 54, some of whom will drop out for the same reasons. The most surprising conclusion of this study of man-power mobilisation is that, when related to the size of the peace-time labour force of both countries, the United States has exploited its available labour force as thoroughly as Britain. While Britain has mobilised 70 per cent of its population from 14-65, and the United States only 60 per cent, Mr Long maintains that the gap is due to the larger number of American women with children, and the later school-leaving age in the United States, differences which equally affected the peace-time comparisons between the two countries. It should be pointed out that this is a purely numerical comparison; it takes no account of hours worked, or of the usefulness of the jobs undertaken. Nor does it explain the curious fact that compulsion has been applied, in America, only to young men for the armed forces, but in Britain to men and women of all ages. In short, it is incompatible with the plain facts.

### Bridges in Wonderland

The disciplined co-operativeness and stability of the Communist-controlled unions has for months been a cause of mingled wonder, relief and suspicion to employers. Mr Harry Bridges has now capped the fantastic climax by suggesting that the right to strike be forgone, not only during the war, but afterwards. Technically Mr Bridges may not be a Communist; West Coast employers failed in their attempt before the war to have him deported on this ground as an undesirable alien. But he is an outstanding example of the new party line. Even his enemies have to admit his effectiveness in getting the most out of West Coast longshoremen and grant that, without Harry Bridges, supplies for the Pacific war would have suffered. Presumably this last suggestion is one more step in the rehabilitation of the Communist party, which has started a sceptical public by discarding its revolutionary tenets and offering its cooperation in a capitalist society. More

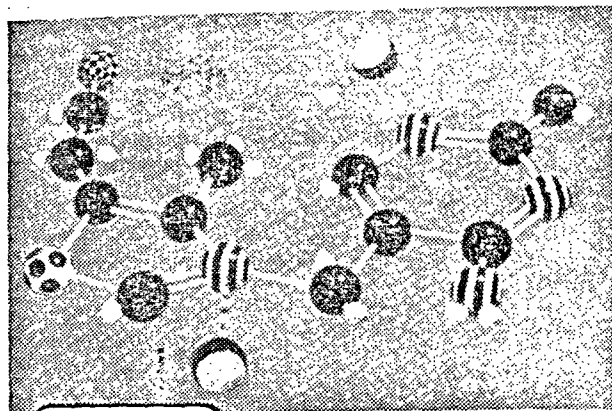
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- HYDROGEN

This model shows the complicated molecular structure of Vitamin B<sub>1</sub>. It took twenty years of research to arrive at the formula which this model illustrates.

THE MODEL in the photograph above might seem to be the elaborate plaything of the Twentieth-Century child. But it is a model of Vitamin B<sub>1</sub>. It gives a tangible representation of the chemist's formula, and shows clearly the very complicated chemical structure of this vitamin.

Since the beginning of the century, research chemists have been engaged on work to isolate this vitamin from natural sources (pericarp and germ of cereals), to elucidate its chemical construction, and to synthesize it. The task has been long and troublesome, for the structure of this substance is unusually complicated; but, as the photograph of the model shows, it has been successfully completed.

But this work was all in the realm of pure science, and little benefit could be brought to mankind if the labour stopped at this stage. Fortunately, it has not stopped there. In the Roche plants in Britain, Vitamin B<sub>1</sub> has now been synthesized in such quantity that it has become economically available. Vitamin C (of which the chief natural sources are fresh fruits and vegetables) is likewise produced at the Roche plants on a very large scale; Vitamin B<sub>2</sub> (riboflavin), Vitamin E, and a Vitamin K analogue are also made there.

The mass synthesis of vitamins is playing a very important part in the health of Britain at war. In America, on the recommendation of the Council of Foods of the American Medical Association, Vitamin B<sub>1</sub> is added to white flour, together with Vitamin B<sub>2</sub>, iron, calcium, and the P.P. factor, with the object of making the white bread equal in every known nutritive quality to high extraction wholemeal bread. In our own country—where the idea originated—plans had been made, before the outbreak of war, to correct Vitamin B<sub>1</sub> deficiency by introducing an enriched loaf.

Indeed, the world owes a debt to the research chemists and the chemical engineers who have collaborated in the tremendous task of making pure vitamins available to the masses in large quantities. It is well to remember that it was private industrial enterprise which enabled this knowledge to be utilized for the benefit of mankind.

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SIR FREDERICK GOWLAND HOPKINS, whose work and writings first showed the significance of vitamins. He, in collaboration with many other chemists, has made it possible to bring many of the findings of science to the service of mankind.

conventional trade unionists are uneasy at the speed with which the CP, like a modern Eliza Doolittle, is dropping its rough language and tactics for a drawing-room refinement. And employers, while profiting from the transformation, are likely to think of the Communists in the terms of the old nursery rhyme—when they are good they are very very good, but when they are bad they are horrid. Mr R. J. Thomas, president of the United Automobile Workers, has been in the forefront of those defending the post-war right to strike against the enemy within the gates, although at the moment he is even more concerned by persistent "wildcat" strikes in violation of the union's no strike pledge. Mr Thomas's fear is that the union, if it appears to tolerate strikes in the war industries, may not survive the return of men now in the Forces. Mr Thomas's fear is well-founded, though it does not make his position or that of other cooperative Labour leaders any easier. They can hardly view with equanimity the fact that, by standing by the no-strike pledge, they are forfeiting some of their grip on the rank and file, and it is to their credit that they have stood firm so long.

### The Hog at the Door

Behind the present meat holiday in the United States stands the spectre of the corn-hog ratio. This is a traditional and crucial calculation of vast numbers of American farmers who, engaged both in growing corn and raising pigs, have the choice of selling their corn on the open market, or feeding it to the pigs, whichever is more profitable. The old rule of thumb standard is 10-1, that is, if the price of hogs, per hundredweight, is 10 times the price of a bushel of corn, the farmer can break even by raising more hogs and feeding his corn to them. The present price of hogs is \$13.75 a hundredweight, and of corn \$1.17 a bushel, so that it is distinctly to the advantage of the farmer to raise more hogs. Already live-stock populations are at all-time highs; hogs alone are more than 50 per cent above their 1933-42 numbers. And consequently grain for dairy farmers, poultry-keepers, and cattle feeders is alarmingly short. The logical move would be to cut the ceiling prices for hogs, making it less profitable to turn corn into pork. This, however, it appears, is politically almost as unpalatable as requisitioning grain would be; and probably out of the question in an election year. Hence the holiday on meat-rationing, the hope being that if the hog and cattle population can be reduced, there will be more feed for those that are left, and the production of milk—one of the most disappointing aspects of the farm programme—can be raised.

### Political Action

Unlike the AFL, which still pursues the policy of rewarding labour's friends and punishing its enemies at the polls, originated half a century ago by Samuel Gompers, the CIO, through its Political Action Committee, has entered this year's campaign on an ambitious national scale. The successes it has scored can be measured by the rising tide of alarm in Congress and conservative circles. Governor Bricker has referred bitterly to the \$5 millions with which the CIO is reputed to be backing Mr Roosevelt. Less restrained observers talk of the "Red kiss of death" to the Democrats, and Congress is being urged to curb the Committee in line with the provisions of the Connally Anti-Strike Act, which forbade campaign contributions by labour unions. So far the "Kiss of death" seems to have been extended largely to members of the notorious Dies Committee. The defeats of three of these are attributed largely to Mr Hillman and his committee; and the part of organised labour in other progressive victories has been emphasised. Liberal circles have tended to explain the Republican sweep in the last Congressional elections as the result of political inertia on the part of progressives. Presumably the Political Action Committee is determined not to see this November—in which its stakes are very much greater—go by default. There is no doubt that, in the past two years, the war production programme has brought the viewpoint of organised labour to areas formerly predominantly rural and conservative. The Republican tide, which seemed so strong in 1942, may find some of its familiar channels blocked this time. This feature of the campaign may be responsible for the markedly conciliatory tone of Congress this session when contrasted with its earlier rambunctiousness. The grass roots are becoming industrialised and unionised.

## Letters to the Editor

### Hire Purchase and Employment

TO THE EDITOR OF THE ECONOMIST

SIR,—The Government has produced an admirable White Paper on employment policy, and presumably one of the objects of doing so is to invite discussion and elicit suggestions for improvements. Here is one such suggestion. In the discussion of employment policy the question of the control of hire-purchase and instalment-buying has escaped notice.

The practice of hire-purchase and instalment-buying grew rapidly between the two wars, and by 1939 had come to exist on a huge scale in the United States, and on a much larger scale than most people realised in this country. When the present war-time measures of control are relaxed, if nothing is put in their place, the resumption of this unregulated growth may be expected.

The economic significance of the practice lies in the fact that this form of buying by a person as distinct from a business is the exact opposite of saving and investment (in the ordinary sense of the word). When a person spends less than his income and places the money which he refrains from spending at the disposal of a business or public borrower, saving and investment take place. When a person buys an article on the hire-purchase or instalment system, not being able to pay for it in full at the time of purchase, in effect the seller lends the buyer part of the purchase money in order to help him to buy the article. That is to say, a person spends more than his income with the aid of money placed at his disposal by a business. Saving and investment, on the other hand, diminish the demand for consumption goods and increase the flow of money available for meeting the capital requirements of private enterprise and for public borrowing.

The avoidance of cyclical unemployment depends, broadly speaking, on minimising fluctuations in the demand for every kind of goods—consumption, production, instrumental, export—so that producers may keep as fully employed as possible. The demand for durable consumption goods of all kinds may be powerfully affected by hire-purchase and instalment buying. It follows that, whether we like it or not, the control of the volume of such buying will be an essential part of an effective employment policy.

But this is not all. It is now commonly agreed that the main cause of cyclical unemployment is the saving of money faster than the savings are spent, and that the remedy must be sought in (a) the stimulation of capital expenditure, so as to keep pace with the rate of saving, and/or (b) the stimulation of expenditure on consumption goods, so as to reduce the rate of saving. If hire-purchase and instalment-buying can be controlled in such a way as to restrict them when employment is satisfactory and to relax the restrictions as soon as signs of cyclical unemployment begin to show themselves, the authorities will have at their disposal a useful additional weapon for combating such unemployment. The foregoing observations apply to hire-purchase and instalment-buying on the part of individuals as distinct from businesses. The question of such buying on the part of businesses is a separate question.—Yours, etc.,

The Gables, Amberley, Stroud. G. D. ROKELING.

[Mr Rokeling first raised this interesting point last September, but owing to pressure of space it was not possible to publish his letter then.—EDITOR.]

### Trade Policy

TO THE EDITOR OF THE ECONOMIST

SIR,—In your article on "Trade and Employment" you emphasise that monetary arrangements are important only as a precondition of trading arrangements. They should allow us "to join with other like-minded nations in measures designed to maintain their mutual trade in the event of depression elsewhere."

### THE WORLD OVERSEAS

Because of pressure on this week's space it has been necessary to leave out "The World Overseas" Section. It will appear as usual next week.

This, as I see it, is precisely what the proposed Stabilisation Fund scheme will do. For any state "expecting unemployment" on a substantial scale, whether owing to depression at home or protective policies or on undervalued currency, will, if it does not rapidly change its habits, find its currency declared "scarce" and membership of the club, as it were, suspended.

In these circumstances "bilateral" agreements are surely unnecessary and vicious. It may be excellent that we make a long-term purchase arrangement with New Zealand for butter, or she with us for cotton goods. But if in the process one party makes it a condition that the two arrangements be tied together (and the pressure will come from one side, though the acceptance of it be "voluntary"), or if there is a direct connection between the value of the latter and the value of the piece-goods, the whole structure of multilateral trading is undermined. Each state will use its "unfavourable" balances as a lever to increase its exports to the country in question: any number of relatively undesirable movements of goods will result, and bilateral exchanges will move in that marginal restricted space that was left to them in the later 30's. *Machtpolitik* and trade will again go hand in hand.

Surely the right course is for each state member of the club to buy what it requires from that state member which can best supply it. If total exports to all states members are insufficient to pay for purchases (apart from temporary difficulties), they must be made more attractive by devaluation or otherwise, but not rammed down the throat of suppliers. The object of international arrangement is to enable all states to adopt this relatively simple technique.—Yours, etc.,

E. C. K. KALIN.

Northwood, Middlesex.

### Swedish Credit Policy

TO THE EDITOR OF THE ECONOMIST

SIR,—In a short Note on Swedish credit policy in *The Economist* of February 19 you point to the large increase in gold and foreign exchange reserves as a potent source of inflation in Sweden during the last few years. This is undoubtedly true. But this increase is not, as contended in your Note, due to a large volume of foreign—especially German—purchases of goods in Sweden, nor is any support to such a view to be gained from the annual report of the Svenska Handelsbanken, which you quote.

As is probably well known in England, the Swedish-German trade is performed entirely on a clearing basis and thus cannot have contributed to the increase in the foreign exchange reserve of the country. It is true that there was a German deficit in the clearing for 1942, bridged by Swedish credits, to the amount of 115 mill. kr. The financing of that comparatively insignificant amount had, however, no obvious effect on the Swedish money market. Part of the credits was repaid in 1943 and no new credits were extended during that year.

The increase in the foreign exchange reserves of Sweden since the summer of 1940 is principally explained by the net income of that part of the Swedish merchant marine which is operating outside the Skagerrak blockade.—Yours faithfully,

LARS-ERIK THUNHOLM.

Stockholm.

## CANADA

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# THE BUSINESS WORLD

## Anglo-Indian Finances

LORD KEYNES in last week's House of Lords debate on the Monetary Fund did well to remind his listeners of a fact which he wished was more generally appreciated in the country, namely that "we, and we alone among the United Nations, have burdened ourselves with a weight of deferred indebtedness to other countries beneath which we shall stagger." Why has this unenviable distinction been reserved for Great Britain? Lord Keynes did not attempt to answer that question. He merely stated that "with a fanatical single mindedness" for which few parallels could be found in history "we have sacrificed every precaution for the future in the interests of immediate strength." This burden of deferred debt is a partial measure of the war effort being exerted by this country over and above that produced by the materials and labour provided within its own borders or those bought from abroad with the products of current exports or sales of foreign assets. Some of that excess is fortunately covered by lend-lease and the Canadian mutual aid agreement. The rest is represented by sterling piling up in London to the credit of other countries and either kept in cash or invested in short-dated Government securities.

The tale of the "abnormal" part of this sterling debt is very largely a tale of the balances and securities accumulating here for the credit of India. It is in the agreement between India and Great Britain for the settlement of obligations arising out of the war that the best evidence is available of that "single mindedness" for which Lord Keynes' "fanatical" is not the only appropriate adjective. The results of that agreement on the debtor-creditor relationship of the two countries have been revolutionary. Since the beginning of the war India has increased her sterling assets from £52 million to £737 million, the last being the figure outstanding on May 12th last. The total of these assets has increased by about £300 million over the past 12 months. This accumulation of sterling assets was over and above the sterling used to repay sterling debt amounting to £360 million—that is, the whole of the Indian Government and railway sterling debt. This repayment, which has now been virtually completed, only leaves some £200 million to £250 million of private British investment in India. Allowing for the increase in India's sterling assets and repayment of sterling loans, the debtor-creditor relation between the two countries has in four years shifted by £1,045 million. In that short period India has, by the accident of the financial agreement between the two countries, invested in this country and repaid sterling debt to about twice the amount of British capital which found its way into India over the preceding three-quarters of a century. There is *prima facie* evidence of some serious defect in a financial agreement which can achieve this kind of arbitrary and fantastic result.

The financial settlement between the British and Indian Governments was signed in November, 1939. Under that settlement India undertook to pay for all land forces raised, trained and equipped from Indian resources as long as they remained in India. The moment they left India, expenditure on such troops become recoverable from the British Government. This agreement was made before the war in the Far East had been seriously envisaged, and was appropriate to the war situation as it was then developing. India seemed well outside the orbit of hostilities, and if Indian troops were to be used in the Middle East or East Africa, it seemed only right that the cost of such troops should be borne by the home Government. The whole basis of the agreement, however, was shattered when Japan entered the war and when Indian troops had to be used first in the outer defences of India, namely Malaya and Singapore, then in the inner defences in Burma and later on the Eastern frontier of India itself. This new situation gave the clause in the Financial Settlement apportioning the cost of Indian troops outside India a

measure of arbitrariness which was never intended in the original agreement.

The British Government proposed early in 1943 that the 1939 settlement be abandoned. This approach, however, met effectively stubborn resistance and the Indian Finance Member, when presenting the 1943-44 budget early in 1943 could announce "that the proposal to modify the settlement would not be pursued." Sir Jeremy Raisman in this year's budget debates gave a more detailed description than has hitherto been officially available of the way in which the agreement works. The troops whose cost India bears are those raised in India and deemed to be necessary for the local defence of the country. India also bears the cost of equipping them with such resources as she herself provides. All the heavy equipment even of these troops is provided under lend-lease by the US or, without charge, by the British Government. The cost of all Indian troops serving outside India is borne by Great Britain. This applies, for example, to the Indian forces engaged in Burma. The cost of airfields constructed in India is only borne by the Indian Government in so far as these are required for the local defence of India. The large number of airfields constructed in connection with the operations of South East Asia Command have been built at British and American expense. India provides some reciprocal lend-lease to the US and this help amounted to the equivalent of \$35 million in 1942, \$70 million in 1943 and \$35 million in the first two months of 1944. There is no comparable mutual aid to Great Britain.

The working out of the Financial Settlement can best be illustrated by giving the figures of defence expenditure incurred in India for the four years 1940-41 to 1943-44 showing the amounts borne by India and by the British Government respectively.

|               | (In £ million) |             |       |
|---------------|----------------|-------------|-------|
|               | Borne by India | Borne by UK | Total |
| 1940-41 ..... | 55             | 40          | 95    |
| 1941-42 ..... | 78             | 145         | 223   |
| 1942-43 ..... | 187            | 253         | 440   |
| 1943-44 ..... | 225            | 285         | 510   |
| Total .....   | 545            | 723         | 1,268 |

The striking feature of the above table is that since 1941-42, the first year in which the war began to extend eastwards, the cost of defence expenditure in India borne by the UK Government has been greater than that borne by the Government of India. This remains true if the comparison is made between the defence expenditure borne by the UK and the total expenditure of the Government of India. This was a situation which can never have been envisaged by the negotiators of the 1939 Financial Settlement. Its impact on India has proved both favourable in so far as it has improved the country's creditor position, and unfavourable because of the responsibility which this externally financed expenditure bears for the inflation from which India suffers.

These consequences of the Settlement can hardly be regarded as accidents of war. There has never, of course, been any question of repudiation of obligations already entered into; but there is nothing sacrosanct in the Settlement as regards future transactions and there would seem to have been ample grounds for some adjustment of its terms when the basis of the agreement shifted first with the entry of Italy and later of Japan into the war. These developments caused the threat to India to crystallise sufficiently to demand of the country a larger contribution to the cost of her own defence than that provided under the 1939 agreement. There can be no question of exploiting India or of placing additional burdens on the shoulders of a population which, by and large, lives all too close to the margin of bare subsistence. But India herself would have

something to gain from a renegotiation of the Financial Settlement which would give her the chance of a more favourable settlement of her rapidly increasing claims on Great Britain. The bigger that claim, the smaller becomes the chance of converting it from its present virtually blocked character into a multilaterally convertible asset. The whole of the Indian monetary structure is based on sterling and by undermining the latter, India will be injuring her own interests. The extent to which Britain will be able to meet these claims will ultimately depend, not so much on their size as on Britain's capacity to pay. As for the impossibility of increasing the burden on the poor Indian peasant, the argument loses most of its force if it is realised that the weight of the whole defence expenditure in India—whether financed by the Indian or by the Allied Governments—is currently borne by the population of India. In real terms, that sacrifice is being made to the full now. It is only a question of whether its financial counterpart shall be borne

by the British or the Indian taxpayer. In fact, by allowing the burden to be distributed through the crudest of all fiscal machines, namely that of currency inflation, a far greater sacrifice is currently being exacted from the poorer classes in India than if the whole of the defence expenditure were being budgeted for by the Indian Government and distributed according to capacity to pay. It is not suggested that any drastic redistribution of the financial burden of defence expenditure in India should be made. But a readjustment in the Financial Settlement in the light of the situation which exists in 1944 and not of that which obtained in the "phony" days of 1939 would be to the advantage both of Great Britain and of India herself. The matter is one of urgency because, as the plans of the East Asia Command unfold, externally financed expenditure in India is steadily expanding. Day by day, therefore, the capital account between the two countries becomes more distorted and the forces making for inflation in India gather momentum.

## Business Notes

### Full Employment for Capital

In financial circles generally, there was little evidence of any reaction, favourable or otherwise, to the Government White Paper on employment policy. In so far as it appears to entail less direction of industry than was expected it was hailed with some relief. It was difficult to discern in the stock market any direct effects. This is, perhaps, not unnatural as the full implications of the policy are difficult to assess from the outline provided. Nonetheless, there are some indications which a prudent investor ought to keep in mind. First there is the assurance of a continuance of cheap money for some time. This carries, as a necessary corollary, control of the volume and direction of investment. It is not clear, however, just what the investor is to make of the assurance that interest rates will remain low for a few years. The assurance is not sufficiently firm to influence to any marked extent the value of long-term fixed interest securities. But it does at least mean that the holder of equities will not have to reckon on the imminent possibility of a fall in the value of his security due to a rise in the rate of interest. Against this, there is of course the fact that there is no likelihood of large-scale swapping from fixed interest into equities in response to just that contingency. There remains, however, the possibility that there may be a tendency to switch as a hedge against rising prices, for the White Paper is by no means clear about the means by which price inflation is to be avoided.

### Equalising Returns

Where policy is more specifically directed to influencing industrial undertakings, it is evident that detailed interference is to be at a minimum. Full employment for labour should mean high employment for physical capital. But it seems that this is to be achieved, in part at least, by cutting the top off the boom. This suggests that the reasonably efficient firm will enjoy more stable earnings. Only if the policy enjoys an outstanding success will the average level of profits necessarily be higher. There are exceptions to this in the case of those industries where boom conditions impose special strains which reduce the true profit. Something rather better appears to be promised for basic industries in the depressed areas.

It is the aim of Government policy to help these industries to reach the highest possible pitch of efficiency, and secure overseas markets.

The industries given as examples are coal, steel, engineering and shipbuilding. May not cotton also come into this category? Further assistance will be provided by imposing on those who wish to establish new factories the obligation to site them in these areas. If direction is necessary, it may well mean that the new enterprises will be less profitable in themselves than would otherwise be the case. With the possible exception that the measures contemplated may fail to check inflationary tendencies, the outline of policy suggests a tendency to equalise the profits of a given concern over time and to reduce, to some extent, the force of factors making for a wide divergence of profitability

between one industry and another. Insofar as this will make equities rather less speculative, it is probably all to the good. Recent movements in the stock market are only in part a reflection of such considerations. The boom in some shipping shares is based on passing considerations and the sudden attraction of motor shares seems to owe little to any evidence that the companies are prepared to snatch the opportunities which will shortly present themselves. Behind these movements, which attract a disproportionate amount of attention, there continues a steady rise in the general run of industrial equities. This has carried the index of *The Financial News* to a new high for recent years of 109.6, while the yield figure is at a new low of 3.83 per cent. This rise ignores the possibility of weakness occasioned by a military setback, but, on a long view, it may well prove justified.

### Lord Portal's Houses

Within a fortnight of the opening for public inspection of the prototype of the temporary factory-made houses that are to be constructed in order to relieve the pressing housing shortage after the war, the Ministry of Works decided on substantial improvements and alterations to it. For example, there is to be a back door leading into the kitchen; the height of the ceiling is to be raised from 7 feet to 7 feet 6 inches; the cycle and store shed is to be detached; the layout of the kitchen is to be improved; the bathroom is to be increased in area and the W.C. is to be larger and adequately screened; the area of the hall is to be increased; and a direct entrance is to be provided from the hall to the living room. The Ministry's readiness to listen to constructive criticism and the speed with which alterations have been announced are commendable. It should also be possible, though naturally at a somewhat higher cost, to provide for the larger families by the construction of a second type of temporary dwelling with three bedrooms instead of two. It is to be hoped that the Ministry will press forward its preparations for the construction of these temporary houses, undeterred by the campaign which has been launched against them by vested interests. The demand for houses to be let at low rents will be very great after the war; Lord Portal's houses should assist in meeting it until they can be replaced by more permanent dwellings. They are expected to cost about £550 a unit, including £100 for fittings. No doubt the Ministry of Works will take care in obtaining the components of these dwellings as cheaply as possible; when preparations are completed it might usefully consider the publication of an analysis of their cost.

### Design of Accounts

While research which can make a direct contribution to victory has been greatly encouraged by the war, all too frequently other forms of enquiry, essential to the permanent improvement of peacetime conditions, have been completely neglected. It is all the more satisfactory, therefore, to find that the Incorporated Accountants' Research

Committee are able to publish a contribution to the improvement of accounts, both published and internal to the businesses concerned.\* There are two lines upon which the improvement in accounting must proceed. One is a matter of definition and presentation; the other, one of bringing the theory upon which items entering into the accounts are valued more closely in line with modern requirements. The latter is a matter for co-operation between management, accountant, economist and all others who have a contribution to make; the former is a field in which advance can only be secured by study and agreement among accountants themselves. It is to this aspect of the matter that the authors, Mr Sewell Bray and Mr Basil Sheasby, have primarily addressed themselves. The basic principle of design in accounts is, they say, to make clear the relation between groups of figures by which the course of operations over both long and short periods may be interpreted. The book contains specimens of accounts designed to suit the requirements of a number of manufacturing and distributive industries, and others for professional firms. It is admitted from the start that:—

At bottom it does not seem too fanciful to discern a relatively uniform basis of design common to all financial accounts, when proper allowance has been made for the different types of industries and for the different undertakings within those industries.

But the authors immediately go on to say that this does not mean that uniform accounts can be imposed by highly artificial means. A study of the detailed accounting forms for the manufacturing companies suggests, however, that the difference between the authors and those who ask for standardisation is largely one of definition, for little more than a re-arrangement of items is needed to bring about the degree of standardisation which is necessary in the public interest. Indeed, it is insisted that the accurate basis of design of accounts lies in uniformity of information, of classification and of choice and use of terms. There is good reason to suppose that, if all accountants were agreed about the real meaning of every item in the accounts they draw up, the barriers to a reasonable standardisation would disappear.

### Truthful and Unambiguous

In addition to detailed forms of accounts, the authors set out alternative forms for the presentation of published accounts, with schedules explaining the valuation of fixed assets and certain suggestions for the presentation of comparative figures for essential ratios over a period of years. Nothing but a reproduction of the actual forms can convey their full value, but their intention is that all important information shall be conveyed truthfully and in a manner free from ambiguity. In those cases where the valuation is in part a matter of opinion, the information suggested is sufficient to show how the valuation has been reached. This is essentially the demand which *The Economist* has been making for some years past, and the recommendations published by the Council of the Institute of Chartered Accountants during 1942 and 1943 are designed to achieve this end. These recommendations do not go quite so far as the forms suggested in *Design of Accounts* and, like them, they have unfortunately no power to influence the obdurate. In a letter published in *The Economist* of October 31, 1942, and quoted by Mr Sewell Bray, Mr F. R. M. de Paula stated, in substance, that the auditor has no power to alter one word or figure in the directors' accounts and that improvement must come by reform of the Companies Act and by further demands from the Stock Exchange. None the less, accounts have been improved, and must be improved further, if the status of the accountant is to be raised. Company Law is not concerned with internal accounts, but they are the basis of published figures, and the latter cannot be better than the former. At present, however, it is reasonable to assume that published figures are not as good as the underlying, detailed accounts would permit them to be. Until published accounts approach much nearer to giving a true and clear picture, it is useless to hope that the best will be made of existing economic system. Both the Institute and the Society have now published recommendations to that end, and the former, at least, has tendered evidence to the C-then Committee in that sense. *Design of Accounts* comes much nearer to a true prescription of what is necessary than the evidence of the

\* *Design of Accounts*, F. Sewell Bray and H. Basil Sheasby. Oxford University Press. 200 pages. 12s. 6d.

Institute. It would be encouraging to be assured that the Society stands solidly behind this publication of its Research Committee.

### Scientific Instruments

The manufacture of scientific instruments is a comparatively small but extremely vital British industry. What, exactly, can be counted a scientific instrument is difficult to define. But a working definition would be any instrument designed to possess a high quantitative or qualitative measurement of accuracy. The core of the industry is to be found in the seventy odd members of the British Scientific Instrument Manufacturers' Association, although there are a number of allied organisations. The industry may be said to have employed about 18,000 operatives in 1939, but nearer 50,000 in 1942-43, while during the same period the value of its products rose from £7½ to £50 million. This wartime boom, with its great increase of skilled workers and specialised machinery, can be said to have lifted the industry back to something of the leading position in the world which it enjoyed before the last war; a position that was reached in part through the work of a long line of outstanding and devoted scientists who, to start with, were often their own instrument makers. In the inter-war years the industry tended to lose ground under the pressure of foreign competition, especially German, which often came from larger firms and ones which were more willing to undertake the very expensive work of comprehensive research. It would be thought that an industry upon whose products the research of other industries is largely dependent would itself be fully alive to the benefits of research. The Government makes substantial grants to the British Scientific Instrument Research Association. But it may be questioned whether either the industry or the Government realises sufficiently the vital nature of research, for which a greater pooling of facilities and knowledge is necessary, and, in the case of production of instruments for scientific research, much greater co-operation between scientist and designer. The quantity and the quality of scientific instruments that are needed is a measure of the health of the chief manufacturing industries in this country; and, if industry is to progress, the use of such instruments must increase enormously. The British scientific instrument industry faces a large potential market. It is, in any case, well suited to this country. It requires highly skilled workers and highly specialised knowledge. It requires a comparatively small amount of raw materials against a high proportion of skilled workers, while its exports have a high monetary value compared with the shipping space occupied. It has an obvious military importance. But it is unwise to rely on the type of protection afforded by the Import Safeguarding Duty, imposed on scientific and optical instruments in 1921. Protection from foreign competition is at least as likely to promote inefficiency as efficiency. And it is only by a great increase in efficiency and in research that the scientific instrument industry can re-establish its world position and be of service to British industry.

### Science in Industry

The need for allowing full scope to the impact of science on industry, for a substantial extension in the range of scientific investigation and its speedier application to commercial practice is by now widely recognised; and the decision of the Chancellor of the Exchequer to relieve from taxation all expenditure on scientific research showed that the Government is fully alive to it. The time has now come for translating precept into practice, for surveying the field of research in each industry, and for making detailed plans on an adequate scale. To this end the memorandum on post-war policy approved last week-end by the Association of Scientific Workers is a useful contribution. The memorandum not merely criticises the present organisation of science for the lack of scope and adequate liaison between fundamental research, applied research and practice, but it suggests a programme of action by a survey of the field in which science can achieve the most-needed technical advances, from raw materials to manufactures. It suggests various ways for increasing the efficiency of coal-mining. Fundamental research is particularly required in metals, rubber, plastics and fibres, and on the inter-conversion of heavy organic chemicals, in chemical engineering, ceramic

and glass technology, building and road-making, on fermentation processes, and other materials and processes. There is great scope for research in manufacturing, and, particularly, in the application of war-time developments in the wireless industry. In drawing attention to the fields of research the Association of Scientific Workers has rendered a service, but the decision and responsibility for carrying it out must rest with industry.

### Dunlop's Record Profit

The profits of the Dunlop Rubber Company for 1943, including its share of the profits of subsidiaries, have reached the record total, struck after depreciation, of £5,359,614, or £1,000,000 higher than last year. Where this increase has come from is not adequately indicated, nor can it be said what part of the group's earnings—a very considerable proportion, certainly—has been earned overseas. There is nothing to show what is the trading capacity of the parent company itself, since its revealed profits include interest and dividends from a number of sources. It is revealed that the sales of the American subsidiary have increased, and of the Canadian subsidiary decreased (due to the reduction of rubber supplies), that the Irish company has overcome its shortage of raw materials, and that, as regards the manufacturing units in India and South Africa, "turnover increased and profits were highly satisfactory." It is possible that these last two countries account for an important part of the rise in turnover and profits, perhaps in connection with the development of new sources of crude rubber production. Although the group's profit is high, a very large proportion—77 per cent—is needed for taxation, due to its double incidence on overseas earnings, and the ordinary dividend, maintained at 8 per cent, absorbs the comparatively small net figure of £363,298. Dunlop is, in fact, carefully building up its reserve position. The allocation for income-tax of the parent company is made one year in advance and on a generous basis, the reserve for the 1944-45 liability being put at £1,000,000. War damage contributions are being treated as a current charge, and no allowance is made for post-war compensation. Further, with the transfer of £250,000 out of the year's profits, and another £250,000 from contingencies reserve, the special reserve in the accounts of the parent company in respect of its subsidiaries is now £3,750,000, which is only lower by a negligible amount than the value of its investments in enemy and enemy occupied countries. Altogether there is an increase of £643,000 in the surplus and reserves, and of over £1,000,000 in the net liquid assets of the group. Detailed figures for the last three years are set out on page 761. The Dunlop group is likely to enter the post-war era in a strong financial position. The development of synthetic rubber may bring new problems, but it will be long before the company ceases to need the supplies of plantation rubber which it obtains from its own properties. Granted efficient management, the factor of prime importance seems to be a rapid extension of the motoring industry, and it is not surprising that the chairman, Sir George Beharrell, should have suggested that some relief in the taxation of motor users is overdue.

### Policy for the Rand

The South African mining industry continues to be preoccupied with difficulties of rising costs and a shortage of native labour. These problems have arisen during the war, but they are unlikely to end with it; for while the supply of labour may then increase its cost is more likely to rise further than to fall. Many sections of low-grade ore have now become unprofitable to work. An easy way out would be to raise the grade of the ore worked and thus both release labour for secondary industries and increase profits, but it would shorten the life of the mines. Such a short-term course is unthinkable, since South Africa's prosperity—indeed her whole economy—depends upon the mines. This is so, despite the fact that under 3 per cent of the male European and under 1 per cent of the male native population works in the mines. Yet in 1939-40, 23 per cent of the Union's revenue came in mining taxation alone, while only 2.3 per cent of its expenditure was directed to mining and industry together, and only 3.7 per cent to labour and social welfare of all sorts. Mr Stallard, the Minister of Mines, has chosen to steer a middle course. He is prepared to allow from the Gold Realisation Fund a repayment equal to the cost of the increase in native wages. This will keep some mines in production which

would otherwise go out. But he is not prepared to grant a general subsidy merely to keep up gold output, nor will he countenance a raising of the general grade of ore mined to achieve the same purpose. The repayment from the Gold Realisation Fund may contain an element of subsidy, but it is not an item of substantial importance in the context of Union finance. The policy seems to strike a reasonable balance between current requirements and the maintenance of the gold mining industry to a ripe old age.

### Mining Royalties

One of the effects of war conditions in the coal-mining industry has been to increase the severity of the incidence of royalties on costs of production in those coalfields where the output has declined most. By the financial provisions of the Coal Act, 1938, the Coal Commission is provisionally authorised to reduce rents which are more onerous than the average in similar conditions in any particular district; this power has not yet been exercised, and colliery owners in the more necessitous areas are complaining of trading conditions much more disadvantageous than those in the more fortunate coalfields. For example, in the South Wales coalfield royalties now represent 10.69d. per ton on commercially disposable coal, compared with 9.16d. in the March quarter of 1939; for the industry as a whole the increase has been from 5.66d. to 6.01d. per ton. Moreover, in the Yorkshire and Midland coalfields, producing more than two-fifths of the national output, royalty charges average only about 4½d. per ton. There is, of course, another side to the picture. These disparities are in a very large measure offset by the financial assistance given to necessitous coalfields out of the Coal Charges Fund. Necessitous coalfields draw price allowances which in some cases actually exceed the 8s. per ton levy on output; on the strength of these allowances they are provisionally guaranteed credit balances above those earned by them just before the war. The question, however, of the exercise by the Coal Commission of its statutory powers to reduce abnormally high royalties has recently been under discussion; the Commission, it is stated, has adopted the view not only that it must conserve its surplus till the administration of the Act has been placed on a sound financial basis, but also that, in the fixing of rents under new leases, it must meanwhile adhere to the basis prevailing before the passing of the Act.

### Future of Linen Industry

The Linen Industry Post-war Planning Committee, which was set up in January, 1943, under the chairmanship of Mr H. L. McCready, recently submitted its report to the Minister of Commerce for Northern Ireland. The report is a comprehensive one, and recommendations are made under the following headings: supplies of raw materials, post-war finance of industry, research, publicity, internal structure of the Irish linen industry, compilation and interchange of statistics, technical education, labour conditions, and problems of the transition period. Foreign flax may not be available in the required quantities in the immediate post-war period, and the Committee recommends that about one-third of the industry's requirements—or the produce of 100,000 acres—should be produced each year within the British Isles. This could no doubt be done without difficulty, since the present acreage in Northern Ireland is about 90,000, in Great Britain about 58,000, and in Eire about 30,000. Nonetheless, such an acreage would only be planted if farmers were guaranteed an attractive price, in advance of sewing. The creation is proposed of a Flax-Buying Corporation, which would be the sole purchaser of home-grown and imported flax. The corporation would be controlled and managed by representatives of the industry, and would begin operations when the Flax Control is disbanded. The Committee envisages the continuance of the Flax Control for about eighteen months after the war, followed by the corporation for another two seasons. Technical progress has been made in the growing and processing of flax during the war. The Committee proposes that research should be unified under the aegis of the Linen Industry Research Organisation, and that £50,000 a year should be spent on it, of which half might be provided by the trade, and half by the Government. A similar sum is recommended to be spent on publicity. Although the Com-



mittee is in favour of fixed prices at the raw material stage, it does not favour price control throughout the industry. Instead it offers the suggestion that

... a continuance of the process of vertical grouping, together with a scheme for the centralised purchase and distribution of raw materials ... would go far to promote those conditions of stabilisation in the industry which price control schemes are designed to achieve.

The Report has been in the hands of the Minister of Commerce since last March, and it is being considered by the linen trade associations.

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### Postwar Perfumery

The two essentials for a return to peace time conditions in the perfumery and toilet preparations industry are the re-establishment of manufacturers in their own factories, and the restoration of a full supply of raw materials and packing materials. All other problems turn on these fundamentals, according to the first report on the postwar reconstruction of the industry, which was submitted in April to the President of the Board of Trade. The report has been unanimously adopted by the Perfumery and Toilet Preparations Manufacturers' Section, London Chamber of Commerce, the Perfumery and Toilet Preparations Export Group, and the Cosmetic and Toilet Preparations Trade Association of Great Britain. The main recommendation of the report is that control should continue until all firms are again in their own premises. The Committee would like to see new entrants to the trade excluded until deconcentration is complete, and the need for restriction is over. This is a familiar feature of many post-war reconstruction reports. On its raw material position, which during the war has been a poor one, the report says:

After the war, the various controls concerned in dividing up such raw materials among the industries claiming them should disabuse their minds of the war time idea that perfumery and toilet preparations must come after other products.

Despite the claim of the report that cosmetics are not luxuries, some scale of priorities has to be established in the allocation of raw materials. It is unfortunate for the industry that it was low on the scale at the start, but "first out, first in" cannot necessarily apply to the de-control of raw materials. Control of raw materials must continue in the transitional period, and cosmetics will have to take their turn. It is true that at the start of control, output of cosmetics and toilet preparations was severely restricted. But since last year, registered manufacturers have been permitted an output quota of 75 per cent by value of sales during the standard year (June 1, 1939, to May 31, 1940). Despite a claim that demand exceeds supply, the Board of Trade's surveys show, that, on the whole, consumers have no difficulty in purchasing their requirements. The report has much to say on the prospects of exports, which are considered to be good, provided alcohol—a main raw material—is freely available. Labour, it is thought, will provide no special problems, although more will be needed. Although the industry is a relatively small one—its turnover was about £15 million a year before the war—it was an expanding one, and its importance is likely to increase in peace conditions.

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### National Debt Milestone

The debt return for the four weeks ended May 27th is of special significance, for it lifted the total national debt over the £20 billion mark. The latest detailed account of the national debt was that given in the Financial Statement published with the last Budget. This showed the net debt outstanding on March 31, 1944, at £19,592,641,000. The April return showed a net amount of £266,100,000 raised by creation of debt in the four weeks, and the latest return adds a further £237,069,000 to the total. With these two monthly instalments the total national debt is thus carried to £20,095,800,000. Of this total £18,308,700,000 represents internal debt and £1,287,100,000 external debt (£1,032,427,000 of the latter being the dormant debt arising out of the 1914-18 war). Apart from carrying the total national debt beyond this new milestone, the latest monthly debt return is of particular interest for the light it throws on the financing of the repayment of 5 per cent Conversion Loan, which took place on May 1st. The actual amount redeemed was £313,198,255. The principal counterpart to

this is an expansion of £246,610,000 in Treasury bills, of which £80 million is accounted for by the increase in tender bill issues, and the balance of £166,610,000 represents an increase of bills issued through the tap. The latter must in large part reflect the conversion into bills of the maturing loan previously held by public departments. The return shows the issue of a new 3 per cent terminable annuity of £120 million announced earlier in the month for the investment of Savings Banks funds. These funds are normally used in ways and means advances, pending their more permanent investment, and the latest debt return, showing a reduction of £45,550,000 in ways and means advances from public departments, suggests that the customary precedent has been followed. The sign of the Salute the Soldier campaign is written clearly over the May debt return. National War Bonds yielded £87,120,000 in May, against £64,150,000 in the previous return, and Savings bonds, £73,940,000, against £29,510,000. At the same time the pre-encashment of Treasury deposit receipts jumped from £75 million in the return to April 29th to £97,500,000 in the four weeks to May 27th.

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### Netherlands Indies Guilder

Now that hostilities in the South West Pacific have spread into Dutch colonial territory, arrangements have been made for paying American forces fighting in Dutch New Guinea in guilders. The necessary agreement has been reached between the Governments of the United States and of the Netherlands East Indies. It follows closely on the agreements made for the payment in Australian pounds of American forces campaigning in the sterling areas of the South West Pacific, and for those stationed in Australia itself. The interesting point about the NEI arrangement is the rate of 1.88 guilders to the US dollar, which has been fixed as the conversion ratio by the American and Dutch authorities. This is approximately equal to the rate of 7.58-7.62 guilders to the pound, which operates for the Netherlands West Indies guilder, and roughly corresponds to the rate of the Netherlands guilder before the invasion of the Low Countries. The further confirmation of this rate suggests that this is the exchange to which the Allied authorities will work when the Netherlands is being freed from German occupation.

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### Mercury Supplies

In its second annual report, published last month, the Combined Raw Materials Board pointed out that the supply position of a number of raw materials has substantially eased. These include mercury, which is used in large quantities for scientific war instruments, explosives, detonators, anti-fouling marine plant, pharmaceutical products and other similarly important war applications. As consumption of mercury in war-time is considerably higher than in normal periods, and the Italo-Spanish cartel before this war controlled something like four-fifths of the world's mercury supplies, the easy supply position of the United Nations may, on the first view, appear surprising. Actually, the mercury supply problems of the United Nations have been solved through a decisive increase in production outside Europe, and especially in North America. According to the War Production Board, the United States, last year, had almost exactly 100,000 flasks (76 lb. each) of mercury at its disposal. Of this total, domestic production, according to the U.S. Bureau of Mines, accounted for 53,500 flasks (against 18,633 flasks in 1939), while the remainder was made up by imports, chiefly from Mexico and Canada. Like the United States, Mexico has appreciably increased its mercury production during the war, although up-to-date official figures for the Mexican output are not available, while Canada only started to produce mercury on a commercial scale just before the outbreak of the war. The Dominion's output, which was negligible in 1939, reached in 1943—according to Mr W. H. Lasee, head of the Minerals Branch of the Dominion Bureau of Statistics—almost 22,500 flasks. Although U.S. consumption in 1943 far exceeded the pre-war annual rate of 30,000 to 35,000 flasks, supplies, according to the WPB, were nearly double the rate of intake by the industry. According to the same source, the US Govern-

(Continued on page 761)

### COMPANY MEETINGS

## RAND MINES, LIMITED

(Incorporated in the Union of South Africa)

### GOLD MINING DIFFICULTIES

#### MR W. H. A. LAWRENCE'S REVIEW

Mr W. H. A. Lawrence presided at the annual meeting of Rand Mines, Limited, held in Johannesburg on the 19th ultimo. In moving the adoption of the report and accounts, he said that the profit earned had been £689,611, a decrease of £184,853 compared with the figure for 1942. The profit had been derived exclusively from dividends, interest and sundry revenue. As shareholders knew, it has been the established policy of the company not to utilise for dividend purposes profits which accrued from realisation of investments but to make them available for reinvestment in the undertaking. During the period under review the amount realised by the sale of investments less their book value had exceeded the amount written off investments by £194,464. Investment reserve account had been increased by £88,314, to the substantial total of £3,407,280. £46,263 had been added to the appropriation account, which now stood at £1,491,889, that sum being represented by cash and cash assets after allowing for all liabilities other than those of a contingent nature. Ample cash resources were available to meet all contingent and option liabilities, including commitments to subscribe for shares in and to finance certain undertakings. Investments in shares and Debentures had been brought into the account at a book value of £3,927,217, which was an increase of £88,414 compared with the total at the end of 1942. Investments for which share market quotations were available appeared in the books at or under cost, but in no case were above the market price at December 31, 1943. Unquoted securities had been entered in accordance with the conservative valuation placed upon them by the board and in no instance at a valuation exceeding cost. Where it had appeared prudent to do so, the book value of holdings had been written down below cost and below the market value. It was evident from the schedule of investments published with the annual accounts that the market value greatly exceeded the book value stated in the balance-sheet. The market value of the gold mining interests of the company at the end of the year had represented 72.861 per cent. of the market value of all investments and of those gold-mining investments 84.807 per cent. had been dividend producing.

#### REDUCED TONNAGE MILLED

The gold-mining industry had again experienced many difficulties during 1943, chief among which had been the acute shortage of native labour which had caused a serious reduction in tonnage milled throughout the year and which continued at the present time. Nevertheless operations had been maintained on a stable basis and the results achieved must be considered satisfactory in the peculiar circumstances attending the fourth year of the war. The output of gold by the mines of the Witwatersrand area had been 12,460,666 oz. fine, a decrease of 1,300,369 oz. compared with 1942. The profit earned had been £37,908,766, which had been £5,746,380 less than during the previous year.

The price received for gold and the rate at which normal income-tax had been payable by the gold-producing companies had remained unchanged throughout the year. As from January 1, 1943, however, the special contribution which was based on taxable income before deduction of redemption allowance and any tax loss brought forward from a previous year had been increased from 20 per cent. to 22½ per cent.

The taxation of gold mines in the

Transvaal, including the share of profits paid to the Government by leased mines, had amounted to approximately £23.7 million in respect of 1943, of which gold realisation charges had accounted for slightly more than £2,000,000.

The manufacture of munitions in mine workshops for the Department of War Supplies had been continued throughout the year.

Since the close of the period under review the report of the Witwatersrand Mine Natives' Wages Commission had been published. Shareholders would no doubt be aware that the Government had not accepted in full the recommendations made by the Commission but nevertheless had decided that as from April 1, 1944, certain increases should be made in the wages paid to mine native labourers. Briefly, the increases amounted to 5d. per shift for natives employed underground and 4d. per shift for natives employed on the surface, with payment of time and a half for all overtime and Sunday work. Since January 1, 1940, the gold mining companies had been obliged to pay to the Government a gold realisation charge, and since September 1, 1940, that charge had remained fixed at 38s. 3d. per cent. The Government had now decided to place in a pool the sums thus collected from the industry during the year ending March 31, 1945, and to distribute those funds among individual mining companies in proportion to their share of the increased costs of the industry in respect of native wages. It was hoped that the amount thus made available would be sufficient to meet practically the whole of the industry's additional direct burden.

#### SUPPLY DIFFICULTIES

Difficulties experienced in the previous war years of obtaining adequate supplies of essential materials from overseas continued during 1943, and in the case of certain commodities had become accentuated. The mine stores department of the Transvaal Chamber of Mines had continued to operate satisfactorily in those difficult circumstances and rendered great assistance to mine managements, to whose efficiency and unremitting endeavours in that connection credit must be given for the fact that work on the mines had not been more severely impeded. Development had again been carried out on a much reduced scale, and as a consequence it had been possible to effect considerable economies in the use of steel, explosives and other materials. "I must emphasise, however, that the ore reserves of many mines have now been reduced to the lowest level compatible with the continuance of future operations on a sound mining basis and in a number of cases it will be necessary to increase the development programme at the first appropriate opportunity."

Ore milled by the Witwatersrand mines of the group during 1943 had been 18,139,500 tons, a decrease of 2,292,700 tons compared with the previous year. The average yield of gold per ton milled had risen by 0.007 dwt. to 3.628 dwt. There had been a fall of £1,903,858 in the total working profit, which had amounted to £8,441,003. The total amount distributed as dividends had been £3,278,666, or £1,038,431 less than in 1942. The amount provided for taxation to the Government had decreased by £1,235,478 to £4,496,053.

#### DEVELOPMENT RESULTS

Development accomplished had totalled 277,231 ft., a decrease of 51,497 ft. The

available payable ore reserve (including the Blyvooruitzicht mine) had amounted to 62,554,200 tons, which had been a decrease of 6,209,000 tons compared with the preceding estimate. At the Blyvooruitzicht mine 124,000 tons of development rock had been milled and treated, the average yield being 10.372 dwt. per ton. Working costs had been 64s. 9.6d. per ton milled and the working profit had been £139,031, which had been utilised to meet expenditure on further development. During the year 31,686 ft. had been developed, of which 21,755 ft. had been sampled and proved payable.

At the Geldenhuis Deep mine operations had been continued throughout the year, the output of rock from the mine being supplemented by 36,880 tons of old slimes and surface accumulations which had been retreated. The available ore reserve had now been reduced to a very low level, while surface accumulations suitable for retreatment were nearly exhausted. It was hoped that increased output from pyritic bands would help to extend the period of operations at the mine, but it was clear that the position was more than ever precarious. The margin of profit was very small, and any serious decrease in tonnage milled or increase in working costs would immediately render further operations unprofitable.

The average number of Europeans employed by the Witwatersrand mines of the group had been 13,914, including those on active service, and "I take this opportunity to express our cordial appreciation of their continued loyal and excellent services." The average number of non-European employees had been 93,877, which had been a decrease of 16,171 compared with 1942.

The health record of native employees had continued to be good. The mortality rate from disease had fallen from 3.05 per thousand in 1942 to the record low figure of 3.04 per thousand, while deaths from mining accidents decreased by 0.20 per thousand, to the very low figure—which was also a record—of 1.27 per thousand. Compared with 1942, shifts lost per native per annum due to disease and accidents had risen from 5.36 to 6.17.

The present valuation of outstanding phthisis liability of the mines of the group was £6,354,189, a decrease of £53,930 compared with 1942. The twelve mines affected had provided with accrued interest up to the end of 1943 the total of £4,055,375 towards meeting that liability.

#### CURRENT YEAR'S RESULTS

Results during the first four months of the current year had in general been affected adversely, and in certain cases very seriously, by underground flooding caused by abnormally heavy rains which had fallen during the first fortnight of February. At East Rand Proprietary Mines conditions had also been aggravated by a serious underground fire and by a bad pressure burst in the Driefontein tertiary incline shaft.

Various South African industrial concerns in which the company was interested, such as coal mining and lime, pipe and cement manufacturing companies, had all been maintained in a sound position and had distributed satisfactory dividends. In response to the Government's request for increased coal production, output from the Witbank Colliery had been increased by 144,546 tons to a record figure of 1,329,389 tons during 1943.

Since the close of the period under review, additions and amendments had been made to the articles of association of the company in terms of the special resolution passed at the extraordinary general meeting of shareholders which had been held on February 4th last. The main purpose of revising the articles had been to ensure that control of the company was vested in shareholders who were nationals of the Union of South Africa or who were British subjects.

The report and accounts were adopted.

# ASSOCIATED PORTLAND CEMENT MANUFACTURERS, LIMITED

## EFFICIENCY OF BIG BUSINESS

### SIR P. MALCOLM STEWART'S VIEWS

The forty-fifth ordinary general meeting of the Associated Portland Cement Manufacturers, Limited, was held, on the 30th ultimo, in London.

Sir P. Malcolm Stewart, Bt., O.B.E., Hon. LL.D., D.L. (chairman and one of the managing directors), in the course of his speech, said:—

The profit and loss account shows a total profit of £1,662,395, which is £20,003 more than the profit of 1942. Profit on trading is down by £53,791, but interest and dividends on investments are up by £73,699, largely accounted for by the receipt of a dividend from the Alpha Company in respect of the year 1942. The proposed final dividend is 7½ per cent., making a total dividend for the year of 10 per cent. on the ordinary stock, which compares with 9 per cent. in the previous year. This modest increase of 1 per cent. in the dividend recommended for payment to our stockholders is mainly accounted for by the increased dividends on investments. We feel warranted in recommending this payment to the stockholders despite the decrease in the trading profits.

#### SUCCESS OF VOLUNTARY CONTROL

While there was a falling off in the tonnage of deliveries, this proved less than expected; consequently the financial results obtained are more satisfactory than anticipated when I addressed you last year. The accounts are final, for I am pleased to inform you that the Ministry of Works has now approved the basis of profits allowed to the industry, and of those we take our agreed share. The settlement is fair and made with good will. Meanwhile the voluntary control instituted by and under the supervision of the Ministry continues to work smoothly and saves the Government much work and expense.

Last year I dealt with the attacks on monopolies, monopolistic control and big business, and stated these are mainly misdirected as they are in effect attacks on organisation of which, post-war, we shall need more, not less, in order to cope with the vast and complex national and international problems. Those who have knowledge and take an impartial view of industry are, I believe, increasingly conscious that most big businesses are outstandingly efficient, and have led the way in setting the highest standards, particularly in the treatment of their employees, a standard which has out-paced that of most Government departments. The progressive spirit which has produced these results will be evinced even more strongly after the war and I am confident that the exercise of a sound policy, designed to foster national interests, will prevail more widely. Once the fight for efficiency is won success usually follows and there remains but the need for wise and fair distribution of the resultant profits between all parties concerned.

#### EFFICIENCY ESSENTIAL

The better Britain to which we look forward will not be built by impoverishing or cramping efficient industrial companies operating on a large scale and thus undermining a massive portion of the foundations of our prosperity. Some loss of efficiency is an unfortunate concomitant of war, experienced particularly by those industries not engaged in the production of armaments. Efficiency must be restored at the earliest moment post-war and can only be attained when arrears of maintenance have been made good and the demand allows for fuller production.

Further, it must not be assumed that controls set up in war-time with the Government as almost the sole consumer and virtually in the position of a dictator, will

work for efficiency when once we can return to normal trading conditions. Obviously there must be some degree of control during an interregnum period of short supply, and of assistance to impoverished countries, but such controls should be treated as exceptions calling for justification against a background of general assurance as to the restoration of the fullest possible degree of freedom from control at the earliest date.

While statesmen are planning the international framework of world prosperity it is to domestic productive industry that we must look to "deliver the goods." When the war and the fight for freedom are won, after a short spell for recuperation, we must settle down to hard work in dead earnest. A national programme of employment to be successful will call for harder work and clearer thinking than ever before.

The spirit of satisfaction and the enjoyment arising from work well done must permeate more widely. Every citizen should feel a sense of responsibility for doing his or her fair share to secure that measure of post-war prosperity which will promote the highest level of employment, a result which can but come from intense productive effort. Further, we shall not become fit partners for international agreements unless we can first show that we know how to build a well-ordered and happy industrial house at home.

#### BENEFITS OF RESEARCH

The Chancellor of the Exchequer, Sir John Anderson, in his masterly and helpful Budget proposals and review will render much assistance to industry when his promised improved scale of depreciation allowances comes into effect. He has also stressed the need for making more freely available the benefits to be obtained from research. This effort to widen the scope for progress and efficiency should be expanded as far as possible. The Cement Makers' Federation has already in part adopted this policy. Increased efficiency is essential to our survival as a great industrial nation.

To-day it is difficult to forecast the date when the projected future programme of building and constructional work will fully mature. It is generally anticipated that there will be a time lag and that building operations will wait on the return of operatives from the armed Forces; consequently, early progress may be somewhat slow.

The necessity of getting away from inflated war costs is paramount if house building and large constructional work, all so much needed, are to proceed on economic lines. We shall do our utmost in this direction, as doubtless will every other manufacturer of building materials. A successful building programme can only be assured through an increased output from the operatives, efficient production bringing reduced costs and selling prices of materials and through more economic distribution.

#### CURRENT YEAR'S OUTLOOK

With regard to the prospects for the current year, the trend of trade to date shows a marked falling off in turnover and deliveries will inevitably be further impeded by impending vital operations; to-day I cannot discern any factor which is likely to offset the resultant reduced sales. Consequently, I must warn stockholders that they should not rely on a repetition of the trading results attained last year.

However the strength of our ample reserves together with a possible improved export trade may offer opportunity for mitigating the worst effects anticipated from the more limited trading conditions which I visualise as setting in while we are completing the closing stages of the war with Germany.

The report was adopted.

## CITY DEEP, LIMITED

(Incorporated in the Union of South Africa)

### SHORTAGE OF NATIVE LABOUR

#### DR HANS PIROW'S SPEECH

Doctor Hans Pirow, the chairman, presided at the annual meeting of City Deep, Limited, held in Johannesburg on the 17th ultimo.

After reviewing operations for 1943, the chairman said that the total profit had been £731,847. Dividends had absorbed £286,125, provision for taxation had amounted to £391,952, expenditure on capital account had been £73,714, and further provision made in respect of miners' phthisis outstanding liability had been £12,034.

Net expenditure on capital account during 1943 had been £73,714, almost all of which had been in respect of winding equipment and electric power supply for No. 5 shaft. The engine house for a permanent hoist at that shaft had now been completed and the electrical portion of the plant had been installed. The mechanical portion was awaiting shipment from overseas. Last year shareholders were informed that an air cooling plant at No. 4 shaft had been brought into operation. The results obtained had been highly satisfactory and working conditions in the western and deeper section of the mine had been considerably improved by the provision of cooler air.

#### DEVELOPMENT CURTAILED

The drop in tonnage milled during the year had been due to the acute shortage of native labour which had seriously hampered operations at the mine and which continued at the present time. In conformity with the general policy followed by the gold mining industry to conserve essential stores to the fullest possible extent, development carried out during the year had been again on a much reduced scale. The total had amounted to 20,299 feet which had been 3,156 feet less than the previous year's figure. Main Reef Leader development had shown satisfactory results, but 1,020 feet of South Reef which had been sampled had been generally disappointing.

The available ore reserve as re-estimated at December 31, 1943, had been 3,530,800 tons of an average value of 5.5 dwt. over a stopping width of 43.5 inches. The available reserve showed a decrease of 162,200 tons compared with the previous year's figure, the value being 0.2 dwt. greater while the width remained unchanged.

The price received for gold and the rate at which normal income-tax had been payable by the company remained unchanged throughout the year. As from January 1, 1943, however, the special contribution which was based on taxable income before deduction of redemption allowance and any tax loss brought forward from a previous year had been increased from 20 per cent. to 22½ per cent.

#### WAGES COMMISSION'S REPORT

Since the close of the period under review the report of the Witwatersrand Mine Natives Wages Commission had been published. Shareholders would no doubt be aware that the Government had not accepted in full the recommendations made by the Commission, but nevertheless had decided that as from April 1, 1944, certain increases should be made in the wages paid to mine native labourers. Briefly, the increases amounted to 5d. per shift for natives employed underground and 4d. per shift for natives employed on the surface, with payment of time and a half for all overtime and Sunday work. Since January 1, 1940, the gold mining companies had been obliged to pay to the Government a gold realisation charge and since September 1, 1940, that charge had remained fixed at 38s. 3d. per cent. The Government had now decided to place in a pool the sums thus collected from the industry during the year

ending March 31, 1945, and to distribute those funds amongst individual mining companies in proportion to their share of the increased costs of the industry in respect of native wages. It was hoped that the amount thus made available would be sufficient to meet practically the whole of the industry's additional direct burden.

In order to conserve paper stocks the report of the proceedings at the meeting would not be circulated to shareholders. Copies could be obtained, however, on application to the head office in Johannesburg or to the London office.

A large number of the company's European employees was absent on military service, and in addition the mine had continued to carry out its share of munitions production.

The report and accounts were adopted.

## INDUSTRIAL AND GENERAL TRUST, LIMITED

### A GRATIFYING IMPROVEMENT

The fifty-sixth ordinary general meeting of this company was held, on the 22nd ultimo, in London.

Mr W. Sandford Poole (the chairman) said that he thought the statement presented was not unsatisfactory after 4½ years of the most devastating war in history. A year ago they had to report a reduction of £26,000 in their gross income. To-day they were able to show a partial recovery, gross income having risen by £13,000. It was interesting to compare the average gross income of the Trust in the five years preceding the outbreak of war with the average gross income of the five years during the war period. For the peace years to March 31, 1939, the average was £457,600; for the war years to March 31, 1944, it had been £481,000. Thus, despite the effects of war conditions and the restricting influence of E.P.T. on dividend distribution, their average gross income over the past five years had shown a gratifying improvement. They recommended a final dividend of 8 per cent. on the ordinary stock, making a total dividend of 12 per cent. for the year.

Their investments now number 979 and the total at which they stood in the balance sheet was £8,137,686. A valuation, based almost entirely on market quotations, showed a quite substantial appreciation over the total at which they stood in the balance sheet. It would be unwise to lay too much emphasis on that result, satis-

(Continued from page 758)

ment now has a mercury stockpile sufficient to meet requirements at the present rate for about two years. In order to prevent further accumulations, all restrictions on mercury consumption were removed in the United States last February. Simultaneously, the buying contract of the US Metals Reserve Company with the Canadian suppliers (Consolidated Mining and Smelting Co. of Canada) was cancelled, and producers in the United States were asked to reduce their output as compared with 1943 by 30 per cent. The war-time boom of the North American mercury industry can thus be regarded as ended. Production after the war will depend largely on the price of the metal. Most of the North American producers are high-cost producers. Last year the United States price fluctuated between 190 and 196 dollars a flask, which compares with pre-war prices of between 75 and 90 dollars a flask. At the latter price range, North America before this war used to rely on European supplies for between one-third and one-half of its requirements. After the development of new mines and the re-equipping of most of the older ones during the war, average production costs in North America after the war may be somewhat lower than they were before 1940. If, therefore, Italy and Spain wish to revive their mercury exports to the United States after the war—and their quicksilver industry is very much dependent on such exports—they will have to keep international mercury prices at a reasonable level, otherwise they may not only lose the American market, but may also find increasing competition from North American producers in other parts of the world.

## BRITISH ENKA, LIMITED

### MR A. D. CARMICHAEL'S REVIEW

The nineteenth ordinary general meeting of British Enka, Limited, was held, on the 26th ultimo, in London.

Mr A. D. Carmichael presided, and, in the course of his statement, said:—

The working profit for the year 1943 is £147,580. After providing for taxation and other outgoings, the net profit is £71,432. Despite the difficulties caused by the war, we have made each year since the outbreak of war more than our E.P.T. standard of profit.

Our production is still curtailed and controlled, and is used for direct war purposes, for utility clothing, or for export. So far as we know, all other rayon producing countries have largely increased their production of rayon during the war, with an almost certain resultant increase in technical efficiency.

In order to increase production rapidly in this country at the earliest opportunity, producers of rayon yarn and rayon fabrics should be given high priority for additional labour and increased supplies of raw materials, as both products use a very high percentage of British labour and a very small content of imported raw material. They are, therefore, excellent commodities for export.

The report and accounts were adopted.

## THE LICENSES AND GENERAL INSURANCE COMPANY, LIMITED

The fifty-fourth annual general meeting of this company was held, on the 31st ultimo, in London.

Mr Stanley Christopherson, J.P., presided.

The accounts for the year ended December 31, 1943, were approved, and the proposed final dividend of 15 per cent., making a total distribution of 20 per cent. for the year on the preference and ordinary shares, was confirmed.

The year's operations have been very satisfactory, and the financial structure of the company further strengthened.

Sir Herbert G. Williams, M.P., has joined the Head Office Board.

A copy of the chairman's speech has been sent to every shareholder.

## Company Results

|                                                                                                                                                                                          | Years to December 31st. |            |            |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|------------|------------|
|                                                                                                                                                                                          | 1941                    | 1942       | 1943       |
| <b>Dunlop Rubber Company.</b>                                                                                                                                                            |                         |            |            |
| <i>Aggregate Profits*</i>                                                                                                                                                                |                         |            |            |
| Current earnings                                                                                                                                                                         | 5,458,148               | 4,797,980  | 5,778,884  |
| Abnormal items                                                                                                                                                                           | 140,047                 | 79,641     | 24,687     |
| Total                                                                                                                                                                                    | 5,628,195               | 4,877,621  | 5,803,571  |
| Taxation provided by subsidiaries                                                                                                                                                        | 1,510,533               | 1,534,208  | 2,205,808  |
| Guaranteed preference dividends                                                                                                                                                          | 87,151                  | 86,578     | 86,578     |
| Retained appropriations of subsidiaries                                                                                                                                                  | 172,203                 | 189,469    | 93,982     |
| <i>Parent Company</i>                                                                                                                                                                    |                         |            |            |
| Profits                                                                                                                                                                                  | 3,858,308               | 3,067,365  | 3,417,203  |
| Depreciation                                                                                                                                                                             | 430,632                 | 393,469    | 407,070    |
| E.P.T.                                                                                                                                                                                   | 1,924,620               | 827,368    | 869,201    |
| Income Tax current liability                                                                                                                                                             | 650,000                 | 700,000    | 945,965    |
| Income Tax Reserve                                                                                                                                                                       | 12,200                  | 12,200     | 12,200     |
| Preference interest                                                                                                                                                                      | 154,760                 | 155,390    | 157,136    |
| Preference dividends†                                                                                                                                                                    | 261,927                 | 268,750    | 275,000    |
| <i>Ordinary stock:—</i>                                                                                                                                                                  |                         |            |            |
| Earnings                                                                                                                                                                                 | 424,149                 | 451,802    | 630,081    |
| Paid                                                                                                                                                                                     | 333,321                 | 346,855    | 365,298    |
| Earnings %                                                                                                                                                                               | 10.2                    | 10.4       | 13.9       |
| Paid %                                                                                                                                                                                   | 8                       | 8          | 8          |
| Contingencies reserve                                                                                                                                                                    | 100,000                 | 100,000    | —          |
| Special reserve                                                                                                                                                                          | —                       | —          | 250,000    |
| Carry forward                                                                                                                                                                            | 622,839                 | 627,586    | 644,369    |
| <i>Consolidated Balance Sheet</i>                                                                                                                                                        |                         |            |            |
| Net fixed assets                                                                                                                                                                         | 8,645,565               | 8,437,897  | 8,310,564  |
| Net associated company items                                                                                                                                                             | 757,031                 | 832,311    | 807,576    |
| Investments in enemy-occupied territory‡                                                                                                                                                 | 4,574,528               | 4,138,530  | 3,829,183  |
| Net liquid assets                                                                                                                                                                        | 13,648,594              | 14,767,515 | 15,822,832 |
| Gross liquid assets                                                                                                                                                                      | 22,061,166              | 21,759,937 | 24,357,001 |
| * Profits of the Dunlop Rubber Company, before depreciation and taxes, and its proportion of the profits less losses of all subsidiary and sub-subsidiary companies after these charges. |                         |            |            |
| † Including current income tax liability.                                                                                                                                                |                         |            |            |
| ‡ Including £74,427 in 1941 and £75,000 in 1942 and 1943 paid in dividend on preference shares of a subsidiary.                                                                          |                         |            |            |
| § A specific reserve against this item stood at £3,250,000 in 1941 and 1942 and £3,750,000 in 1943.                                                                                      |                         |            |            |

The £1 units of ordinary stock, standing at 43s. 3d. ex dividend, yield £3 14s. per cent.



# RECORDS and STATISTICS

## INVESTMENT

### Stock Exchanges: London

#### "FINANCIAL NEWS" INDICES

| 1944       | Total<br>Bargains<br>in S.E.<br>List | Corres.<br>Day<br>1943 | Security Indices   |                   | Yields         |                |
|------------|--------------------------------------|------------------------|--------------------|-------------------|----------------|----------------|
|            |                                      |                        | 30 Ord.<br>shares* | 20 Fixed<br>Int.† | Old<br>Consols | Ord.<br>Shares |
| May 25.... | 5,858                                | 4,105                  | 108.6              | 134.9             | 3.16           | 3.87           |
| " 26....   | 6,142                                | 3,971                  | 109.2              | 134.9             | 3.16           | 3.85           |
| " 29....   | 6,563                                | 4,563                  | (a)                | (a)               | (a)            | (a)            |
| " 30....   | 7,627                                | 4,371                  | 109.9              | 109.5             | 3.16           | 3.84           |
| " 31....   | 6,248                                | 4,170                  | 109.6              | 134.8             | 3.25           | 3.83           |

\* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1944: highest, 109.6 (May 31); lowest, 103.0 (Feb. 28). 20 Fixed Int., 1944: highest, 138.4 (Feb. 23); lowest, 134.0 (Jan. 3). (a) Whit Monday.

## New York

### STANDARD STATISTICS INDICES

#### DAILY AVERAGE OF 50 COMMON STOCKS

| 1944       | Average | Transactions | 1944       | Average | Transactions |
|------------|---------|--------------|------------|---------|--------------|
| May 19.... | 119.4   | 789,000      | May 23.... | 119.6   | 765,000      |
| " 20....   | 119.6   | 362,000*     | " 24....   | 120.0   | 1,090,000    |
| " 22....   | 119.6   | 701,000      | " 25....   | 120.5   | 804,000      |

1944: High, 121.2 (Mar. 18). Low, 113.8 (Feb. 8). \* Two-hour session. (WEEKLY AVERAGES) (1935-36=100)

| 1944                | Low<br>Mar. 15 | High<br>Mar. 15 | May<br>10, 1944 | May<br>17, 1944 | May<br>24, 1944 |
|---------------------|----------------|-----------------|-----------------|-----------------|-----------------|
|                     |                |                 |                 |                 |                 |
| 37 Industrials..... | 95.1 (a)       | 99.7            | 98.1            | 98.5            | 99.7            |
| 32 Rails.....       | 88.9 (a)       | 101.2 (c)       | 98.4            | 98.6            | 100.7           |
| 40 Utilities.....   | 85.0           | 88.9 (d)        | 87.1            | 87.7            | 88.0            |
| 419 Stocks.....     | 93.6 (a)       | 97.9            | 96.4            | 96.8            | 97.9            |
| Av. yield %.....    | 4.83 (e)       | 4.60            | 4.66            | 4.90            | 4.90            |

\* Common Stocks. (a) Feb. 9. (b) Jan. 5. (c) Mar. 22. (d) Mar. 8. (e) Feb. 23.

## Capital Issues

| Week ending<br>June 3, 1944                          | Nominal<br>Capital<br>£ | Con-<br>versions<br>£    | New<br>Money<br>£        |
|------------------------------------------------------|-------------------------|--------------------------|--------------------------|
| Particulars of Government issues appear on page 763. |                         |                          |                          |
| Year†                                                |                         | Including<br>Conversions | Excluding<br>Conversions |

|           |             |             |
|-----------|-------------|-------------|
| 1944..... | 700,810,802 | 689,712,321 |
| 1943..... | 894,869,677 | 789,520,593 |

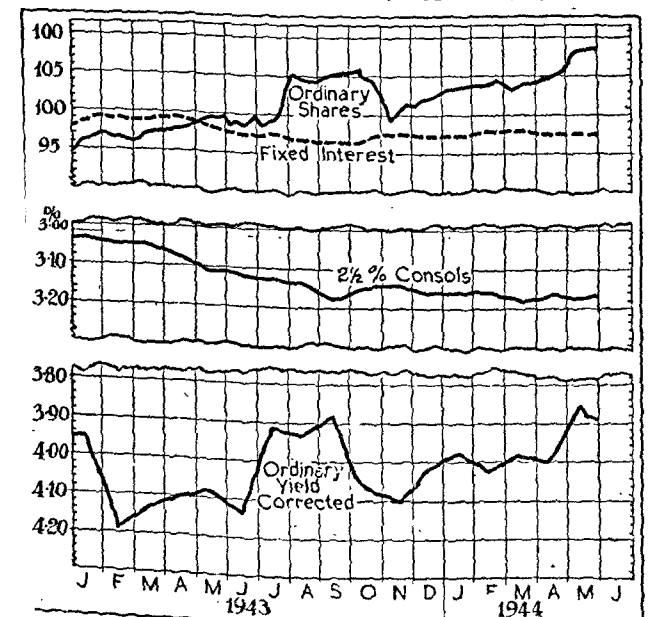
### Destination\* Nature of Borrowing\*

| Year†     | U.K.        | Brit. Emp.<br>ex. U.K. | Foreign<br>Countries | Deb.        | Pref.     | Ord.      |
|-----------|-------------|------------------------|----------------------|-------------|-----------|-----------|
| 1944..... | 689,381,600 | 330,721                | Nil                  | 686,017,761 | 2,015,289 | 1,717,330 |
| 1943..... | 787,506,231 | 1,375,053              | 638,677              | 782,355,766 | 639,837   | 6,554,990 |

\* Conversions excluded. † Includes Government issues to May 23, 1944, only. Above figures include all new capital in which permission to deal has been granted.

## FIXED INTEREST AND EQUITY PRICES. CONSOL 2½ AND EQUITY YIELDS

Financial News Indices of 20 fixed-interest securities and 30 ordinary shares (July 1, 1935=100) with corrected yield on the latter and return on Old Consols.



## INDUSTRY AND TRADE

**Film Exhibitions.**—During the year ended September 30, 1943, the aggregate length (including repeated performances) of registered films exhibited in cinemas in Great Britain, was 44,768 million feet, compared with 44,278 million feet in the previous year. The length of British films exhibited was 9,013 million feet, or 20.13 per cent of the total, compared with 21.12 per cent for the previous year. The aggregate length of long films (those of 3,000 feet and over) was 41,084 feet, of which 7,712 feet, or 18.77 per cent, were British, compared with 18.8 per cent for the year ended September 30, 1942.

**Patents Committee.**—The Committee appointed by the Board of Trade under the chairmanship of Mr. Kenneth Swan, K.C., has begun its sittings and is considering (a) the initiation, conduct and determination of legal proceedings arising under or out of the Patents and Designs Acts, including the constitution of the appropriate tribunals; and (b) the provisions of those Acts for the prevention of the abuse of monopoly rights. An interim report on these subjects may be made. Evidence will be heard by the Committee, and those desiring to submit evidence should communicate with the Joint Secretaries to the Patents Committee, 1944, The Patent Office, 25, Southampton Buildings, London, W.C.2.

**"The Economist" Sensitive Index.**—There was no change in the index during the week ended May 31st. The complete index (1935=100) was 158.6; crops 135.6; and raw materials 185.5.

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

|                       | Mar. 31, 1937* | Aug. 30, 1939 | May 25, 1943 | May 9, 1944 | May 24, 1944 |
|-----------------------|----------------|---------------|--------------|-------------|--------------|
| Cereals and Meat..... | 93.0           | 66.9          | 110.4        | 109.2       | 108.8        |
| Other Foods.....      | 70.4           | 61.1          | 107.5        | 107.3       | 107.3        |
| Textiles.....         | 74.2           | 54.3          | 93.9         | 103.8       | 104.0        |
| Minerals.....         | 113.2          | 95.4          | 135.9        | 139.7       | 139.7        |
| Miscellaneous.....    | 87.0           | 77.6          | 127.3        | 129.0       | 129.0        |
| Complete Index.....   | 87.2           | 70.3          | 114.8        | 117.7       | 117.6        |
| 1913=100.....         | 119.9          | 90.8          | 157.9        | 161.9       | 161.8        |

\* Highest level reached during 1932-37 recovery.

## FINANCE AND BANKING

**THE MONEY MARKET.**—There has been an exceptionally heavy turnover of credit in the money market this week. The tail-end of the clearing banks' making up for the May returns made its impact felt earlier in the week. The turn of the month and the early June dividend payments also stimulated the movement of funds. The discount market again had to take up a substantial amount of Treasury bills, since it obtained a 46 per cent. allotment on its applications which cover the £110,000,000 of bills on offer each week. The £50,000,000 odd of Treasury bills taken up by the market this week is the largest allotment ever received. The task of taking up these bills was eased by the readiness with which the banks bought bills from the market. The banks' position in its turn was eased by the fact that effective TDR maturities exceeded by about £2,000,000 the £60,000,000 of new money which had to be found in this form this week.

**MONEY RATES, LONDON.**—The following rates remained unchanged between May 25th and June 1st:—

Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days, 1½%; 3 months, 1½%; 4 months, 1½-1¾%; 6 months, 1½-1¾%. Treasury Bills: 2 months, 1-1½%; 3 months, 1-1½%. Day-to-day money, 1-1½%. Short Loans, 1-1½%. Bank deposit rates, 1%. Discount deposit at call, 1%; at notice, 1½%.

**Exchange Rates.**—The following rates fixed by the Bank of England remained unchanged between May 25th and June 1st. (Figures in brackets are par of exchange).

United States. \$ (4.861) 4.02½-03½; mail transfers 4.02½-03½. Canada. \$ (4.861) 4.43-47; mail transfers 4.43-47½. Switzerland. Francs (25.22) 17-30.40. French Empire. Francs 197½-200½. Syria. p. 8.81-85. Sweden. Krona (18.159) T.T. 16.85-95. Dutch West Indies. Florin (12.11) 7.58-62. Portugal. Escudos (110) 99.80-100.20; mail transfers 99.80-100.30. Panama. \$4.02-04; mail transfers 4.02-04½. Brazil. \$3.64½ cr. (buying); mail transfers 83.56½. Uruguay. 7.6597 p. (buying).

**Fixed Rates for Payment at Bank of England for Clearing Offices.** Spain. Pesetas 44.00. Turkey. Piastres 520. Italy. 71.25 lire.

**Market Rates.**—The following rates remained unchanged between May 25th and June 1st.

Egypt. Piastre. (97½) 97½-98. India. Rupee (18d. per rupee) 17½-18½. Belgian Congo. Francs 176½-177. China. National \$3-3½. Iran. Rl. 128-130.

**Special Accounts** are in force for Chile, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London. Rate for payment into Argentine special account: 16.23 pesos.

(Continued on page 768)

## GOVERNMENT RETURNS

For the week ended May 27, 1944, total ordinary revenue was £60,469,000, against ordinary expenditure of £114,292,000. There were no issues to sinking funds. Thus, including sinking fund allocations £1,180,028, the deficit accrued since April 1st is £501,288,000 against £562,620,000 for the corresponding period a year ago.

## ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

| Revenue                           | Estimate, 1944-45 | Receipts into the Exchequer (£ thousands) |                         |                         |                         |
|-----------------------------------|-------------------|-------------------------------------------|-------------------------|-------------------------|-------------------------|
|                                   |                   | April 1 to May 29, 1943                   | April 1 to May 27, 1944 | Week ended May 29, 1943 | Week ended May 27, 1944 |
| ORDINARY REVENUE                  | 130,000,000       | 108,873                                   | 108,640                 | 12,144                  | 17,763                  |
| Income Tax.....                   | 80,000            | 6,462                                     | 5,383                   | 550                     | 370                     |
| Sur-tax.....                      | 100,000           | 17,248                                    | 18,090                  | 2,712                   | 2,087                   |
| Estate, etc.....                  | 19,000            | 1,690                                     | 1,052                   | 300                     | 600                     |
| Duties.....                       | 500,000           | 3,101                                     | 3,209                   | 358                     | 550                     |
| Stamps.....                       | 56,452            | 63,464                                    | 5,940                   | 7,950                   | 10                      |
| N.D.C.....                        | 1,000             | 100                                       | 60                      | ...                     | ...                     |
| E.P.T.....                        | 200,000,000       | 193,926                                   | 199,898                 | 22,014                  | 29,340                  |
| Other Ind. Rev.                   | 564,900           | 84,369                                    | 87,803                  | 9,009                   | 6,706                   |
| Customs.....                      | 472,900           | 79,252                                    | 88,057                  | 21,752                  | 23,757                  |
| Excise.....                       | 103,780           | 163,641                                   | 175,860                 | 30,761                  | 30,463                  |
| Total Customs & Excise.....       | 27,000            | 1,617                                     | 1,948                   | ...                     | ...                     |
| Motor Duties.....                 | 4,850             | 600                                       | 320                     | 300                     | 200                     |
| P.O. (Net Receipts).....          | 800               | 190                                       | 210                     | 50                      | 70                      |
| Wireless Licences.....            | 7,350             | 748                                       | 815                     | ...                     | ...                     |
| Crown Lands.....                  | 24,000            | 9,923                                     | 8,948                   | 518                     | 796                     |
| Receipts from Sundry Loans.....   | 310,180           | 372,051                                   | 390,899                 | 51,792                  | 60,469                  |
| Miscellaneous.....                | 112,370           | 16,900                                    | 16,400                  | 3,500                   | 2,300                   |
| Self-Balancing P.O. & Broadcastg. | 321,410           | 388,951                                   | 407,299                 | 55,292                  | 62,769                  |
| Total.....                        |                   |                                           |                         |                         |                         |

| Expenditure                       | Estimate, 1944-45 | Issues out of the Exchequer to meet payments (£ thousands) |                         |                         |                         |
|-----------------------------------|-------------------|------------------------------------------------------------|-------------------------|-------------------------|-------------------------|
|                                   |                   | April 1 to May 29, 1943                                    | April 1 to May 27, 1944 | Week ended May 29, 1943 | Week ended May 27, 1944 |
| ORDINARY EXPENDITURE              | 428,000           | 59,067                                                     | 63,171                  | 969                     | 1,080                   |
| Int. & Man. of Nat. Debt.....     | 9,000             | 1,006                                                      | 996                     | 336                     | 332                     |
| Payments to N. Ireland.....       | 7,000             | 277                                                        | 339                     | 10                      | 72                      |
| Other Cons. Fund Services.....    | 436,000           | 60,350                                                     | 64,506                  | 1,315                   | 1,485                   |
| Supply Services.....              | 550,139           | 873,043                                                    | 826,501                 | 98,598                  | 112,807                 |
| Total.....                        | 593,739           | 933,394                                                    | 891,007                 | 99,913                  | 114,292                 |
| SELF-BALANCING P.O. & Broadcastg. | 112,370           | 16,900                                                     | 16,400                  | 3,500                   | 2,300                   |
| Total.....                        | 604,979           | 950,294                                                    | 907,407                 | 103,413                 | 116,592                 |

A change has been made in the method of showing an excess of Post Office Expenditure over Post Office Revenue. Such excess is now included as ordinary expenditure under "Total Supply Services" instead of being shown, as up to July 24 inclusive, as a deduction from ordinary revenue.

After increasing Exchequer balances by £130,574 to £2,876,835, the other operations for the week (no longer shown separately) raised the gross National Debt by £54,532,426 to £20,094 million.

## NET ISSUES (£ thousands)

|                                |     |
|--------------------------------|-----|
| P.O. and Telegraph.....        | 120 |
| Overseas Trade Guarantees..... | 13  |
| War Damage Act.....            | 446 |
|                                | 579 |

## MONTH'S CHANGES IN DEBT (£000)

| NET INCREASES                | NET REPAYMENTS                   |
|------------------------------|----------------------------------|
| Treasury Bills..... 246,708  | 5% Conv. Loan, 1944..... 513,198 |
| Nat. Sav. Certs..... 30,850  | Other debt:-                     |
| 3% Def. Bonds..... 24,402    | External..... 1                  |
| 2½% Nat. War Bds..... 87,120 | Ways & Means Adv. 35,550         |
| 1952-54..... 73,940          | Treasury deposits..... 11,500    |
| 3% Sav. Bonds..... 120,000   |                                  |
| 3% Term. Annuity..... 3,024  |                                  |
| Other debt:-                 |                                  |
| Internal..... 11,273         |                                  |
| Tax Res. Certs..... 597,317  | 360,249                          |

## FLOATING DEBT (£ millions)

| Date    | Treasury Bills | Ways and Means Advances | Treasury Deposits by Banks | Total Floating Debt |
|---------|----------------|-------------------------|----------------------------|---------------------|
| 1943    |                |                         |                            |                     |
| May 29  | 1065.0         | 1885.9                  | 233.3                      | 4167.7              |
| Feb. 26 | 1170.0         | 1946.9                  | 340.3                      | 4855.5              |
| Mar. 4  | 1170.0         | Not available           | 340.3                      | 4855.5              |
| " 11    | 1170.0         | "                       | 340.3                      | 4855.5              |
| " 18    | 1170.0         | "                       | 340.3                      | 4855.5              |
| " 25    | 1170.0         | "                       | 340.3                      | 4855.5              |
| " 31    | 1170.0         | "                       | 340.3                      | 4855.5              |
| April 8 | 1170.0         | Not available           | 340.3                      | 4855.5              |
| " 15    | 1170.0         | "                       | 340.3                      | 4855.5              |
| " 22    | 1170.0         | "                       | 340.3                      | 4855.5              |
| " 29    | 1170.0         | "                       | 340.3                      | 4855.5              |
| May 6   | 1220.0         | 2018.3                  | 410.4                      | 5059.7              |
| " 13    | 1240.0         | "                       | "                          | 5059.7              |
| " 20    | 1260.0         | "                       | "                          | 5059.7              |
| " 27    | 1280.0         | 2184.9                  | 374.9                      | 5259.3              |

## TREASURY BILLS (£ millions)

| Date of Tender | Amount Offered | Amount Applied for | Amount Allotted | Average Rate of Allotment % | Per Cent Allotted at Min. Rate |
|----------------|----------------|--------------------|-----------------|-----------------------------|--------------------------------|
| 1943           |                |                    |                 |                             |                                |
| May 23         | 90.0           | 159.5              | 90.0            | 2.13                        | 46                             |
| 1944           |                |                    |                 |                             |                                |
| Feb. 25        | 90.0           | 191.0              | 90.0            | 2.18                        | 31                             |
| Mar. 4         | 90.0           | 201.7              | 90.0            | 2.11                        | 25                             |
| " 10           | 90.0           | 190.1              | 90.0            | 2.04                        | 31                             |
| " 17           | 90.0           | 177.2              | 90.0            | 1.84                        | 31                             |
| " 24           | 90.0           | 176.9              | 90.0            | 2.36                        | 36                             |
| " 31           | 90.0           | 190.5              | 90.0            | 2.20                        | 25                             |
| April 6        | 90.0           | 211.8              | 90.0            | 2.74                        | 27                             |
| " 13           | 100.0          | 209.1              | 100.0           | 2.58                        | 30                             |
| " 20           | 110.0          | 216.8              | 110.0           | 2.83                        | 35                             |
| " 27           | 110.0          | 208.3              | 110.0           | 2.25                        | 37                             |
| May 4          | 110.0          | 209.1              | 110.0           | 1.81                        | 32                             |
| " 11           | 110.0          | 198.2              | 110.0           | 2.32                        | 41                             |
| " 18           | 110.0          | 202.4              | 110.0           | 2.35                        | 40                             |
| " 25           | 110.0          | 195.7              | 110.0           | 2.98                        | 46                             |

On May 26th applications at £99 14s. 11d. for bills to be paid for on Tuesday, Wednesday, Thursday, and Friday of following week were accepted as to about 46 per cent. of the amount applied for, and applications at higher prices in full. Applications at £99 15s. for bills to be paid for on Saturday of following week were accepted in full. £110 million of Treasury Bills are being offered on June 2. For the week ending June 3 the bank will be asked for Treasury deposits to the maximum amount of £60 million.

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

| Week ended     | N.S.C.     | 3% Defence Bonds | 3% Savings Bonds | 2½% War Bonds 1952-54 |
|----------------|------------|------------------|------------------|-----------------------|
| Mar. 21        | 4,284      | 1,655            | 4,934            | 14,992                |
| " 28           | 5,565      | 1,776            | 22,288           | 52,832                |
| April 4        | 4,208      | 1,689            | 20,704           | 45,595                |
| " 11           | 4,593      | 1,613            | 6,903            | 15,566                |
| " 18           | 5,275      | 5,302            | 7,520            | 15,559                |
| May 2          | 6,023      | 3,918            | 14,936           | 30,377                |
| " 9            | 7,491      | 6,139            | 22,509           | 20,613                |
| " 16           | 9,138      | 6,249            | 16,931           | 23,294                |
| " 23           | 9,724      | 6,057            | 15,919           | 18,144                |
| " 30           | ...        | ...              | 11,743           | 12,166                |
| Totals to date | 1,113,105* | 707,999*         | 1,629,289†       | 504,456‡              |

\* 235 weeks. † 178 weeks. ‡ 39 weeks.

Interest free loans received by the Treasury up to May 30th amounted to a total value of £67,883,955. Up to May 27th principal of Savings Certificates to the amount of £159,222,00

## OVERSEAS BANK RETURNS

U.S. FEDERAL RESERVE  
Million \$'s

|                                             | May 1943 | May 1944 | May 1944 | May 1944 |
|---------------------------------------------|----------|----------|----------|----------|
| 12 U.S.F.R. BANKS                           | 27       | 11       | 18       | 25       |
| RESOURCES                                   |          |          |          |          |
| Gold certifs. on hand and due from Treasury | 20,205   | 18,890   | 18,844   | 18,801   |
| Total reserves                              | 20,628   | 19,473   | 19,451   | 19,427   |
| Total cash reserves                         | 370      | 264      | 267      | 274      |
| Total U.S. Govt. secs.                      | 6,180    | 13,249   | 13,808   | 13,989   |
| Total loans and secs.                       | 6,215    | 13,396   | 13,972   | 14,227   |
| Total resources                             | 28,434   | 34,636   | 35,535   | 35,397   |

|                      | May 1943 | May 1944 | May 1944 | May 1944 |
|----------------------|----------|----------|----------|----------|
| LIABILITIES          |          |          |          |          |
| F.R. notes in circ.  | 13,356   | 18,127   | 18,213   | 18,320   |
| Excess mr. bank res. | 1,500    | 800      | 900      | 800      |
| Mr. bank res. dep.   | 11,838   | 12,729   | 12,966   | 13,000   |
| Govt. deposits       | 345      | 214      | 397      | 389      |
| Total deposits       | 13,506   | 14,770   | 15,336   | 15,349   |
| Total liabilities    | 28,434   | 34,636   | 35,535   | 35,397   |
| Reserve ratio        | 76.8%    | 59.2%    | 58.0%    | 57.7%    |

|                             | May 1943 | May 1944 | May 1944 | May 1944 |
|-----------------------------|----------|----------|----------|----------|
| BANK AND TREASURY RESOURCES |          |          |          |          |
| Monetary gold stock         | 22,425   | 21,375   | 21,354   | 21,324   |
| Treasury & bank currency    | 4,072    | 4,097    | 4,099    | 4,100    |

|                        | May 1943 | May 1944 | May 1944 | May 1944 |
|------------------------|----------|----------|----------|----------|
| LIABILITIES            |          |          |          |          |
| Money in circulation   | 16,902   | 21,725   | 21,846   | 21,911   |
| Treasury cash and dep. | 2,612    | 2,547    | 2,695    | 2,722    |

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

|                     | Mar. 1943 | Mar. 1944 | Mar. 1944 | Mar. 1944 |
|---------------------|-----------|-----------|-----------|-----------|
| ASSETS              |           |           |           |           |
| Gold and stg. exch. | 34.53     | 39.94     | 41.58     | 30.56     |
| Advances to State   | 31.11     | 39.15     | 39.40     | 44.23     |
| Investments         | 4.46      | 11.96     | 11.96     | 11.96     |

|                        | Mar. 1943 | Mar. 1944 | Mar. 1944 | Mar. 1944 |
|------------------------|-----------|-----------|-----------|-----------|
| LIABILITIES            |           |           |           |           |
| Bank notes             | 30.28     | 36.08     | 36.06     | 36.25     |
| Demand liab. : State   | 17.04     | 26.22     | 26.42     | 18.09     |
| Banks and others       | 21.99     | 29.30     | 29.76     | 31.80     |
| Reserve to sight liab. | 49.8%     | 43.6%     | 45.0%     | 35.5%     |

SWISS NATIONAL BANK  
Million Swiss Frs.

|                  | May 1943 | April 1944 | April 1944 | May 1944 |
|------------------|----------|------------|------------|----------|
| ASSETS           |          |            |            |          |
| Gold             | 3715.2   | 4340.9     | 4343.1     | 4371.9   |
| Foreign exchange | 66.1     | 73.6       | 78.5       | 76.3     |
| Rupee coin       | 89.5     | 113.1      | 65.3       | 55.1     |
| Advances         | 15.6     | 16.6       | 16.3       | 15.6     |
| Securities       | 64.8     | 64.3       | 64.2       | 64.2     |

|                      | May 1943 | April 1944 | April 1944 | May 1944 |
|----------------------|----------|------------|------------|----------|
| LIABILITIES          |          |            |            |          |
| Notes in circulation | 2526.3   | 2884.8     | 2962.4     | 2884.7   |
| Other sight liab.    | 232.6    | 237.4      | 238.0      | 242.5    |

NATIONAL BANK OF EGYPT  
Million £E

|                      | Feb. 1943 | Nov. 1943 | Jan. 1944 | Feb. 1944 |
|----------------------|-----------|-----------|-----------|-----------|
| ASSETS               |           |           |           |           |
| Gold                 | 6.24      | 6.24      | 6.24      | 6.24      |
| Brit. Govt. secs.    | 69.16     | 90.26     | 93.36     | 94.96     |
| Egyptian Govt. secs. | 1.50      | 1.50      | 1.50      | 1.50      |
| Cash                 | 2.85      | 4.42      | 4.87      | 5.61      |
| Investments          | 82.49     | 110.69    | 119.17    | 121.49    |
| Bills and advances   | 5.43      | 5.49      | 4.76      | 5.15      |

|                         | Feb. 1943 | Nov. 1943 | Jan. 1944 | Feb. 1944 |
|-------------------------|-----------|-----------|-----------|-----------|
| LIABILITIES             |           |           |           |           |
| Notes issued            | 76.90     | 98.70     | 101.10    | 102.70    |
| Deposits : Govt.        | 34.89     | 57.04     | 50.13     | 53.93     |
| Other depts. and accts. | 40.39     | 78.54     | 93.52     | 86.46     |

\* Egyptian, Sudan and Mixed Tribunals.

CENTRAL BANK OF TURKEY  
Million Turkish pounds

|                          | Mar. 1943 | Mar. 1944 | Mar. 1944 | Mar. 1944 |
|--------------------------|-----------|-----------|-----------|-----------|
| ASSETS                   |           |           |           |           |
| Gold                     | 155.5     | 233.6     | 238.6     | 237.6     |
| Clearing and other exch. | 104.1     | 95.6      | 94.3      | 96.4      |
| Treasury bonds           | 133.7     | 131.1     | 130.8     | 130.8     |
| Commercial bills         | 462.3     | 475.8     | 500.9     | 494.2     |
| Securities               | 60.7      | 60.3      | 60.1      | 60.1      |
| Advances                 | 257.6     | 254.7     | 252.5     | 254.0     |

|                          | Mar. 1943 | Mar. 1944 | Mar. 1944 | Mar. 1944 |
|--------------------------|-----------|-----------|-----------|-----------|
| LIABILITIES              |           |           |           |           |
| Notes in circulation     | 715.0     | 868.0     | 870.8     | 868.4     |
| Deposits                 | 275.1     | 201.3     | 200.9     | 200.0     |
| Clearing and other exch. | 27.0      | 16.6      | 26.1      | 23.2      |

RESERVE BANK OF INDIA  
Million rupees

|                       | May 1943 | April 1944 | May 1944 | May 1944 |
|-----------------------|----------|------------|----------|----------|
| ASSETS                |          |            |          |          |
| Gold coin & bullion   | 444      | 444        | 444      | 444      |
| Rupee coin            | 130      | 161        | 150      | 139      |
| Balances abroad       | 783      | 1,804      | 1,760    | 1,771    |
| Sterling securities   | 5,295    | 7,898      | 7,998    | 8,048    |
| Ind. Govt. rup. secs. | 1,257    | 583        | 583      | 583      |
| Investments           | 75       | 104        | 106      | 108      |

|                        | May 1943 | April 1944 | May 1944 | May 1944 |
|------------------------|----------|------------|----------|----------|
| LIABILITIES            |          |            |          |          |
| Notes in circ. : India | 7,006    | 8,968      | 9,059    | 9,101    |
| Burma                  | 246      | 870        | 729      | 710      |
| Deposits : Govt.       | 495      | 818        | 913      | 943      |
| Reverse ratio          | 80.6%    | 91.8%      | 92.0%    | 92.2%    |

CENTRAL BANK OF IRELAND  
Million £'s

|                     | May 1943 | May 1944 | May 1944 | May 1944 |
|---------------------|----------|----------|----------|----------|
| ASSETS              |          |          |          |          |
| Gold                | 2.65     | 2.65     | 2.65     | 2.65     |
| British Govt. secs. | 23.89    | 23.89    | 24.13    | 24.13    |
| Sterling balances   | 1.77     | 1.77     | 1.49     | 1.42     |

|                      | May 1943 | May 1944 | May 1944 | May 1944 |
|----------------------|----------|----------|----------|----------|
| LIABILITIES          |          |          |          |          |
| Notes in circulation | 28.44    | 28.44    | 28.38    | 28.30    |

BANK OF CANADA  
Million Can. \$'s

|                       | May 1943 | April 1944 | April 1944 | May 1944 |
|-----------------------|----------|------------|------------|----------|
| ASSETS                |          |            |            |          |
| Gold                  | 8.1      | 1.91       | 29.31      | 155.66   |
| Reserve : Gold        | 1141.6   | 1347.24    | 1351.29    | 1353.32  |
| Securities            | 748.2    | 907.82     | 913.77     | 918.36   |
| Note circulation      | 102.2    | 64.32      | 59.45      | 50.26    |
| Deposits : Dom. Govt. | 275.1    | 355.77     | 387.52     | 375.37   |
| Chartered banks       |          |            |            |          |

|                       | May 1943 | April 1944 | April 1944 | May 1944 |
|-----------------------|----------|------------|------------|----------|
| LIABILITIES           |          |            |            |          |
| Notes in circulation  | 748.2    | 907.82     | 913.77     | 918.36   |
| Deposits : Dom. Govt. | 102.2    | 64.32      | 59.45      | 50.26    |
| Chartered banks       | 275.1    | 355.77     | 387.52     | 375.37   |

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

## LONDON ACTIVE SECURITY PRICES AND YIELDS

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

| Prices, Year 1943                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |         |         | Prices, Year 1944 |                             |         | Name of Security | Price, May 25, 1944 | Price, May 30, 1944 | Yield, May 30, 1944 | Prices, Year 1944 |        |        | Name of Security                    | Price, May 25, 1944 | Price, May 30, 1944 | Yield, May 30, 1944 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|---------|-------------------|-----------------------------|---------|------------------|---------------------|---------------------|---------------------|-------------------|--------|--------|-------------------------------------|---------------------|---------------------|---------------------|
| High                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Low     | High    | Low               | High                        | Low     |                  |                     |                     |                     | High              | Low    | (a)    |                                     |                     |                     |                     |
| <b>British Funds</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |         |         |                   |                             |         |                  |                     |                     |                     |                   |        |        |                                     |                     |                     |                     |
| 83 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 78 1/2  | 79 1/2  | 78 1/2            | Consols 2 1/2               | 79 1/2  | 79 1/2           | 3 1/2               | 21 1/2              | 29 1/2              | 24 1/2            | 24 1/2 | 24 1/2 | Brown (John) Ord. 10 1/2            | 28 1/2              | 28 1/2              | 3 10 0              |
| 112 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 109 1/2 | 110 1/2 | 109 1/2           | Consols 4 1/2 (after 1957)  | 110 1/2 | 110 1/2          | 3 1/2               | 11 1/2              | 99 1/2              | 90 1/2            | 90 1/2 | 90 1/2 | Corn (Wm.) Ord. 11 1/2              | 93 1/2              | 94 1/2              | 4 5 0               |
| 100 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 100 1/2 | 100 1/2 | 100 1/2           | Conv. 2 1/2, 1943-45        | 100 1/2 | 100 1/2          | 1 1/2               | 9 1/2               | 29 1/2              | 25 1/2            | 25 1/2 | 25 1/2 | Dorman Long Ord. 11 1/2             | 27 1/2              | 27 1/2              | 5 15 0              |
| 102 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 100 1/2 | 102 1/2 | 101 1/2           | Conv. 2 1/2, 1944-49        | 102 1/2 | 102 1/2          | 2 1/2               | 10 1/2              | 38 1/2              | 33 1/2            | 33 1/2 | 33 1/2 | Guest, Keen & Co. Ord. 11 1/2       | 38 1/2              | 37 1/2              | 5 6 0               |
| 104 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 102 1/2 | 104 1/2 | 103 1/2           | Conv. 3 1/2, 1948-53        | 104 1/2 | 104 1/2          | 2 1/2               | 15 1/2              | 33 1/2              | 30 1/2            | 30 1/2 | 30 1/2 | Hudnell's Ord. 10 1/2               | 32 1/2              | 32 1/2              | 6 17 6              |
| 107 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 103 1/2 | 107 1/2 | 105 1/2           | Conv. 3 1/2 (after 1951)    | 104 1/2 | 104 1/2          | 3 1/2               | 5 1/2               | 52 1/2              | 48 1/2            | 48 1/2 | 48 1/2 | Staveley Coal Ord. 11 1/2           | 52 1/2              | 52 1/2              | 2 7 6 1/2           |
| 97 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 95 1/2  | 97 1/2  | 97 1/2            | Funding 2 1/2, 1956-61      | 96 1/2  | 96 1/2           | 2 1/2               | 6 1/2               | 55 1/2              | 52 1/2            | 52 1/2 | 52 1/2 | Stewarts and Lloyds 11 1/2          | 55 1/2              | 55 1/2              | 4 10 0              |
| 101 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 99 1/2  | 101 1/2 | 100 1/2           | Funding 2 1/2, 1952-57      | 100 1/2 | 100 1/2          | 2 1/2               | 10 1/2              | 40 1/2              | 34 1/2            | 34 1/2 | 34 1/2 | Swan, Hunter Ord. 11 1/2            | 39 1/2              | 39 1/2              | 6 2 3 1/2           |
| 102 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 99 1/2  | 101 1/2 | 99 1/2            | Funding 3 1/2, 1959-69      | 100 1/2 | 100 1/2          | 2 1/2               | 19 1/2              | 11 1/2              | 9 3/4             | 9 3/4  | 9 3/4  | Thomas (Richard) Ord. 6 1/2         | 10 10 1/2           | 10 1/2              | 6 4 0               |
| 115 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 112 1/2 | 114 1/2 | 112 1/2           | Funding 4 1/2, 1960-90      | 112 1/2 | 112 1/2          | 2 1/2               | 6 1/2               | 27 1/2              | 23 1/2            | 23 1/2 | 23 1/2 | United Steel Ord. 11 1/2            | 26 1/2              | 27 1/2              | 3 10 0              |
| 102 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 100 1/2 | 101 1/2 | 100 1/2           | Nat. Def. 3 1/2, 1954-58    | 101 1/2 | 101 1/2          | 2 1/2               | 16 1/2              | 20 1/2              | 17 1/2            | 17 1/2 | 17 1/2 | Vickers Ord. 10 1/2                 | 19 1/2              | 19 1/2              | 5 0 6               |
| 101 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 99 1/2  | 101 1/2 | 101 1/2           | War Bonds 2 1/2, 1945-47    | 101 1/2 | 101 1/2          | 2 1/2               | 9 1/2               | 11 1/2              | 9 1/2             | 9 1/2  | 9 1/2  | <b>Textiles</b>                     |                     |                     |                     |
| 101 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 99 1/2  | 101 1/2 | 101 1/2           | War Bonds 2 1/2, 1949-51    | 101 1/2 | 101 1/2          | 2 1/2               | 9 1/2               | 11 1/2              | 9 1/2             | 9 1/2  | 9 1/2  | Bleachers' Association 11 1/2       | 11 1/2              | 11 1/2              | Nil                 |
| 101 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 99 1/2  | 101 1/2 | 101 1/2           | War Bonds 2 1/2, 1952-54    | 101 1/2 | 101 1/2          | 2 1/2               | 9 1/2               | 23 1/2              | 20 1/2            | 20 1/2 | 20 1/2 | Bradford Dyers Ord. 11 1/2          | 21 1/2              | 22 1/2              | 3 11 0              |
| 101 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 99 1/2  | 101 1/2 | 97 1/2            | Savings Bds. 3 1/2, 1945-65 | 100 1/2 | 100 1/2          | 2 1/2               | 6 1/2               | 29 1/2              | 26 1/2            | 26 1/2 | 26 1/2 | British Cellulose Ord. 10 1/2       | 27 1/2              | 28 1/2              | Nil                 |
| 101 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 100 1/2 | 100 1/2 | 100 1/2           | Savings Bds. 3 1/2, 1960-70 | 100 1/2 | 100 1/2          | 2 1/2               | 16 1/2              | 16 1/2              | 15 1/2            | 15 1/2 | 15 1/2 | Calico Printers 11 1/2              | 16 1/2              | 16 1/2              | Nil                 |
| 115 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 112 1/2 | 113 1/2 | 111 1/2           | Victory Bonds 4 1/2         | 112 1/2 | 112 1/2          | 3 1/2               | 0 1/2               | 48 1/2              | 44 1/2            | 44 1/2 | 44 1/2 | Coats, J. & P. Ord. 11 1/2          | 48 3/4              | 48 3/4              | 3 12 6              |
| 103 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 100 1/2 | 102 1/2 | 100 1/2           | War Loan 3 1/2, 1955-59     | 101 1/2 | 101 1/2          | 2 1/2               | 6 1/2               | 54 1/2              | 51 1/2            | 51 1/2 | 51 1/2 | Cornwallis Ord. 11 1/2              | 53 1/2              | 53 1/2              | 2 16 0              |
| 106 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 102 1/2 | 104 1/2 | 104 1/2           | War Loan 3 1/2 (aft. 1952)  | 103 1/2 | 103 1/2          | 3 1/2               | 6 1/2               | 24 1/2              | 20 1/2            | 20 1/2 | 20 1/2 | Fine Cotton Spinners 11 1/2         | 23 1/2              | 24 1/2              | 3 15 0              |
| 98 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 94 1/2  | 94 1/2  | 93 1/2            | Local Loans 3 1/2           | 94 1/2  | 94 1/2           | 3 1/2               | 4 1/2               | 3 1/2               | 3 1/2             | 3 1/2  | 3 1/2  | Haydon (Joshua) 11 1/2              | 3 1/2               | 3 1/2               | 3 15 0              |
| 102 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 101 1/2 | 101 1/2 | 101 1/2           | Austria 3 1/2, 1933-53      | 101 1/2 | 101 1/2          | 2 1/2               | 6 1/2               | 35 1/2              | 33 1/2            | 33 1/2 | 33 1/2 | Lancs. Cotton Corp. 11 1/2          | 34 1/2              | 35 1/2              | 4 4 3               |
| <b>Dom. &amp; Col. Govts.</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |         |         |                   |                             |         |                  |                     |                     |                     |                   |        |        |                                     |                     |                     |                     |
| 103 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 101 1/2 | 103 1/2 | 102 1/2           | Australia 5 1/2, 1945-75    | 103 1/2 | 103 1/2          | 4 1/2               | 13 1/2              | 80 1/2              | 72 1/2            | 72 1/2 | 72 1/2 | Peabody Coal 11 1/2                 | 77 1/2              | 79 1/2              | 5 0 6               |
| 105 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 102 1/2 | 105 1/2 | 103 1/2           | New Zealand 5 1/2, 1946-50  | 105 1/2 | 105 1/2          | 2 1/2               | 6 1/2               | 108 1/2             | 99 1/2            | 99 1/2 | 99 1/2 | 15 b. Callenders Cable, N.Y. 11 1/2 | 106 3/4             | 106 3/4             | 3 15 0              |
| 112 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 110 1/2 | 111 1/2 | 110 1/2           | Nigeria 5 1/2, 1950-60      | 111 1/2 | 111 1/2          | 2 1/2               | 6 1/2               | 31 1/2              | 26 1/2            | 26 1/2 | 26 1/2 | 15 b. Crompton Plant 'A' 5 1/2      | 30 1/2              | 30 1/2              | 3 12 0              |
| <b>Corporation Stocks</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |         |         |                   |                             |         |                  |                     |                     |                     |                   |        |        |                                     |                     |                     |                     |
| 98 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 92 1/2  | 94 1/2  | 93 1/2            | Birmingham 5 1/2, 1946-56   | 98 1/2  | 98 1/2           | 3 1/2               | 11 1/2              | 94 1/2              | 88 1/2            | 88 1/2 | 88 1/2 | General Electric Ord. 11 1/2        | 93 1/2              | 93 1/2              | 3 14 6              |
| 100 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 99 1/2  | 100 1/2 | 99 1/2            | L.C.C. 3 1/2, 1954-64       | 99 1/2  | 99 1/2           | 3 1/2               | 0 1/2               | 42 1/2              | 39 1/2            | 39 1/2 | 39 1/2 | 5 b. County of London 11 1/2        | 41 1/2              | 41 1/2              | 3 18 0              |
| 106 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 104 1/2 | 106 1/2 | 104 1/2           | Liverpool 3 1/2, 1954-64    | 106 1/2 | 106 1/2          | 2 1/2               | 6 1/2               | 21 1/2              | 18 1/2            | 18 1/2 | 18 1/2 | 5 b. Gas Light & Coke Ord. 11 1/2   | 21 1/2              | 21 1/2              | 3 15 0              |
| <b>Foreign Governments</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |         |         |                   |                             |         |                  |                     |                     |                     |                   |        |        |                                     |                     |                     |                     |
| 95 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 83 1/2  | 95 1/2  | 89 1/2            | Argentina 3 1/2, Bds. 1972  | 95 1/2  | 95 1/2           | 3 1/2               | 6 1/2               | 34 1/2              | 32 1/2            | 32 1/2 | 32 1/2 | North-East Electric 11 1/2          | 35 1/2              | 35 1/2              | 4 15 0              |
| 68 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 56 1/2  | 68 1/2  | 51 1/2            | Brazil 5 1/2, Funding 1914  | 68 1/2  | 68 1/2           | 5 1/2               | 0 1/2               | 41 1/2              | 39 1/2            | 39 1/2 | 39 1/2 | 5 a. South Western Ord. 11 1/2      | 40 1/2              | 40 1/2              | 4 5 0               |
| 60 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 49 1/2  | 60 1/2  | 51 1/2            | China 5 1/2, 1929           | 60 1/2  | 60 1/2           | 3 1/2               | 7 1/2               | 31 1/2              | 27 1/2            | 27 1/2 | 27 1/2 | 10 c. Austin 'A' Ord. 5 1/2         | 27 1/2              | 30 1/2              | 1 13 4              |
| 94 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 88 1/2  | 94 1/2  | 92 1/2            | Chinese 5 1/2, 1913         | 94 1/2  | 94 1/2           | 4 1/2               | Nil                 | 15 1/2              | 13 1/2            | 13 1/2 | 13 1/2 | 7 b. Birmingham S.A. 11 1/2         | 25 1/2              | 26 1/2              | 5 15 0              |
| 97 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 88 1/2  | 94 1/2  | 92 1/2            | Portuguese 5 1/2            | 92 1/2  | 92 1/2           | 3 1/2               | 5 1/2               | 37 1/2              | 33 1/2            | 33 1/2 | 33 1/2 | 4 a. Bristol Aeroplane 10 1/2       | 14 1/2              | 14 1/2              | 6 19 0              |
| 76 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 56 1/2  | 73 1/2  | 63 1/2            | Spanish 4 1/2               | 71 1/2  | 75 1/2           | 5 1/2               | 9 1/2               | 18 1/2              | 16 1/2            | 16 1/2 | 16 1/2 | 6 c. Ford Motors Ord. 10 1/2        | 35 1/2              | 37 1/2              | 3 4 6               |
| <b>Motor and Aircraft</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |         |         |                   |                             |         |                  |                     |                     |                     |                   |        |        |                                     |                     |                     |                     |
| 15 a. Hawker Siddley 5 1/2 18 1/2 18 1/2 18 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |         |         |                   |                             |         |                  |                     |                     |                     |                   |        |        |                                     |                     |                     |                     |
| 12 b. Lucas (Joseph) Ord. 11 1/2 77 1/2 77 1/2 77 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |         |         |                   |                             |         |                  |                     |                     |                     |                   |        |        |                                     |                     |                     |                     |
| 11 a. Morris Motors 5 1/2 Ord. 43 1/2 43 1/2 43 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |         |         |                   |                             |         |                  |                     |                     |                     |                   |        |        |                                     |                     |                     |                     |
| 20 c. Rolls-Royce 11 1/2 105 1/2 105 1/2 105 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |         |         |                   |                             |         |                  |                     |                     |                     |                   |        |        |                                     |                     |                     |                     |
| <b>Shipping</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |         |         |                   |                             |         |                  |                     |                     |                     |                   |        |        |                                     |                     |                     |                     |
| 25 b. Cunard Ord. 11 1/2 22 1/2 22 1/2 22 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |         |         |                   |                             |         |                  |                     |                     |                     |                   |        |        |                                     |                     |                     |                     |
| 6 c. Furness, Withy Ord. 11 1/2 25 1/2 25 1/2 25 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |         |         |                   |                             |         |                  |                     |                     |                     |                   |        |        |                                     |                     |                     |                     |
| 6 c. P. & O. Def. 11 1/2 37 1/2 39 1/2 39 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |         |         |                   |                             |         |                  |                     |                     |                     |                   |        |        |                                     |                     |                     |                     |
| 6 c. Royal Mail Lines Ord. 11 1/2 25 1/2 25 1/2 25 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |         |         |                   |                             |         |                  |                     |                     |                     |                   |        |        |                                     |                     |                     |                     |
| 5 c. Union Castle Ord. 11 1/2 22 1/2 22 1/2 22 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |         |         |                   |                             |         |                  |                     |                     |                     |                   |        |        |                                     |                     |                     |                     |
| <b>Tea and Rubber</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |         |         |                   |                             |         |                  |                     |                     |                     |                   |        |        |                                     |                     |                     |                     |
| Nil c. Anglo-Dutch of Java 11 1/2 17 1/2 18 1/2 18 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |         |         |                   |                             |         |                  |                     |                     |                     |                   |        |        |                                     |                     |                     |                     |
| 7 b. Jokat (Assam) Tea 11 1/2 38 1/2 38 1/2 38 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |         |         |                   |                             |         |                  |                     |                     |                     |                   |        |        |                                     |                     |                     |                     |
| 6 b. Nil c. London Assurance 11 1/2 20 1/2 20 1/2 20 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |         |         |                   |                             |         |                  |                     |                     |                     |                   |        |        |                                     |                     |                     |                     |
| Nil c. Nil c. London Assurance, Trust 11 1/2 20 1/2 21 1/2 21 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |         |         |                   |                             |         |                  |                     |                     |                     |                   |        |        |                                     |                     |                     |                     |
| Nil c. Nil c. United Siam Rbr. 2 1/2 2 1/2 2 1/2 2 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |         |         |                   |                             |         |                  |                     |                     |                     |                   |        |        |                                     |                     |                     |                     |
| Nil c. Nil c. United Siam Rubber 11 1/2 30 1/2 31 1/2 31 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |         |         |                   |                             |         |                  |                     |                     |                     |                   |        |        |                                     |                     |                     |                     |
| <b>Oil</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |         |         |                   |                             |         |                  |                     |                     |                     |                   |        |        |                                     |                     |                     |                     |
| 15 b. Anglo-Iranian Ord. 11 1/2 118 1/2 119 1/2 119 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |         |         |                   |                             |         |                  |                     |                     |                     |                   |        |        |                                     |                     |                     |                     |
| 24 a. 10 b. Burnham Oil Ord. 11 1/2 82 1/2 83 1/2 83 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |         |         |                   |                             |         |                  |                     |                     |                     |                   |        |        |                                     |                     |                     |                     |
| 22 a. 21 b. Shell Transport Ord. 11 1/2 78 1/2 78 1/2 78 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |         |         |                   |                             |         |                  |                     |                     |                     |                   |        |        |                                     |                     |                     |                     |
| 5 a. 10 b. Trinidad Lube 11 1/2 33 1/2 33 1/2 33 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |         |         |                   |                             |         |                  |                     |                     |                     |                   |        |        |                                     |                     |                     |                     |
| <b>Miscellaneous</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |         |         |                   |                             |         |                  |                     |                     |                     |                   |        |        |                                     |                     |                     |                     |
| 88 b. 71 a. 10 b. Assoc. Brit. Picture 5 1/2 18 1/2 18 1/2 18 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |         |         |                   |                             |         |                  |                     |                     |                     |                   |        |        |                                     |                     |                     |                     |
| 78 61 a. 24 b. Assoc. P. Content Ord. 11 1/2 65 1/2 66 1/2 66 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |         |         |                   |                             |         |                  |                     |                     |                     |                   |        |        |                                     |                     |                     |                     |
| 380 365 6 c. 10 c. Barker (John) Ord. 11 1/2 65 1/2 65 1/2 65 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |         |         |                   |                             |         |                  |                     |                     |                     |                   |        |        |                                     |                     |                     |                     |
| 443 439 7 a. 24 c. Boots Pure Drug Ord. 5 1/2 43 1/2 43 1/2 43 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |         |         |                   |                             |         |                  |                     |                     |                     |                   |        |        |                                     |                     |                     |                     |
| 33 1/2 28 1/2 4 b. 7 b. British Aluminium 11 1/2 47 1/2 47 1/2 47 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |         |         |                   |                             |         |                  |                     |                     |                     |                   |        |        |                                     |                     |                     |                     |
| 81 1/2 76 1/2 7 a. 110 c. Brit. Amer. Tobacco 11 1/2 110 1/2 110 1/2 110 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |         |         |                   |                             |         |                  |                     |                     |                     |                   |        |        |                                     |                     |                     |                     |
| 61 53 1/2 6 b. 7 a. 8 b. British Oxygen Ord. 11 1/2 82 1/2 82 1/2 82 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |         |         |                   |                             |         |                  |                     |                     |                     |                   |        |        |                                     |                     |                     |                     |
| 10 1/2 99 1/2 6 a. 6 c. Cable & Wire 11 1/2 155 1/2 150 1/2 150 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |         |         |                   |                             |         |                  |                     |                     |                     |                   |        |        |                                     |                     |                     |                     |
| 95 1/2 89 1/2 8 a. 12 a. 8 c. Danub Rubber Ord. 11 1/2 43 3/4 43 3/4 43 3/4                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |         |         |                   |                             |         |                  |                     |                     |                     |                   |        |        |                                     |                     |                     |                     |
| 6 6 a. 8 c. Elec. & Mss. Ind. 10 1/2 30 1/2 31 1/2 31 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |         |         |                   |                             |         |                  |                     |                     |                     |                   |        |        |                                     |                     |                     |                     |
| 79 74 7 a. 6 c. Gaumont British 10 1/2 20 1/2 20 1/2 20 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |         |         |                   |                             |         |                  |                     |                     |                     |                   |        |        |                                     |                     |                     |                     |
| 497 482 8 a. 12 a. Gestetner (D) 5 1/2 38 1/2 38 1/2 38 1/2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |         |         |                   |                             |         |                  |                     |                     |                     |                   |        |        |                                     |                     |                     |                     |
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# ANGLO AMERICAN CORPORATION OF SOUTH AFRICA, LIMITED, GROUP.

MINING COMPANIES' REPORTS (abridged) for year ended 31st December, 1943.

## BRAKPAN MINES, LIMITED.

(Incorporated in the Union of South Africa.)

CAPITAL: Authorised and issued—£1,150,000 in 4,600,000 Shares of 5s. each, fully paid.

| Tons milled                                                       | Yield (per ton, 3.96 dwts.) | 261,952 ozs. |
|-------------------------------------------------------------------|-----------------------------|--------------|
| EXPENDITURE AND REVENUE ACCOUNT.                                  |                             |              |
| Revenue (per ton milled 33/4.1)                                   | £2,203,926                  |              |
| Working Costs (per ton milled 25/6.7)                             | 1,689,403                   |              |
| Working Profit (per ton milled 7/9.4)                             | 514,523                     |              |
| Sundry Revenue, less Expenditure                                  | 99,218                      |              |
| Total Profit                                                      | 613,741                     |              |
| Add: Funds appropriated for Capital Expenditure—Written back      | 2,332                       |              |
| Balance to credit of Appropriation Account at 31st December, 1942 | 85,445                      |              |
|                                                                   | £701,518                    |              |

| APPROPRIATION ACCOUNT.                            | £226,367 |
|---------------------------------------------------|----------|
| Government and Provincial Taxes                   | 37,675   |
| Reserve for Liability under Miners' Phthisis Act  | 7,997    |
| Dividend No. 62—12½% equivalent to 7½d. per share | 143,750  |
| Dividend No. 63—15% equivalent to 9d. per share   | 172,500  |
| Directors' Special Remuneration                   | 7,500    |
| Capital Expenditure                               |          |
| Balance unappropriated at 31st December, 1943     | 105,819  |

| ORE RESERVE (based on pay limit of 2.8 dwts.):— | Tons      | Stope Width (inches) | Stope Value (dwts.) | Inch-dwts. |
|-------------------------------------------------|-----------|----------------------|---------------------|------------|
| 1943                                            | 5,214,800 | 44.14                | 4.72                | 208        |
| 1942                                            | 5,567,000 | 44.68                | 4.75                | 212        |

In the Witport Section the Reserve amounts to 1,657,290 tons, having an average value of 5.06 dwts. over an estimated stope width of 40.58 inches. The tonnage is included in the total of 5,214,800 referred to above.

### DEVELOPMENT:—

| Advanced | Footage | Sampled | Percentage payable | Average reef width (inches) | Average assay value (dwts.) |
|----------|---------|---------|--------------------|-----------------------------|-----------------------------|
| 34,284   | 22,380  | 31.9    | 40.43              | 9.07                        |                             |

GENERAL.—The Company's holding in the South African Land and Exploration Company, Limited, remains unchanged at 361,067 shares. Capital Expenditure for 1944 is estimated at £25,000. Mining operations were seriously affected by shortage of Native Labour.

## SPRINGS MINES, LIMITED.

(Incorporated in the Union of South Africa.)

CAPITAL: Authorised and issued—£1,560,000 in 6,240,000 Shares of 5s. each, fully paid.

| Tons milled                                                            | Yield (per ton, 4.55 dwts.) | 347,009 ozs. |
|------------------------------------------------------------------------|-----------------------------|--------------|
| EXPENDITURE AND REVENUE ACCOUNT.                                       |                             |              |
| Revenue (per ton milled 38/3.6)                                        | £2,919,384                  |              |
| Working Costs (per ton milled 24/1.1)                                  | 1,836,583                   |              |
| Working Profit (per ton milled 14/2.5)                                 | 1,082,801                   |              |
| Sundry Revenue, less Expenditure                                       | 2,506                       |              |
| Total Profit                                                           | 1,085,307                   |              |
| Add: Balance to credit of Appropriation account at 31st December, 1942 | 318,317                     |              |
|                                                                        | £1,403,714                  |              |

| APPROPRIATION ACCOUNT.                           | £453,241 |
|--------------------------------------------------|----------|
| Government and Provincial Taxes                  | 178,843  |
| Reserve for Liability under Miners' Phthisis Act | 23,020   |
| Dividend No. 48—10% equivalent to 6d. per share  | 156,000  |
| Dividend No. 49—10% equivalent to 6d. per share  | 156,000  |
| Directors' Special Remuneration                  | 7,500    |
| Capital Expenditure                              | 45,875   |
| Balance unappropriated at 31st December, 1943    | 383,235  |

| ORE RESERVE (based on pay limit of 2.6 dwts.):— | Tons      | Stope Width (inches) | Stope Value (dwts.) | Inch-dwts. |
|-------------------------------------------------|-----------|----------------------|---------------------|------------|
| 1943                                            | 3,955,800 | 43.22                | 4.51                | 105        |
| 1942                                            | 4,593,400 | 43.19                | 4.65                | 201        |

The above tonnage includes ore developed on the Kimberley Reef Series, which totalled 68,200 tons, averaging 5.80 dwts. over a width of 55.00 in.

### DEVELOPMENT:—

| Main Reef Leader | Footage | Sampled | Percentage payable | Average reef width (inches) | Average assay value (dwts.) |
|------------------|---------|---------|--------------------|-----------------------------|-----------------------------|
| Kimberley Reef   | 22,659  | 17,840  | 43.8               | 31.04                       | 10.67                       |
|                  | 2,294   | 1,760   | 35.8               | 47.28                       | 10.96                       |

GENERAL.—Joint Ore Shaft.—The hoists on loan from Western Reefs Exploration & Development Company, Limited, and all necessary surface buildings have been erected, and essential equipment installed, to enable shaft sinking operations to proceed as soon as sufficient timber becomes available. No sinking was done during the year under review, but the shaft was concreted to a depth of 261 feet below the collar.

CAPITAL EXPENDITURE for 1944 is estimated at £120,000, most of which will be incurred in connection with the Joint Ore Shaft. Mining operations were seriously affected by shortage of Native Labour.

## THE SOUTH AFRICAN LAND & EXPLORATION COMPANY, LIMITED.

(Incorporated in the Union of South Africa.)

CAPITAL: Authorised—£500,003. Issued—£433,125 in 2,475,000 Shares of 3s. 6d. each, fully paid.

| Tons milled                                                    | Yield (per ton 5.22 dwts.) | 311,288 ozs. |
|----------------------------------------------------------------|----------------------------|--------------|
| EXPENDITURE AND REVENUE ACCOUNT.                               |                            |              |
| Revenue (per ton milled 43/10.5)                               | £2,618,090                 |              |
| Working Costs (per ton milled 19/1.8)                          | 1,142,574                  |              |
| Working Profit (per ton milled 24/8.7)                         | 1,475,516                  |              |
| Expenditure less Sundry Revenue                                | 2,358                      |              |
| Total Profit                                                   | 1,473,158                  |              |
| Add: Funds appropriated for Capital Expenditure—Written back   | 9,060                      |              |
| Balance to credit of Appropriation Account 31st December, 1942 | 97,404                     |              |
|                                                                | £1,579,622                 |              |

| APPROPRIATION ACCOUNT.                              | £837,822 |
|-----------------------------------------------------|----------|
| Government and Provincial Taxes                     | 18,138   |
| Reserve for liability under Miners' Phthisis Act    | 309,375  |
| Dividend No. 10—7½% equivalent to 2s. 6d. per share | 309,375  |
| Dividend No. 11—7½% equivalent to 2s. 6d. per share | 309,375  |
| Directors' Special Remuneration                     | 7,500    |
| Capital Expenditure                                 |          |
| Balance unappropriated at 31st December, 1943       | 97,412   |

| ORE RESERVE (based on pay limit of 2.5 dwts.):— | Tons      | Stope Width (inches) | Stope Value (dwts.) | Inch-dwts. |
|-------------------------------------------------|-----------|----------------------|---------------------|------------|
| 1943                                            | 3,282,000 | 41.80                | 5.01                | 209        |
| 1942                                            | 3,612,800 | 41.93                | 5.37                | 225        |

### DEVELOPMENT:—

| Advanced | Footage | Sampled | Percentage payable | Average reef width (inches) | Average assay value (dwts.) |
|----------|---------|---------|--------------------|-----------------------------|-----------------------------|
| 18,938   | 11,550  | 49.1    | 29.21              | 9.35                        |                             |

GENERAL.—Capital Expenditure for 1944 is estimated at nil. To facilitate the opening up of the south-westerly portion of the mine, and to permit efficient mining operations to be carried on in this area, it is considered that a sub-vertical shaft will have to be sunk. In order to obtain the necessary information for this project, two boreholes are being put down from the surface. A main haulage is being advanced from the Vertical Shaft to the proposed position of the Sub-Vertical Shaft. Mining operations were seriously affected by shortage of Native Labour.

## EAST DAGGAFONTEIN MINES, LIMITED.

(Incorporated in the Union of South Africa.)

CAPITAL: Authorised £2,000,000. Issued £1,865,000 in 3,730,000 Shares of 10s. each fully paid.

| Tons milled                                                            | Yield (per ton, 4.84 dwts.) | 271,146 ozs. |
|------------------------------------------------------------------------|-----------------------------|--------------|
| EXPENDITURE AND REVENUE ACCOUNT.                                       |                             |              |
| Revenue (per ton milled 40/8.9)                                        | £2,280,471                  |              |
| Working Costs (per ton milled 21/1)                                    | 1,180,052                   |              |
| Working Profit (per ton milled 19/7.9)                                 | 1,100,419                   |              |
| Expenditure, less Sundry Revenue                                       | 3,320                       |              |
| Total Profit                                                           | 1,097,099                   |              |
| Add: Balance to credit of Appropriation Account at 31st December, 1942 | 130,860                     |              |
|                                                                        | £1,227,959                  |              |

| APPROPRIATION ACCOUNT.                              | £556,975 |
|-----------------------------------------------------|----------|
| Government and Provincial Taxes                     | 13,202   |
| Reserve for Liability under Miners' Phthisis Act    | 233,125  |
| Dividend No. 7—12½% equivalent to 1s. 3d. per share | 244,781  |
| Dividend No. 8—13½% equivalent to 1s. 3d. per share | 8,625    |
| Directors' Special Remuneration                     | 34,592   |
| Capital Expenditure                                 | 136,650  |
| Balance unappropriated at 31st December, 1943       |          |

No amount is payable to the Government under the Mineral Lease, due to the offset of excess taxation. ORE RESERVE (based on pay limit of 2.9 dwts.):—

The above tonnage includes ore developed on the Kimberley Reef Series, which totalled 646,000 tons, averaging 7.85 dwts. over a width of 35.94 inches.

### DEVELOPMENT:—

| Main Reef Leader | Advanced | Footage | Sampled | Percentage payable | reef width (inches) | assay value (dwts.) |
|------------------|----------|---------|---------|--------------------|---------------------|---------------------|
| Kimberley Reef   | 11,220   | 8,160   | 33.6    | 10.39              | 24.34               | 35.39               |
|                  | 8,485    | 7,665   | 16.3    | 7.36               |                     |                     |

GENERAL.—Capital Expenditure for 1944 is estimated at £12,000. Mining operations were seriously affected by shortage of Native Labour.

## WESTERN REEFS EXPLORATION & DEVELOPMENT CO., LTD.

(Incorporated in the Union of South Africa.)

CAPITAL: Authorised £1,500,000. Issued £1,375,000 in 5,500,000 Shares of 5s. each, fully paid.

| Tons milled                                                         | Yield (per ton, 4.79 dwts.) | 232,426 ozs. |
|---------------------------------------------------------------------|-----------------------------|--------------|
| EXPENDITURE AND REVENUE ACCOUNT.                                    |                             |              |
| Revenue (per ton milled 40/3.8)                                     | £1,955,191                  |              |
| Working Costs (per ton milled 21/9)                                 | 1,054,783                   |              |
| Working Profit (per ton milled 18/6.8)                              | 900,408                     |              |
| Sundry Revenue, less Expenditure                                    | 13,555                      |              |
| Total Profit                                                        | 913,963                     |              |
| Add: Balance to credit of Appropriation Account 31st December, 1942 | 36,470                      |              |
|                                                                     | £950,433                    |              |

| APPROPRIATION ACCOUNT.                             | £200,649 |
|----------------------------------------------------|----------|
| Government and Provincial Taxes                    | 2,830    |
| Reserve for Liability under Miners' Phthisis Act   | 343,750  |
| Dividend No. 4—25% equivalent to 1s. 3d. per share | 343,750  |
| Dividend No. 5—25% equivalent to 1s. 3d. per share | 8,125    |
| Directors' Special Remuneration                    |          |
| Capital Expenditure                                | 51,320   |
| Balance unappropriated at 31st December, 1943      |          |

| ORE RESERVE (based on pay limit of 2.9 dwts.):— | Tons      | Stope Width (inches) | Stope Value (dwts.) | Inch-dwts. |
|-------------------------------------------------|-----------|----------------------|---------------------|------------|
| 1943                                            | 2,250,000 | 32.22                | 6.08                | 317        |
| 1942                                            | 2,102,000 | 36.66                | 5.99                | 339        |

### DEVELOPMENT:—

| Advanced | Footage | Sampled | Percentage payable | reef width (inches) | assay value (dwts.) |
|----------|---------|---------|--------------------|---------------------|---------------------|
| 62,682   | 27,270  | 57.9    | 34.08              | 14.64               |                     |

GENERAL.—Capital Expenditure for 1944 is estimated at £12,000. The acute shortage of Native Labour throughout the year did not permit of the expansion of mining operations necessary to run the reduction plant at its nominal capacity of 100,000 tons per month.

## DAGGAFONTEIN MINES, LIMITED.

(Incorporated in the Union of South Africa.)

CAPITAL: Authorised £2,000,000. Issued £1,750,000 in 7,000,000 Shares of 5s. each, fully paid.

| Tons milled                                                       | Yield (per ton, 5.47 dwts.) | 510,537 ozs. |
|-------------------------------------------------------------------|-----------------------------|--------------|
| EXPENDITURE AND REVENUE ACCOUNT.                                  |                             |              |
| Revenue (per ton milled 46/0.2)                                   | £4,204,774                  |              |
| Working Costs (per ton milled 17/8.3)                             | 1,651,165                   |              |
| Working Profit (per ton milled 28/3.9)                            | 2,643,609                   |              |
| Revenue, less expenditure                                         | 68,334                      |              |
| Total Profit                                                      | 2,711,943                   |              |
| Add: Funds appropriated for Capital Expenditure—Written back      | 2,600                       |              |
| Balance to credit of Appropriation Account at 31st December, 1942 | 115,858                     |              |
|                                                                   | £2,830,401                  |              |

| APPROPRIATION ACCOUNT.                              | £1,337,153 |
|-----------------------------------------------------|------------|
| Government and Provincial Taxes                     | 502,852    |
| Reserve for Liability under Miners' Phthisis Act    | 7,289      |
| Dividend No. 21—23½% equivalent to 1/2d. per share  | 415,625    |
| Dividend No. 22—25% equivalent to 1s. 3d. per share | 437,500    |
| Directors' Special Remuneration                     | 7,500      |
| Capital Expenditure                                 |            |
| Balance unappropriated at 31st December, 1943       | 122,502    |

| ORE RESERVE (based on pay limit of 2.5 dwts.):— | Tons      | Stope Width (inches) | Stope Value (dwts.) | Inch-dwts. |
|-------------------------------------------------|-----------|----------------------|---------------------|------------|
| 1943                                            | 7,859,000 | 39.48                | 6.25                | 247        |
| 1942                                            | 8,250,000 | 39.56                | 6.25                | 247        |

The Reserve includes ore developed on the Kimberley Reef Series, which totalled 619,000 tons, averaging 5.34 dwts. over a width of 46.60 inches.

### DEVELOPMENT:—

| Main Reef Leader | Advanced | Footage | Sampled | Percentage payable | reef width (inches) | assay value (dwts.) |
|------------------|----------|---------|---------|--------------------|---------------------|---------------------|
|                  | 17,911   | 15,880  | 67.2    | 19.35              | 17.54               |                     |

GENERAL.—The Company's holding in East Daggafontein Mines, Limited, remains unchanged at 449,892 shares. CAPITAL EXPENDITURE for 1944 is estimated at £24,000. Mining operations were seriously affected by shortage of Native Labour.

## WEST SPRINGS, LIMITED.

(Incorporated in the Union of South Africa.)

CAPITAL: Authorised and issued £1,935,000 in Shares of £1 each, fully paid.

| Tons milled                                                            | Yield (per ton, 4.54 dwts.) | 186,732 ozs. |
|------------------------------------------------------------------------|-----------------------------|--------------|
| EXPENDITURE AND REVENUE ACCOUNT.                                       |                             |              |
| Revenue (per ton milled 38/2.7)                                        | £1,570,877                  |              |
| Working Costs (per ton milled 24/7.1)                                  | 1,010,793                   |              |
| Working Profit (per ton milled 13/7.6)                                 | 560,144                     |              |
| Sundry Revenue, less Expenditure                                       | 1,120                       |              |
| Total Profit                                                           | 561,264                     |              |
| Add: Balance to credit of Appropriation Account at 31st December, 1942 | 136,129                     |              |
|                                                                        | £697,393                    |              |

| APPROPRIATION ACCOUNT.                           | £120,176 |
|--------------------------------------------------|----------|
| Government and Provincial Taxes                  | 256,179  |
| Reserve for Liability under Miners' Phthisis Act | 3,644    |
| Dividend No. 36—21% equivalent to 6d. per share  | 48,375   |
| Dividend No. 37—21% equivalent to 6d. per share  | 48,375   |
| Directors' Special Remuneration                  | 9,000    |
| Capital Expenditure                              | 34,114   |
| Balance unappropriated at 31st December, 1943    | 177,530  |

| ORE RESERVE (based on pay limit of 2.8 dwts.):— | Tons      | Stope Width (inches) | Stope Value (dwts.) | Inch-dwts. |
|-------------------------------------------------|-----------|----------------------|---------------------|------------|
| 1943                                            | 3,094,200 | 54.58                | 4.93                | 269        |
| 1942                                            | 3,454,900 | 55.64                | 5.05                | 281        |

### DEVELOPMENT:—

| Advanced | Footage | Sampled | Percentage payable | reef width (inches) | assay value (dwts.) |
|----------|---------|---------|--------------------|---------------------|---------------------|
| 17,242   | 12,935  | 47.3    | 29.72              | 19.71               |                     |

GENERAL.—Joint Ore Shaft.—The hoists on loan from Western Reefs Exploration & Development Company, Limited, and all necessary surface buildings have been erected, and essential equipment installed, to enable shaft sinking operations to proceed as soon as sufficient timber becomes available. No sinking was done during the year under review, but the shaft was concreted to a depth of 261 feet below the collar. CAPITAL EXPENDITURE for 1944 is estimated at £60,000, all of which will be incurred in connection with the Joint Ore Shaft. Mining operations were seriously affected by shortage of Native Labour.

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(Continued from page 762)

Forward Rates.—Forward rates for one month have remained unchanged as follows: United States.  $\frac{1}{2}$  cent pm-par. Canada.  $\frac{1}{2}$  cent pm-par. Switzerland. 3 cents pm-par. Sweden. 3 ore pm-par.

## NEW YORK EXCHANGE RATES

| New York on    | May 24 | May 25 | May 26 | May 27 | May 29 | May 30        | May 31 |
|----------------|--------|--------|--------|--------|--------|---------------|--------|
| Cables         | 402½   | 402½   | 402½   | 402½   | 402½   | 402½          | 402½   |
| London         | 90-810 | 90-810 | 90-810 | 90-750 | 90-680 |               | 90-680 |
| Montreal       | 23-80  | 23-90  | 23-90  | 23-90  | 24-25  |               | 24-00  |
| Zurich         | 24-90* | 24-90* | 24-90* | 24-90* | 24-87* | Market closed | 24-80* |
| Buenos Aires   | 5-16   | 5-16   | 5-16   | 5-16   | 5-16   |               | 5-16   |
| Rio de Janeiro | 4-09   | 4-09   | 4-09   | 4-09   | 4-09   |               | 4-09   |
| Lisbon         | 9-25   | 9-25   | 9-25   | 9-25   | 9-25   |               | 9-25   |
| Barcelona      | 23-86  | 23-86  | 23-86  | 23-86  | 23-86  |               | 23-86  |
| Stockholm      |        |        |        |        |        |               |        |

\* Official Buying Rate 29-78. † Free Rate. ‡ Bid.

## FINANCING EXPENDITURE

The following table summarises the Exchequer returns date (May 27th), and shows the respective shares of revenue and borrowing in meeting expenditure. The items shown are given after allowing for repayments and receipts.

| £000                       |         |
|----------------------------|---------|
| Total ordinary expenditure | 891,007 |
| New sinking funds          | 1,180   |
| Loans repaid               | 313,198 |
| 3% Conversion Loan, 1944   | 1,955   |
| Other debt                 | 1,496   |
| External (net)             | 384     |
| Miscellaneous issues       |         |
| Increase in balances       |         |
| Total ordinary revenue     | 390     |
| Loans raised               | 32      |
| 3% Def. Bonds (net)        | 103     |
| 3% Savings Bonds, 1960-70  | 151     |
| 2½% Nat. War Bds., 1952-54 | 51      |
| Nat. Sav. Certs. (net)     | 30      |
| Tax Reserve Certs. (net)   | 111     |
| Other debt—internal (net)  | 316     |
| 3% Terminable Annuity      | Dr. 16  |
| Floating debt (net)        | 38      |
| Treasury Bills             |         |
| Public Debt Adv.           |         |
| Treasury deposits          |         |

1,209,220

1,209

# THE ECONOMIST

ESTABLISHED 1843

Vol. CXLVI No. 5259

REGISTERED AS  
A NEWSPAPER

JUNE 10, 1944

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

June the Sixth - - - - 769

Capital and Employment - 770

Russia and the Balkans - - 772

NOTES OF THE WEEK - - - - 775

Great Events; The Initial Success; An Administration for France; The Fall of Rome; The Italian Boot; Weatherwise; Location of Industry; Colonial Development; Education in the Lords; Change of Guard in Sofia; Truce in the Balkans; Local Administration; Prosperous Countryside; The Wolfram Ban; The Polish Premier in Washington; New Governments in Latin America; Irish Election; Social Security For All.

AMERICAN SURVEY - - - - 779

The South and the Fourth Term; KNAPP; Lone Star State; Catechism Before Breakfast; Wolf; Wolf; Guaranteed Wage; Enfranchising the War Worker.

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## June the Sixth

FOUR years ago almost to a day the last man was taken off the beaches at Dunkirk. Then, under a pitiless and unopposed German bombardment from the air, the shattered remnants of an Allied army, without stores, without food, without equipment, were rescued from Europe in tugs and trawlers and yachts and rowing boats, in any odd scratch vessel that could make the Channel crossing. This is the picture of defeat and disarray which to-day can be set against the massive pageant of invasion—the armadas of 4,000 and 6,000 ships, the great armies equipped to the last detail of mechanised armament, the Allied air forces in thousands of sorties raking the French skies empty of all German opposition. It is a tremendous and exhilarating contrast, and in the first hour of relief and jubilation it is only right that the British people should offer their thanks to the one man who, before all, is responsible for the greatest reversal of fortune in this island's history. Mr Churchill is the supreme architect of this achievement. It was his leadership and inspiration that made possible Britain's resolve in 1940 "to ride out the storm of war and to outlive the menace of tyranny, if necessary for years, if necessary alone." It was his vision on the very morrow of Dunkirk that saw the forging of a future alliance, the new world stepping forth "with all its power and might" to the liberation of the old, the rallying of the world against tyranny, the long struggle and the

final success. This, in June, 1940, was not an easy or an obvious vision. When Mr Churchill said

we shall fight on the seas and oceans, we shall fight with growing confidence and growing strength in the air . . . whatever the cost may be, we shall fight on the beaches, we shall fight on the landing grounds, we shall fight in the fields and in the streets, we shall fight in the hills. . .

he spoke in terms only of defence and of no surrender. But his words had a prophetic ring, and now indeed Britain and its Allies fight on the landing grounds and on the beaches, not on British soil, but on the liberated soil of Europe. If there is any one man of whom it can be said that he won this war, that man is Mr. Churchill.

The vision was his, but it could not have been fulfilled without the forging of the Grand Alliance and the enormous efforts and sacrifices of Britain's friends. If British armies can enter the Continent in such strength and so well equipped, it is because the Americans are at their side and the flood of American war production has helped lavishly to swell their armament. And if they face a German army and a German air force reduced to a shadow of their former strength, it is because the Russians have whittled away Germany's military strength by their own stupendous sacrifices. The Russian cry for a Second Front was always a cry of bitterest need, and now that the Second Front has come, it is only fitting that the Allies in the West

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| Canton        | Karachi    | Tatooia  | Jinja                | Uganda  |
| Chittagong    | Lahore     | Zanzibar | Kampala              |         |
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should recognise the scale of their obligation to Russia's efforts on the Eastern front. But gratitude is the last thing the Russians want. They want heavy blows, hard fighting and rapid victory. The British and Americans are now in a position to repay their debt to Russia in the best and most acceptable coin.

Even if the Great Powers have been the chief engineers of Germany's deepening defeat, in the next weeks, the nations of Western Europe will bear the full brunt of the fighting. The hour for their active participation has not yet come, and all the Allied leaders have warned their peoples against premature uprisings which would lead to a loss of life and effort before the crisis is reached. But even during the passive phase, the peoples of Western Europe will be one of the factors in Allied victory. Their bearing under bombardment, their discipline in the midst and in the rear of the advancing armies have military importance, just as, in the past, their refusal to accept the New Order and their four years' underground struggle have been military factors of the highest significance. To them, too, the Allies owe a tremendous debt and one which they will pay only in part by the act of liberation. Inevitably the Allies' tanks and artillery and transport will add to the destruction which Allied bombing has begun. As passive or active agents in their own liberation, the peoples of Western Europe are paying a heavy price. It is not enough to free them. Behind the guns must come the food lorries and the mobile canteens. The physical basis of reconstruction barely exists in some areas. Invasion threatens to overlap the narrow margin of subsistence. The Allies will need to act vigorously if their friends are not to be liberated only to starve. Much, too, will depend upon the behaviour of the invading armies. The lessons taught by the Italian campaign on the dangers of overspending by the troops have presumably been learnt, and while it is too much to hope that men worn out from battle will always be the surest ambassadors of good will, each unit could at least go out with some instruction on the degree to which good behaviour, good discipline, good humour and kindness can oil the wheels of occupation and lay the foundations of lasting friendship. Britain and America are, with whatever tact and reserve they may be compelled to act, in some sense the trustees of the future political freedom of the peoples they are liberating. Darlanism and expediency belong to the phase of military weakness and

insufficiency. The Allies' overwhelming strength enables them to choose where they will. If their choice is faulty or compromised, they may play a decisive part in undermining the peoples' freedom and the nations' friendship.

Yet when all the thanks are made and all the contributions measured, there still remain the final artificers of victory, the men who, in the King's words "man the ships, storm the beaches and fill the skies." Although the first advances have been secured with surprisingly little loss of life, the hardest fighting lies ahead. In the weeks to come, thousands of men will lay down their lives or suffer disablement, will endure pain and hardship and strain, will throw everything they have into the balance of victory without particularly asking why or counting the cost. For them at the moment there is not very much that the people who stay behind can do. They can keep vigil, as the King has asked. They can face anxiety steadfastly. They can accept the losses when they come; but the real effort of gratitude will only be needed later on, when the men come home. They will not have been given victory, they will have toiled and sweated for it, all the way from Alamein to Bizerta, from Sicily to Rome, in the jungles of Burma, on the landing beaches in France. They have been the active agents of every military success. It is their courage and initiative and adaptability and common sense that have completed the historic reversal of the last four years. It will not be enough for their elders to give them "food, work and homes"—the essentials of a decent post-war society. They must be allowed their place in that society, they must be given scope and opportunity and responsibility to run it themselves.

The men who ruled the country in 1913 were still ruling it in 1923, and in all too many dismal cases were still doing so in 1939. After this war, let the debt of gratitude be more adequately paid. The men who are airmarshals and generals in their thirties must not wait until the sixties for honour and responsibility in civilian life. The change cannot be brought about overnight, least of all while the war continues, but now is the time, when the men are fighting and dying and everyone with a heart and conscience is deeply aware of a tremendous debt, to register the firm resolve that, after this war, youth and enthusiasm will not be actual disqualifications for responsibility and that the new world will not only be built for the war generation but round them and by them as well.

## Capital and Employment

THE White Paper on Employment Policy has had an amazingly tranquil reception. There can rarely have been a single statement of government policy which broke so much new ground in so many directions at once, or assumed for the state heavier new burdens of responsibility. Yet the contrast with the reception of the Beveridge Report eighteen months ago is most striking. Doubtless the pre-occupation of the public mind with impending events across the Channel is a large part of the explanation; the comparatively abstract nature of the discussion in the White Paper may be another part. But whatever the cause, the surprising fact remains that the Beveridge Report, which, with all its great merits, was not much more than a projection and completion of familiar and accepted principles, was received with a chorus of hosannas, while a much more revolutionary change in state policy now causes hardly a ripple. When the consequences of the two policies are fully seen, the contrast will provide material for one of those exercises in irony in which the historians delight.

Another part of the explanation lies in the complexity of the subject. In these columns last week, ten separate lines of policy, some of them of major importance, were listed. In such a case, the first comments cannot go much beyond an annotated catalogue. Clearly, there is material in the White Paper for a long series of articles. The problems of the transition, the future of cheap money, industrial location, wage policy, the restraint of monopoly,

the maintenance of consumer purchasing power, the efficiency of industry—each of these deserves extended treatment in the light of what is said upon them in the White Paper. But on the second reading, it will be as well to stay close to the heart of the matter. For a policy of full employment, two topics vastly outweigh in importance all the others. These two are the stabilisation of private capital expenditure and the budgetary policy of the state. To say that these two are the most important for this purpose is not, of course, to decry the urgency of any others. The general efficiency of British industry—the productivity of the average worker—is the basis on which all economic policy rests; but its primary importance lies in the contribution it can make to keeping the national income high, rather than to keeping it stable—and the latter is the object of full employment policies. The rescue of the depressed areas is another matter of the highest urgency; but it is a problem of a special character, which will be infinitely easier to solve if the rest of the country is prosperous than if it is depressed. A proper handling of the transition from war to peace is a third matter whose contribution is essential. But these are on the periphery of a full employment policy. The heart of it lies in stabilising the flow of total effective demand. And the heart of that lies in stabilising the flow of private capital expenditure. The present article is therefore concerned with this paramount topic.

The quantitative importance of private capital expendi-

ture is larger than might appear at first sight. In 1938, the total net national income of the United Kingdom was over £4,600 millions, but net private capital expenditure at home was only just over £305 millions. Nevertheless the smallness of the figure is deceptive. For one thing, it is not the *net* total of investment expenditure that matters but the *gross*. If industry fails to spend its depreciation and maintenance funds with due regularity, the effect is the same as that of erratic expenditure on new capital. Gross capital expenditure was over 13 per cent of gross national income in 1938, and would have been higher if that year had been one of full employment. Secondly, there is the problem of stocks and inventories of goods and materials of all kinds. A decision to allow stocks to run off is a decision not merely to reduce capital expenditure but to make it negative. It can be taken very quickly and the magnitude can be very large. Fluctuations in stocks, because of their timing and their magnitude, play a strategic part in the causation of industrial fluctuations.

The problem is, then, to seek means by which all these capital expenditures—on new capital goods, on the replacement of old capital goods and on the maintenance of stocks of all kinds—can be smoothed out. Complete and absolute stability is, of course, neither possible nor desirable, and an elastic, fast-moving public works policy is needed to offset small variations in private capital expenditure. But it is only the small variations that can be offset in this way. In the past, private capital expenditure has varied, almost from month to month, by amounts equivalent to annual rates of several hundred million pounds. No public works programme can be large enough, or quick enough on its feet, to counter fluctuations of this size. There must be an effective policy for bringing more stability into the private capital expenditure themselves.

There are possibilities of misunderstanding in the word "private" (which is used, in this connection, in the White Paper) that should be removed. A better word would be "normal," for it is not ownership that distinguishes "private capital expenditure" from "public works expenditure" but purpose. It would be foolish to put expenditure by the Southern Railway or the North-Eastern Electric Supply Co. into one category and exactly similar expenditure by the London Passenger Transport Board or the Manchester Corporation Electricity Department into another. The flow of expenditure which needs stabilising is the flow of capital expenditure which would be undertaken, irrespective of considerations of full employment, as part of the normal functioning of the business enterprise of the country, whether publicly or privately owned. This definition of the distinction has the further advantage that it sheds some light on the assumption, all too easily made, that publicly-owned enterprise would be easier to control, in respect of its capital expenditures, than privately-owned enterprise. This assumption is often made the basis of proposals to make the

nationalisation of transport, power and steel an integral part of a full employment policy. It may be that, say, a nationalised steel industry would be more responsive to control—but only if it were organised on a basis quite different from that usually put forward in nationalisation projects. If nationalisation carries with it the promise of a subsidy from the Exchequer, or of a guarantee of revenue, then control can be exercised. But it is usually made a merit of nationalisation proposals that the nationalised industry would be expected to cover its costs, and, if so, its managers will be at least as coy as the managers of private industry about launching out into heavy expenditures when there is no return upon them in sight. Nationalised industries would require special grants or subsidies or tax reliefs before they could go very far in stabilising their outlay; in short, they would be in exactly the same position as private industry. The point is not an academic one; it is of the very highest political importance. The chief danger of the full employment policy becoming the football of party politics lies in the risk that one party will say that far-reaching socialisation is an essential pre-requisite, while the other will just as stoutly claim that the slightest tincture of Socialism would be ruin to the policy. If this battle is joined, it will be good-bye to full employment. It will be a far sounder approach to inquire what persuasions, inducements or—if need be—compulsions can be exercised upon industry—private and public alike—to secure a reasonable degree of stability in its "normal" capital expenditures.

The White Paper, as was said last week, is very shadowy on this subject, and it is here that there is the greatest need for further exploration. The weapons at the Government's command are of two general kinds—controls of all kinds, and taxation policy. Control is a powerful weapon when it is limitation that is in question. The existing machinery of the Capital Issues Committee and of other official restrictions on capital expenditure is quite strong enough to prevent too much investment. There will be occasions in peacetime when damping down will be the need of the moment. But they will be the exceptions; the more characteristic condition is that of a threatened shortfall of capital expenditure. For inducing an expansion, control mechanisms are very much less powerful. There may, nevertheless, be something that can be done. An Investment Board might be in a position, not merely to steer funds in directions where they are needed, but even to offer facilities to entrepreneurs who are hesitating. A hint is dropped in the industrial location chapter of the White Paper of the possibility of providing capital facilities, including, where necessary, share capital, for new enterprise in the Special Areas, and if it can be done there, it could also be done more generally in times of threatening depression.

These possibilities require to be fully explored. But it is unlikely that they will lead very far. The taxation weapon is, potentially, far more powerful than any direct controls. It is important to be clear what is, and what is not, the



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main contribution that taxation can make to employment policy. In other connections, it may be right to argue for a reduction of taxation on industry. But that is not the contention at the moment. What is relevant to the stabilisation of capital expenditure is that taxation on industry, whether high or low, should be varied from year to year in accordance with the needs of the general economic situation. Thus, it is agreed that the rate of taxation on maintenance and replacement expenditure (however those words are defined) should be nil. Would it be possible to contrive a mechanism by which a small rate of tax was paid on replacements expenditure in some years and a subsidy in other years, the average still being nil over a long period? Similarly, it may be right that profits re-invested in the improvement or extension of the business should bear tax at the full standard rate of income tax; or it may be right that they should pay a lower rate. But in either case, could the rate be made to vary about an average? And are there any means by which taxation can be used to induce greater stability in the holding of stocks? These are the questions to which inquiry should be directed. There is just one small hint, in the White Paper's reference to

deferred tax credits, that the Government's mind is moving in this direction. One of the most valuable points for the application of public pressure is to insist that the hint should be enlarged into a policy.

A great deal of progress has been made in the last four years with the modernisation of formerly accepted notions of the part that national finance can play in general economic policy. Though the total burden of taxation is now seen to be a vital element in the whole complex, the possibilities of variable taxation have hardly yet been taken into account—perhaps because the revolution in Treasury thought has occurred at a time when the steady maintenance of the maximum tax burden was clearly the only policy to pursue. It is to these possibilities—less revolutionary than other innovations already accepted—that Lord Woolton should invite the Treasury, the Inland Revenue and the economists of the War Cabinet Offices to address their attention.

Taxation cannot, however, be settled except in the framework of financial policy as a whole. This is the second of the two subjects of prior importance for a full employment policy, and further consideration will have to be given to it in a succeeding article.

## Russia and the Balkans

THE renewal of fighting to the north of Jassy appears to be the prelude to the summer campaign in the Balkans. The Germans at Jassy are obviously trying to spoil the Russian preparations for the offensive, just as, at this time a year ago, they attempted to do the same at Kursk. The course of the fighting suggests that the present spoiling attacks will similarly end in failure; and that the Russian armies will resume their march into the Balkans. Their drive from the Pruth to the Danube will alter at a stroke the whole military and political scene.

The Russian armies will draw nearer to the Bulgarian frontiers. This is almost certain to be the signal for Bulgaria to leave the sinking ship of the "New Order," and possibly also to apply for the privileges of co-belligerency on the Russian side. Through Bulgaria the Russians may hope to establish contact with the partisans who fight in Yugoslavia and Greece. The Battle of the Balkans will reach its climax this summer.

In this battle political warfare is going to play a vital rôle. In Roumania political warfare has so far been negative rather than positive. Its aim has been to demonstrate that the Russians, in Mr Molotov's words, have no intention "of changing the existing social order." The property of Roumanian landlords is being left untouched; and Russian officers "fraternise" with the Roumanian clergy. But Roumania is, for various reasons, not the most suitable ground for Russian political warfare. Roumania lost Bessarabia and northern Bukovina to Russia in 1940, and is now certain to lose them again. True, Marshal Stalin has promised to "recompensate" these losses by a return of Transylvania to Roumania. Even so, he can hardly hope that such "recompensation" will suffice to turn the Roumanians into Russia's friends. Moreover, Roumania is not a Slav country. The appeal to Slav solidarity, which is now the strongest weapon in the armoury of Russian propaganda, cannot be used there, though the appeal to Orthodox sentiments is likely to produce some effect now that the Orthodox Church has been reconsecrated in Russia.

Bulgaria and Yugoslavia (and Greece to a lesser extent) are the main assets in Russia's Balkan policy. In the first two countries Slavophile slogans are certain to excite a response from the people. In the last two, the strongest partisan movements—Tito's men in Yugoslavia and the EAM in Greece—look for inspiration primarily to Moscow. The victories of Soviet arms give new attractiveness to ideas and slogans that may have been no more than pale historical reminiscences two years ago. Russia reappears in the Balkan peninsula in the old rôle of the liberator of its peoples. This fact is important in the short as well as in the long run. In the short run

it will influence the outcome of the military operations. In the long run it will give Russia a unique position of strength after the war. In many respects this position may become much stronger than it ever was in Czarist days.

There can be no doubt that the new version of Russian Pan-Slav or Slavophile policies has a more effective appeal in the Balkans than the old Czarist version. The Pan-Slav movements of the pre-revolutionary era were handicapped by the fact that Czarism was a feudal autocracy. On the one hand the Czars themselves used to curb Slavophile and Pan-Slav propaganda, because they were afraid of the popular undercurrents of that propaganda and of its implied or open appeals to the solidarity of the Slav peasant-nations. On the other hand, among the Balkan peoples the response to Pan-Slav slogans was often only half-hearted, precisely because those slogans emanated from a state based on serfdom. Throughout the nineteenth century, progressive Serbs or Bulgars looked for new ideas to the West or wavered between Pan-Slavism and the Western orientation.

The Soviet version of these old ideas is largely free from such taints. However autocratic the system of government may be in Moscow, to the Balkan peoples it appears as the Republic of the workers and peasants. The appeal to racial solidarity is effectively strengthened by the motive of class solidarity, even if this latter motive has been relegated to the background in daily Slavophile propaganda. The Slavophile doctrine, which a century ago was based on the idealisation of the primitive rural community (the "mir"), and on hostility to the infiltration of the Western industrial civilisation, is now based on the ideas of industrialisation, planned economy, and cultural progress. And, last but not least, behind the programme of the old Pan-Slavism there lurked the threat of the compulsory Russification of the other Slav nations. The new propaganda holds out the promise of respect for the language and national culture of each Slav people. These are the elements which give to the present Slavophile propaganda its dynamic force.

But there are also circumstances which limit its scope. From the time of Peter the Great up to the Balkan wars in 1912 and 1913, Pan-Slavism was able to exploit the grievances of the Slav peoples against their Turkish or Austrian rulers. Pan-Slav ideas outside of Russia reflected the longings of the Czechs, Bulgars and Serbs for their independence. The collapse of the Ottoman and Habsburg Empires freed those peoples. German Imperialism in this war has brought about a temporary eclipse of their independence and allowed Russia to present the struggles in the Balkans as a continuation of the old wars

of liberation. But the eclipse has lasted only a few years; and liberation will be achieved with the expulsion of the German occupants. The ideals of national independence and sovereignty are likely to re-emerge with renewed strength from the war; and it is by no means certain that they can be entirely reconciled with the extreme forms of the Slav movement.

Russian policy, it ought to be said, is not committed to these extremist forms. Moscow insistently emphasises the difference between Pan-Slavist and Slavophile policies, rejecting the former and accepting the latter. True, the idea of a Balkan federation under Russian protection has at various stages re-appeared like a refrain in the history of Russian political thought; but it has never gained enough strength to dominate Russia's official policy, which preferred to exploit pro-Russian sentiments among the "Slav brethren" in more subtle and less direct ways. This seems also to be the case at present. Russian policy appears to aim at strengthening Russia's influence inside each Balkan country, but not at unifying the Balkans into one appendage to the "greatest Slav nation."

After this war, Russia will have a new and decisive opportunity to increase its power and influence in the Balkans because for the first time in history it will be the only Great Power in this part of the world. Throughout the eighteenth and the nineteenth century the spread of Russian influence in the Balkans was opposed and checked by both Turkey and Austria. Slavophile and Pan-Slav policies were the battering rams that contributed greatly to the crumbling of those two Empires. The vacuum left by their collapse was filled by German penetration in the thirties. After Germany's defeat there will be a new vacuum in which no Central European Power will be able to challenge Russian influence.

This is not to say that the Russian influence in the Balkans will not be impeded by various economic and political factors. Immediately after the war Russia is certain to have its energies absorbed in the enormous task of domestic reconstruction. There will be little ground for intensive trade between Russia and the Balkan countries during this period. The primary pro-

ducing countries in the South East of Europe can offer Russia none of the capital goods which Russia will seek to import. Similarly, Russia will hardly be able to export the manufactured goods which may be needed in the Balkans. Slavophile propaganda, not helped by trade between the Slavs, may well be reduced to an affair of sentiment or to a marginal political problem, at least for the Slav peoples in the Balkans.

Russia has, however, a permanent strategic interest in the peninsula, even if its economic interest is slight. In the present war it has been demonstrated that no large scale assault on Russia can be undertaken without control over the Balkans. Before Hitler set out to conquer the steppes of Russia he had to secure his right flank by occupying Yugoslavia and Greece. This lesson has hardly been wasted on Russia's leaders. The strategic approach to the Balkan problem raises a number of new issues. The Balkans themselves are torn by conflicting national aspirations, chief among them being the conflict between Bulgars and Serbs. To satisfy the claims of both nationalities is almost impossible. Russian diplomacy has not yet spoken its last word on this issue. But it may safely be assumed that it is not inclined to support any pan-Serb claims, and that it will be even less inclined to do so if in the last minute the Bulgars succeed in joining the victor's band-wagon. There is even a chance that Pan-Serb aspirations may be effectively checked by a coalition of Croat and Bulgarian interests.

The motive of security is also likely to induce Russia to seek a new settlement with the non-Slav states on the fringes of the Balkans, that is, with Turkey and Italy. Russia's unexpected recognition of Marshal Badoglio's Government and the friendly relations between the Soviet and the Italian Governments that have developed since then, point in this direction, while the future of Soviet-Turkish relations still remains shrouded in uncertainty. But Italy is not liked in several of the Balkan countries, and a complete reconciliation between Russia and Italy might in the long run greatly diminish the effectiveness of Slavophile propaganda. Russian diplomacy may be confronted with a Gordian knot of contradictions that can hardly be cut by a propaganda sword alone.

## Electoral Reform

THE interim recommendations of the Speaker's Conference on Electoral Reform and the Redistribution of Seats, which were published last week and will soon be substantially passed into law, represent the latest and nearly the last stage in the process that started a century and a half ago with the campaign to abolish "rotten boroughs" and to extend the right to vote from its narrow and haphazard property basis. When these proposals are implemented the two main principles for which the Chartists petitioned and fought in the Hungry Forties—equal electoral districts and adult suffrage—will be largely accomplished, in both Parliamentary and local elections. There will be only vestigial traces of the older principle of the representation of property; the definition of citizenship will be completely extended to include women as well as men; there are reservations to ensure that the original idea of representing places and communities as well as numerically similar aggregations of voters will not be departed from on mere grounds of arithmetic.

The Sixth Reform Bill, embodying both the final recommendations of the Speaker's Conference and the recommendations of the recent Departmental Committee on Electoral Machinery, will in this sense look backwards rather than forwards. It will round off, in the conditions of to-day, the work of the Parliamentary reformers of the past. It will not, unless—as is most improbable—the decision of the Speaker's Conference is reversed, introduce the much advocated principle of proportional representation, namely, "that each vote recorded shall, as far as possible, command an equal share of representation in the House of Commons." The supersession of constituencies returning each a single member by larger electoral

units in order to allow the mathematical allocation of seats according to votes, regardless of the accidents of local boundaries, will not be contemplated. Indeed, the Speaker's Conference has explicitly recommended that the few constituencies at present returning two members should be abolished and redivided.

It is scarcely possible to doubt that this conservative approach to the method of election is, in general, the right one. The chief strength of the British system of Parliamentary government, by contrast with other modes elsewhere, resides in the fact that British Cabinets can normally depend upon the assured support of a majority of representatives in the House of Commons. To endanger this advantage by attempting to secure the precise representation of minorities among the electorate would be to take an unwarrantable risk. The real purpose of a General Election is not to secure an exactly representative House of Commons but to put into power the Government that the electors like most or dislike least. It is of course true that, in a system of single member constituencies, it would be possible for a party to obtain just under half the total votes polled without securing a single parliamentary seat. It is equally true, however, that the House of Commons is by tradition and intention an assembly representative of the several local communities into which the country is socially and geographically divided; and it is only by means of the equality of single electoral districts that this communal foundation can be roughly reconciled with the desirable object of ensuring that each member shall represent an approximately similar number of votes. If three-cornered contests and members elected by a minority become usual, there is a strong case for



the Alternative Vote in single-member constituencies. But that is a different matter from Proportional Representation and would probably have a different result. Indeed, it would be intended to assist the object of getting a majority—vital for good government—rather than that of fully representative minorities.

It is in the redistribution of seats to match population that the main change in Parliamentary representation will be accomplished. The Parliamentary franchise has already been brought to the point of adult suffrage, with this important qualification: that a large proportion of adult citizens are not in fact able to make their right to vote effective, because of deficiencies in the machinery of registration. These deficiencies are to be remedied by the provisions for continuous registration introduced in the Parliament (Election and Meeting) Act of last year, which will be extended, according to the recommendations of the Speaker's Conference, to local elections also.

The chief reform—indeed the only fundamental one that is envisaged—is in the field of elections to the councils of local authorities. The introduction of adult suffrage locally by the assimilation of the Parliamentary and local Government franchises is a radical change. Hitherto the principle in local elections has been no representation without taxation. Broadly, the body of occupiers of rateable premises (and their spouses) have composed the electorate; and thus the basis of representation has remained, directly or indirectly, the ownership or use of property. It is now intended that the mere attainment of the age of full citizenship should be the basic qualification here as in the case of Parliamentary elections.

It is true that the right to cast an extra vote by virtue of the occupation of business premises will remain in all elections; and that university graduates will still be entitled, in certain conditions, to cast an additional vote in the university constituencies. But these are only small and not over-important exceptions to the general rule of manhood and womanhood suffrage.

What now remains in the long story of Parliamentary reform is the problem of the efficient administration of the principles which have now been finally accepted. The method of continuous registration may make the acceptance of adult suffrage fully effective, though there may still be doubts about its efficient working in any wartime or post-war election which may occur when large bodies of men and women are in uniform and away from their homes. The principle of equal electoral districts will, according to the latest proposals, be applied automatically; but as a matter of political fact, it is by no means sure that the most effective or indeed the most reasonable solution has yet been found. The Speaker's Conference recommends the immediate subdivision of abnormally large constituencies, for which 25 additional seats are to be provisionally provided. This would be followed, in the first place, by a complete redistribution scheme, carried through by Boundary Commissioners, with a view to securing that each member of the House of Commons should represent the "quota" of electors

ascertained by dividing the total electorate in Great Britain by the total number of seats in Great Britain (other than university seats) existing at the time of the Boundary Commissioners' report.

Secondly, there is to be a procedure of periodic review in order to keep the constituencies up-to-date.

In principle, this machinery is unexceptionable; but the proposals are accompanied by certain reservations which are perhaps more open to question. In the first place, it is recommended that—apart from the temporary addition of 25 seats, which is apparently to disappear when the redistribution is complete—the number of Parliamentary seats shall remain substantially as at present, that is 591, not counting university seats. Secondly, it is laid down, no doubt on sound grounds of effective regional representation, that there shall be no reduction in the present number of members for Scotland, Wales or Northern Ireland. Thus the suggestion is, in effect, that for every new constituency created by the subdivision of abnormally large ones (which will almost certainly be

English constituencies) some other abnormally small constituency (probably in England) should be abolished. In the first instance, for example, the proposal that a maximum of 25 new constituencies should be created in swollen towns, carries the implication that 25 other English constituencies may subsequently be suppressed. The logic of this arrangement may be impeccable, but its political practicability cannot be guaranteed.

From the outset of the movement for Parliamentary reform, when the first attacks were launched upon "rotten boroughs," it has always been harder to abolish old constituencies than it has been to create new ones. The parties are easily in agreement about the desirability of giving extra members to Hendon and Romford; they are, not unnaturally, much less ready to see the abolition of even the smallest of their "safe" seats. Is it really necessary to court this kind of controversy, with one party seeking to keep the small urban seats while another is equally anxious to preserve small seats in rural areas? In other words, can it be argued that a total Parliamentary strength of round about 600 members need be regarded as sacrosanct? It will not be forgotten that the House of Commons was probably in its prime when the number of members, with the inclusion of Ireland, exceeded 700. Nor is there any likelihood, in view of the probable trend of population, that to accept a smaller quota of electors per member than the 50,000 odd now proposed would invite the risk of a continuous swelling of Parliamentary numbers or an over-large House. Moreover, in a period of political history when it is increasingly the desire of members to keep in the closest contact with their constituents, there is much to be said for reducing the number of constituents to be served. Finally—and in one sense this is the most important consideration of all—it is only by the enlargement, within limits, of the number of members that the balance between office-holders and private members, which has been drastically disturbed by the multiplication of Under-Secretaries, Parliamentary Secretaries and Parliamentary Private Secretaries, can be satisfactorily restored. Plainly it will be necessary to abolish abnormally small constituencies whose number of electors has dwindled unduly; but there is a strong case for widening the margin of survival proposed by the Speaker's Conference (25 per cent below the "quota") and for permitting some increase in the total number of constituencies and members.

The Sixth Reform Bill, with these provisos, will surely be regarded as an important historical milestone. But it should not be thought that this final, or penultimate, exercise in the mechanics of representation will in itself furnish the political strength or democratic vigour upon which so much will depend for the future of this country in the next decades. It is as true now as it was in 1832 that Parliament is what it does. It has been a notable achievement to have preserved the strength of government while transforming its popular basis out of all recognition; and it is because of the critical necessity not to undo this achievement that the logic of those who advocate proportional representation is not acceptable. Even so, it is not enough simply to grant adult suffrage and to construct equal electoral districts. It is upon the quality of candidates and equally upon the good sense of electors that the outcome will depend; and the recommendation of the Speaker's Conference which has still to be announced upon the expenses of election candidates will touch at least the fringe of this crucial matter.

At present the way to Parliament for men of talent and character is doubly blocked; first by the expense involved; and, secondly, by the habitual preference of the main political parties for either money or seniority rather than for ability in their choice of candidates. It would not be unreasonable for the Speaker's Conference to recommend that the expenses of candidates at elections, and of members between elections, should be further limited in amount, and that, in the case of candidates at any rate, they should be paid out of public funds. The parties would then have no excuse for failing in their duty to put forward the right men and women to represent the people; nor would the electors have any excuse for omitting to elect the best.

## NOTES OF THE WEEK

### Great Events

Much has been said in this war about the common man. By this is commonly meant the less well-off who needs public aid to give him equal private opportunity. Sometimes he is the "little" man used by the big business men of the press to attack other big business. But the common man has another claim to fame, beyond his position as the object of social reforms or the subject of the struggle for free enterprise. He has fought the war, in the field and in the factory; and if there is any outstanding impression of these long war years in this country it is the ordinary behaviour of ordinary people when faced with extraordinary happenings. At every crisis in the war—September 1939, when the bombers were expected and never came; the catastrophe of Dunkirk which never became a calamity; the Blitz; the certain fall of Cairo which never fell; the German rout in Tunisia that was never expected; and now the grandest deed of all in the scale of history, the re-invasion of Europe—he has gone about his business with less excitement, less hand-wringing or less handshaking than seemed humanly possible. Eye-witnesses will always remember the ordinary behaviour of the ordinary people of Britain while history was making them and their kinsmen great.

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### The Initial Success

The opening of the invasion of Europe on June 6th brought initial successes that surpassed even the most optimistic expectations. The assembly of the expeditionary forces and their embarkation met with no interference from the Luftwaffe. The passage of the vast armadas across the Channel went on almost undisturbed; the intervention of the enemy's navy was too episodic and too feeble to cause confusion. The first vanguards of the invasion reached their destination on the coast of Normandy after the Allied air forces had partly destroyed the coastal defences. Elaborate anti-invasion obstacles under the water and on the shore proved less formidable than might have been feared. True, towards the end of the first day of the fighting and on the morrow some German coastal batteries were able to renew activity; but they could fire only on a reduced scale and for a short time. The first landings on the stretch of the coast between Cherbourg and the Seine Estuary were quickly followed up by a drive inland in which tanks took part on the very first day of the battle. The pattern of the operation has now emerged gradually as a design to establish the first large assembly base for the Allied forces on the continent. An advance inland from the beaches carried the attackers to Caen and into Bayeux on the second day of the fighting. This advance in the centre of the invasion area was supported by the landing of air-borne troops some thirty or forty miles behind the enemy's rear, between Argentan and Falaise. At those important road junctions the air-borne troops delayed the onrush of the German reserves towards Caen where the first heavy tank battle had developed. Similar massive landings of air-borne troops were reported from the east and south-west of the Cherbourg Peninsula. It seems that in the Cherbourg Peninsula their task was not only to protect the sea-borne landings, but also to play a more independent rôle in gaining territory. The central and western sectors of the invasion area have so far been the main scenes of the fighting, while little news has come from the eastern sector around the Seine Estuary.

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The first invasion days have shown technical excellence, precision of timing and a fine spirit on the Allied side. They have also revealed the striking inadequacy of the enemy's air-force, which compels him to hold back his reserves in aircraft—they are authoritatively estimated at 500 bombers and 1,750 fighters—for the most critical stage of the fighting. It should not be forgotten that this is the first baptism of fire for much of General Eisenhower's armies while the enemy has many seasoned and battle experienced soldiers. It is also important that the successful Norman prelude to the invasion should be seen in the right perspective. The Allied forces are still fighting for their first assembly base on the continent. Much remains

still to be done before this assembly base is established. Other assembly bases at key points on the Atlantic coast will have to be secured. There will be periods of intense activity and there may also be days or weeks of lull, before the drive into the heart of France begins, and before Allied blows make the Wehrmacht reel to defeat. But already the world has witnessed the great moment when History itself commanded the forces of freedom: "Hic mare, hic salta!"

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### An Administration for France

France is the first battlefield of the invasion. Paradoxically, it is still the only Western country with which Britain and America have concluded no agreement on the conduct of civil affairs. While in the very first hours of the battle, King Haakon spoke to Norway, Dr Gerbrandy to Holland, M. Pierlot to Belgium and M. Dupong to Luxembourg, France, the actual zone of operations, heard only the voice of General Eisenhower, and it was not until the afternoon that General de Gaulle spoke to the people of France. Nor do the messages of the two Generals throw much light on the question of a civil administration. General Eisenhower promised that Frenchmen would be in charge of France's civil administration and that Vichyites "would be removed." General de Gaulle told the people to obey the instructions of "the French Government." Does this mean that during his few days in this country General de Gaulle has succeeded in reaching a satisfactory solution? Are the plans worked out in Algiers by the French Committee and Assembly to be put into effect and will their Commissioners be assigned to each area as it is liberated? This seems the only alternative to the worst kind of political chaos. The French Committee claim that, whether they are recognised or not, their authority in France is such that only their writ will run. This is very

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probably true, but the mere suggestion that other groups can jockey for position may leave gaps where ex-attentistesses can find a niche, or, which would be worse, it may tempt ardent Gaullistes to abuse their popular appeal in order to make sure of their authority. An orderly arrangement alone will prevent excesses on both sides.

### The Fall of Rome

Everyone will be glad to hear that Rome has been liberated intact. The Germans made no attempt to fight a delaying action through the city. This might have gained them some time to extricate their forces more thoroughly from the positions south of Rome, but their withdrawal appears in any case to have been successful, and politics, not strategy, must have dictated their decision. The German Catholics—about a third of the population—have the most outspoken leaders of any potential opposition inside Germany. The German bishops have not minced words in their pastorals, and the pulpit is the only place where in recent years the Germans have heard public criticism of their rulers. The destruction of Rome might have had dangerous repercussions across the Alps. The Germans may also have been influenced, by a desire to preserve their doubtful rôle of “defenders of Western Civilisation.” By proposing that Rome should now be an “open city,” they are trying to make the city militarily useless to the Allies and to lay at their door the blame for any future damage. The weakness of the *Luftwaffe* revealed in the landings in Northern France suggests that the Germans will have little air strength available to attack Rome, whatever use is made of the city. For the Allies, its significance is now political rather than military. It is once again the capital of Italy. The King has resigned his powers to the Crown Prince, who, as Lieutenant of the Realm, has accepted Marshal Badoglio's resignation and asked him to form a new Ministry which will include political representatives of liberated Rome.

### The Italian Boot

The dramatic expedition across the Channel has up to a point overshadowed the great victories scored by General Alexander in Italy. Yet the advance up the Apennine Peninsula has now developed into a brilliantly conducted and lightning pursuit. The mopping up of the remnants of the German rearguard in Rome was completed on June 4th, while the main forces of the Fifth and Eighth Armies were already on Kesselring's heels to the west, north and east of the city. The main line of the pursuit leads northwards across the Campagna and along the coastal road. Here Kesselring's forces can no longer count on establishing defence lines as formidable as those by which they managed to delay the Allied advance to the south of Rome. They are also exposed here to the double and constantly present threat of bombardment from the air and of an Allied sea or airborne descent in their rear, based on nearby Corsica. The subsidiary line of General Alexander's pursuit runs to the east of Rome, along Highway Five, already reported to be dominated by the Eighth Army, which bars the way of retreat to the German forces, of unknown strength, that have not succeeded in disengaging or have been left behind as rearguards. General Alexander's objective is, as before, not merely or not even to capture territory, but to put out of action as large a proportion of the enemy's forces as possible. It is characteristic in this connection that the guerillas in northern Italy have now received the order not to interfere with the despatch of enemy forces to the south, but to do their utmost to upset their withdrawal to the north. The bearing of the Italian campaign on the western front needs no further explanation. The Italian boot is uncomfortably pinching Hitler's leg at the time when he must value freedom of movement above everything else.

### Weatherwise

In the silly season preceding the Second Front, the weather—in the Straits of Dover—began to reassert itself in the columns of the daily press. Day after day, the public was informed that there was a cloudless blue sky in the Straits—but not necessarily in any other part of the English Channel—that there was a heat haze, that thunder clouds were piling up, that there was a light breeze or a strong wind as the case might be; sometimes the reporter even

let his imagination flow in a description of the sea itself, which was choppy with breakers or calm and unbroken. Thus and thus did the press attempt to satisfy its readers' summer thirst for weather news without infringing the censorship regulations. It was a good enough joke while it lasted. But now that the Straits, or rather the Channel, have been crossed by Allied troops, is it not time that this silly secrecy should disappear with the silly season? Or is it at least not time that “They” should no longer get away with the plea of military necessity but have to show cause why news of the weather in London is of more value to the enemy than news of the weather in the Straits? In itself, the regulation is insignificant. But like the ban on church bells, which could only be lifted by slow stages, it is one more proof that the bureaucrat finds it easier to impose restrictions than to lift them, and with—it is hoped—the time approaching when many similar restrictions and impositions, such as the black-out and fire-watching, can be abolished overnight, it has a deeper importance. For the public will certainly, with a better grace, put up with the many necessary controls and regulations which will have to be maintained after the armistice, if those that are clearly unnecessary, and very irksome, are swept away unhesitatingly and at once. Cannot, therefore, that foolish pseudonym, the Straits of Dover, go the way of Parliament's “sitting days”? It would be a discard from strength.

### Location of Industry

Mr Dalton's explanation in the Commons on Wednesday of the policy of the Government on the location of industry, which was set out in the Employment White Paper a fortnight ago, met with much approval. The once-distressed areas will become “development areas,” to which it will be the Government's aim to “steer” the factories required to establish a balance between different types of industry. “Guidance, advice and suggestions” will be given by the Government on the location of all “important schemes for large extensions or new buildings”; and there will be a considerable enlargement of the powers of financial inducement and aid which were applied on a small scale before the war to the Special Areas. The chief criticism made in the debate was that the Government's intentions still do not go far enough; that there is still no proposal to direct particular industries to particular places or, in the case of London, whose congestion so much concerned the Barlow Commission four and a half years ago, to ban further industrial development altogether wherever necessary; and that the location existing industries will not be altered. It certainly cannot be assumed beforehand that the new location policy, which is consultative and persuasive in character, will prove sufficiently positive in practice to achieve its aims.

### Colonial Development

In last year's debate on the colonial estimates, Colonel Stanley dealt mainly with the political aspects of colonial rule, with the progress that had been made by certain colonies towards self-government in recent years and with the best means of encouraging that progress—by education in its widest sense of self-help. This year, he dealt with economic development, the second of what a year ago he called “the twin pillars upon which any sound scheme of political responsibility must be based.” He gave a full account of the machinery of planning in the colonies. In nearly all the big colonies there has been set up a Colony Development Committee, composed of the heads of the various departments of administration, some unofficial members, and one whole-time member, either official or unofficial, who is engaged full-time. The plans which these committees are drawing up are to be comprehensive and long-term—“real five- or ten-year plans covering the whole development of the colonies, and not just a new hospital here and a new road there.” Secondly, the Colonial Office is encouraging regional co-operation in planning—such as the Stockdale organisation in the West Indies, the Civil Members Committee in West Africa (which is composed of the Governors under the chairmanship of Lord Swinton, the Minister Resident, and to which outside experts have been attached), and the Governors' Conference in East Africa. Thirdly, the Colonial Secretary said that the part of his Department in colonial development is to stimulate and assist the formation of plans, helped by reports and investigations of the advisory committee, and also to make

certain that there is no one-sided development in any colony, but that detailed planning must be done by the colony itself. This machinery of planning is satisfactory. Colonel Stanley's emphasis on the need to encourage local enthusiasm and to allow a great deal of local initiative is reassuring. So, too, is his reiteration that the £5,000,000 a year allowed by the Colonial Development and Welfare Act is “quite inadequate for the needs which these plans will disclose.” But it is still doubtful whether the rôle allotted to the Colonial Office is positive enough, whether it ought not to give more of a lead to enable the local development committees to fix their targets high. Judgment must be suspended until more is known of the plans submitted by the colonies. They should be given the fullest publicity.

### Education in the Lords

“D” Day did no good to Tuesday's debate in the House of Lords when the Education Bill was read a second time. For the most part the few peers present came because they had prepared speeches which they were determined to make. Very naturally, there was very little of an audience. Yet the debate itself was a significant one. Never before, probably, has an Education Bill received such a cordial welcome from all peers, lay and ecclesiastical. Lord Woolton, who spoke for the Government, had an easy row to hoe. He voiced the opinion of the House when he claimed that the nation's greatest asset was its children; that the present system of schooling, for all its virtues, is not adequate to meet national needs; and that the most important advances proposed in the present Bill are the end of the existing class distinction between elementary and secondary education. Lord Nathan was largely concerned to stress the importance of what has now come to be called the McNair principle: that the recruitment of teachers should be as wide as possible from all sections of the community, with no type of talent or experience barred; and that teachers in training should have the closest contact, not only with the school in which they are to work, but also with the community to which they and their pupils inseparably belong. Lord Samuel, similarly, laid stress upon the physical conditions of good education, upon the achievements that have been made in the guarantee of nutrition and good health to school children. Significantly, too, he emphasised the dangers of mass production either of scholars or of teachers. Most outstandingly, the Bishops who spoke gave an unprecedented approval to the denominational clauses of the Bill. But both the Archbishop of Canterbury and the Bishop of Chichester were eager to add that the proposed arrangements for denominational teaching and the administration of religious schools should not be regarded simply as an organisational and financial compromise. Their approval of the Bill was determined by their belief that by it religious teaching is given an integral part in the new schooling. Briefly, but almost ominously, in these speeches, as in others, the still unresolved financial problem was indicated as the chief obstacle to these generally applauded reforms. It remains doubtful yet whether either local authorities, in view of the other extra administrative expenses to be laid upon them, or religious bodies will be capable, even with the proposed generous support from public funds, of bringing all the schools up to the standards which are to be obligatory upon the entire community. More and more, it is evident that some reconsideration of the local financial position, in face of new postwar tasks, is imperative and urgent.

### Change of Guard in Sofia

The protracted Governmental crisis in Bulgaria has ended in the formation of a new Cabinet under Ivan Bagrianov, former Minister of Agriculture. The new Ministry, which is described as a Government of experts, is politically almost colourless. The new Prime Minister himself has the reputation of being a friend of Germany, while his colleagues have no political reputation at all, and one of them, the Minister of Agriculture, Kostov, who was Professor at Leningrad University, can certainly be regarded as a friend of Russia. For the time being, the new Prime Minister is also the Minister for Foreign Affairs, but the permanent post is said to have been reserved for the present Bulgarian representative at Madrid, Draganov. This seems to indicate that, though the new rulers of Sofia have declared the intention of continuing the old foreign policy, they are nevertheless anxious to have as Minister of Foreign Affairs a personality who had established contacts

with non-Axis Powers in a neutral capital. On balance, it seems that, subjected to the double pressure from Russia and Germany, the Bulgars have decided to make no hasty move in any direction or to make haste very slowly towards Russia. Internal unrest in the country has grown, and though there are no symptoms of open civil strife, political disintegration has gone pretty far. A number of high Bulgarian officers have recently fled from their country and crossed the frontier to Turkey or to Russia or have joined the Yugoslav guerillas. Bagrianov's main pre-occupation is therefore to keep internal order in Bulgaria as well as in the occupied territories, where guerilla fighting goes on.

### Truce in the Balkans

King Peter of Yugoslavia has at last dismissed the old pan-Serbian Ministers by whom he was surrounded until recently, and he has entrusted Dr Subachitch with the task of forming a new Government. The new Yugoslav Premier is not a Serb but a Croat, a prominent member of Machek's Peasant Party. This may help him very much in finding a common language in discussions with the representatives of Marshal Tito, with whom he is expected to confer at Bari. Whether the choice of a Croat politician for the post of Yugoslav Prime Minister will be welcomed in Serbia is not at all certain, though Dr Subachitch has been an ardent supporter of the federalist conception of the Triune Kingdom and not a Croat separatist. King Peter has also invited General Michailovitch to send his delegates to the Bari conference. It looks as if the Lebanon conference, at which unity between the principal Greek parties was achieved, had provided the model for the programme of Dr Subachitch. The Lebanon agreement on Greek unity still awaits sanction by the underground groups in Greece itself. The leaders of the Greek Communist Party have in the meantime renewed their expression of confidence in M. Papandreou, the new Prime Minister, though the promotion of Admiral Voulgaris, who suppressed the mutiny in the Greek Navy, to be Commander-in-Chief of the Navy has brought some critical comment from the Greek

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Left. Both the Greek and Yugoslav Prime Ministers, M. Papandreou and Dr Suachitch, are men of the Left Centre, and as such they are better qualified than their predecessors to work for a social and political truce in their countries.

### Local Administration

The recent Newcastle-upon-Tyne incident revealed a certain laxity of administration in the Civil Defence Services because of the blurring of responsibility between the officials of the council and the A.R.P. officers, who in several cases were one and the same person. This has led naturally to the suggestion from the Home Office that there should be a separation of powers in local administration at least in A.R.P. matters. This suggestion, from Mr Morrison, has not been well received, either by the local authorities most directly concerned or by other authorities in places where similar difficulties have not so far arisen. The view of several local councils appears to be that this directive represents yet another attempt by the central Government to impose forms of procedure upon locally elected representative bodies. It would be a gross error, however, if this kind of suspicion were to obscure the necessity for a clear division between the persons responsible for policy and those responsible for the policy's execution. It is reasonable that policy should be made by elected committees and that the chairmen of these committees, also elected representatives, should have a special concern in the business which is their committee's province. But it is wholly unreasonable, and dangerous in ways that hardly need specification, that these elected representatives, even though chairmen, should themselves be responsible for carrying out their own orders. There is a crucial need, in the interest of both efficiency and fairness, that the same distinction between elected and permanent personnel should be made in local government as is made between Parliamentary Ministers and the Civil Service. If on short-term and short-sighted views, Mr Morrison's plea in the matter of ARP is resisted, then many gloomy forebodings about the possible course of local administration will be given added justification. This is the more so because, owing to the suspension of elections, local committees and local chairmen cannot even claim to be properly representative of local opinion.

### Prosperous Countryside

The friend of the countryside often believes with all sincerity that, if people from the town would come to work on the land, a great deal of disease and poor physique could be eliminated at only a moderate cost in terms of industrial output. This time Sir John D. Barlow, speaking to the Farmers' Club, even maintained that such a policy was better than the "negative policy of spending untold millions on social services in urban areas trying to regain that which had been lost." The fact that agricultural communities are themselves already in great need of much increased social services always tends to be ignored in such arguments, and what is never made clear in statements like this is how the increased rural population can be at once large and prosperous. It is perfectly possible to have a prosperous agriculture, run by a small labour force and making the most of technical economies, or, alternatively, a large agricultural population whose average productivity would be considerably less than before and the cost of whose maintenance might be of the same order of magnitude as the cost of new social services in the urban areas. The real answer to ill-health and malnutrition in the towns of this country can never lie simply in our own rural areas, pleasant and restful though they may be. It can only be found in a high level of efficiency in the industries and trades for which we are suited, including the most suitable types of farming on an economic scale; in the provision of the cheapest possible food and raw materials, and in social services and redistributed income where necessary in both town and country.

### The Wolfram Ban

As a gesture of friendship and alliance, the Portuguese Government has banned all exports of wolfram to Germany. Mr Eden made it quite clear in the Commons that the British Government had conducted the negotia-

tions and that their success had been due to Portugal's desire to honour as far as possible their ancient alliance. Close contact was maintained with the American and Brazilian Governments, but the affair was clearly Anglo-Portuguese. As the Portuguese authorities put it:

In taking this grave decision the Portuguese Government wishes once more to prove its fidelity to the traditional alliance between the two nations.

It is therefore a little odd to learn from the State Department that the Americans in fact negotiated the agreement "in close co-operation with the British and Brazilian Governments." A short time ago when the negotiations with Spain did not end in one hundred per cent success, the State Department was quick to dissociate itself from the bargain and to blame the British. The Portuguese negotiations have obviously been very successful, and while the principle upon which the State Department seems to be working is understandable, it is not altogether designed to contribute to cordial understanding with the Foreign Office.

### The Polish Premier in Washington

The Polish Prime Minister, Mr Mikolajczyk, first planned to visit the United States at the beginning of this year. His trip was then cancelled. After the Soviet Government, having proposed a settlement with Poland on the basis of the Curzon Line, refused to enter into negotiations with the Polish Government, Mr Churchill offered his good offices as mediator. Private correspondence between Mr Churchill and Marshal Stalin failed to produce any positive results; and an earlier American offer of mediation was formally refused by the Russians. But further informal soundings have now apparently been made through American channels; and it was probably in connection with these that the Polish Prime Minister unexpectedly went to Washington last week. It is quite possible that Professor Lange and Father Orlemanski, the two American Poles who visited Moscow recently and conferred there with Marshal Stalin, have brought back some more specific proposals which will be the subject of Mr Mikolajczyk's discussions. Before his departure, the Polish Prime Minister repeated the Polish proposals for a temporary demarcation line between Poland and Russia which would leave Vilna and Lwów, the two largest ethnically Polish towns in the disputed area, on the Polish side. The Russians refused to consider this suggestion when it was first made; but it is not impossible that the gap between the Polish and Russian viewpoints may have narrowed since then.

### New Governments in Latin America

All Latin American governments are struggling more or less successfully with the tradition of lawlessness and arbitrary rule. In almost every state, the army tends to be a permanently disaffected centre and to be behind every violent change of government. It was true of Argentina and of Bolivia. It is true now of Ecuador. After last week's fighting, a provisional military government under General Alba has been set up at Quito and will hold office until President Ibarra returns from exile. The advent to power of the military clique in Ecuador is probably not dangerous in the wider context of United Nations relations. The army is not unfriendly to the United States and has received Lend-Lease material. But it may become dangerous in the narrower sphere of South American politics. The government of President Arroyo, the deposed President, settled the long-standing territorial dispute between Peru and Ecuador by an agreement which was to the advantage of Peru. Military leaders in Ecuador were not satisfied with the agreement and the change of government may lead to renewed trouble and even renewed fighting. The case of Ecuador shows how hard the habit of military intervention and arbitrary government is to break. This week's elections in Cuba are therefore all the more remarkable, for the tradition of Cuban politics was second to none in turbulence and bloodshed until President Batista assumed leadership in 1933. He rose from the ranks of the army and became the dominant figure in 1933 when after a "sergeants' revolt" he made himself Chief of Staff. From 1933 until 1940 he was the power behind the throne of a succession of presidents and used his influence to get the army out of politics and to reduce the inefficiency and corruption of the

regime. In 1940 he held a free and constitutional election and as Presidential candidate received an overwhelming majority. His four years of office have been peaceful, constitutional and on the whole progressive. The great question was whether he would allow a free election to supplant him, if this should prove to be the will of the people. Last week's elections suggest that his devotion to constitutional government covers even this concession. His nominee, Dr Saladrigas, has been defeated and the leader of the opposition parties, Dr. Grau San Martin, has been elected. The elections were perfectly free and there was no trace of army intervention. The question remains whether the new President and President Batista can now loyally reverse roles and continue the experiment of constitutional government in Cuba.

### Irish Election

The result of the general election in Eire has put an end to Mr De Valera's year-long government by a minority. The Prime Minister chose the moment for the election most skilfully, and found his opponents at their weakest. His party is once more in a position to govern with effective political backing in the Dail. Since the general election of June, 1943, Fianna Fail, of which Mr De Valera is the party leader, had been dependent on the support, or at least the acquiescence, of the minor parties, those of Labour and the Farmers, since it was in a minority of four in the Dail against the combined numbers of Fine Gael, the Farmers' Party, Labour and the Independents. Now the clear majority which Mr De Valera lost last year has been regained. The distribution of seats in the Dail among the various parties in the last three elections is shown below:

|                      | 1938 | 1943 | 1944 |
|----------------------|------|------|------|
| Fianna Fail.....     | 77   | 67   | 76   |
| Fine Gael.....       | 45   | 32   | 30   |
| Labour.....          | 9    | 17   | 8    |
| National Labour..... | ...  | 14   | 4    |
| Farmers' Party.....  | ...  | 14   | 11   |
| Independents.....    | 7    | 8    | 9    |

## AMERICAN SURVEY

### The South and the Fourth Term

(From a Correspondent in Virginia)

Richmond, April 20

IF President Roosevelt is nominated again for the Presidency, nearly all observers believe that he will carry the entire South. He probably will lose some of the "border states" on the fringes of the former Confederacy, such as West Virginia, Kentucky and Maryland, but the South proper is considered safe for him. It has been solidly Democratic almost continuously since the "reconstruction" era in the late nineteenth century; in addition, Mr Roosevelt, as President, has done more for that section than any occupant of the White House in modern times.

A year ago there was great speculation whether Roosevelt could carry the South for a fourth term, and numerous metropolitan newspapers in the North and Middle West sent correspondents across the Potomac and the Ohio rivers on tours of exploration, with a view to determining whether the rumoured "revolt" there against a fourth term was genuine. It turned out to be thoroughly *ersatz*. There was well-nigh unanimous agreement on that point in the ranks of the newspapermen.

This is not to say that the anti-Roosevelt sentiment in the South is less virulent than elsewhere. On the contrary, the enemies of the President there seem to be afflicted with a peculiarly deep-seated form of hatred, comparable to that found in the Chicago area. Nowhere are the President's critics more vociferous or more determined than between

These factors have probably contributed to the latest result. In the first place, the loss of five seats by Labour and National Labour combined was undoubtedly the result of the split in the labour ranks. Secondly, the party machine of Fianna Fail's nearest opponent has shown increasing inferiority and lack of grip. The third factor has undoubtedly been the difficulty of transporting the electors, of whom only 65 per cent voted, to the polls. The support for Fine Gael and for the Farmers' Party comes largely from the rural districts, where these difficulties are now among the most serious of the inconveniences arising from the war. The present result, however, cannot be taken as any indication of the future trend of Irish politics. Party policy and the choice of the electorate are both affected by the conditions of the war period and liable to considerable alteration.

### Social Security for All

Sir William Beveridge, in a speech last week, reiterated the political philosophy that lies behind his social security plan. This is that the state exists for all its citizens and not just for some of them. Translated into practice, this means that the community should assure to each of its citizens, as their right, a certain minimum standard of living. It follows that the same minimum should be forthcoming whatever the reason for the individual's inability to fend for himself, whether this be due to unemployment, illness or old age. The attainment of some minimum standard is in no way dependent on the attainment of any particular level of national income. It is a question, whether the country be poor or rich, of establishing priorities in production and consumption that will guarantee first a sufficient supply of essential goods and services for those at the base of the social pyramid. Every country can afford some level of social security. The only question is how high it can be in each case; and the higher the national income, of course, the higher the minimum. But Sir William's point is that the Beveridge plan for social security does not depend for its practicability upon the Beveridge or any other plan for full employment.

the Potomac and the Rio Grande, and they have been expressing themselves there since he ran for re-election the first time in 1936.

In the main they are persons of standing in their communities, with better than average incomes, and highly conservative points of view. Primarily it is the New Deal programmes in the realm of labour relations and race relations which have so aroused their ire. By providing legal protection for unions against the capricious and arbitrary attitudes of many employers, the New Deal has incurred the violent hostility of those employers, particularly in the South, where the anti-union tradition has been strongest. Sometimes, it must be confessed, Federal agencies and officials charged with the duty of providing fair treatment for labour have been excessive in their zeal, and unfair to management, but management would have been hostile in numerous instances anyway, simply because the unions were being given Federal protection.

As for the race situation, this probably has brought more bitter feeling against the President and Mrs Roosevelt in the South than any one thing. This region, as the former seat of the plantation slave economy, contains some 10 million negroes, or perhaps three-fourths of all those in the United States. The Roosevelts have been more largely concerned with bringing justice to this unprivileged element than any of their predecessors, with the possible exception

of President Abraham Lincoln. The result has been almost unprecedented antagonism towards both Mr and Mrs Roosevelt, especially the latter, who has espoused the cause of the coloured people with even more enthusiasm than her husband.

The recent decision of the United States Supreme Court that a state cannot legally confine participation in the Democratic party primary to white persons (as has been done in most Southern states heretofore), has brought scathing attacks on the Administration. The present court is largely the creation of Mr Roosevelt, since he has appointed seven of the nine members, and its decision reversed one which had been rendered unanimously by the same court on the same issue only nine years previously. Since nomination in the Democratic primary in the largely one-party South is practically equivalent to election, exclusion of Negroes from such primaries means that they have virtually no voice in the choice of their own public officials. The court's ruling that they must be admitted to the primaries was a particularly unpalatable dose in the so-called "Deep South," along the Gulf of Mexico, where the Negro population is highest. In the "Upper South" coloured voters have been admitted to the primaries in most states, although not on the same scale as the whites, since there is still very strong feeling among white Southerners—who remember the orgies of "reconstruction," when Negroes were given political control by the victorious North in various states—that "white supremacy" depends on keeping most Negroes from voting. This is accomplished in various ways—by educational requirements, by the "poll tax" of \$1 to \$2 which must be paid in certain jurisdictions annually in order to vote, and so on. A determined and prolonged effort in the Federal Congress to repeal these poll taxes, which have been levied by the state legislatures, is another cause of great antagonism to the Roosevelt Administration, which is supposed to be supporting the attempt.

Yet, despite hostility to the President, from those who object to his policies in the field of labour relations and race relations, to say nothing of his programme for the relief of tenant farmers through Federal loans, his "socialistic" measures, such as the great electric power and flood control development in the Tennessee River Valley, and his expansion of "bureaucracy"—despite all this, sentiment in the South has long been overwhelmingly favourable to him. This was demonstrated in 1932, 1936 and 1940, when he carried the South by huge margins, in the face of hostility sometimes just as violent as that of to-day.

There is nothing particularly surprising in this. The extremely vocal opposition to him comes largely from a relatively small coterie of manufacturers and business men. The Southern masses, on the other hand, recognise the substantial benefits which his three terms have brought them and the region.

For example, the cotton and tobacco farmers are getting some of the highest prices in history, a situation for which Mr Roosevelt's administration is partly responsible. The wage-earners are enjoying the benefits of a 35-cents-an-hour minimum wage, which will go to 40 cents next year, under the Roosevelt Fair Labour Standards Act. The reciprocal trade pacts, whose chief champion is Secretary of State Cordell Hull, are directly in line with the best interests of the South, which has long been handicapped by the fact that the tariff benefited the North, and Southerners had to buy in a protected domestic market, while selling their products in an unprotected foreign market. The small farmers of the South have had the benefit of loans from the Federal Government for the rehabilitation or purchase of their farms, a service which has been of inestimable help to them, and also has increased food production for the war.

Then, too, there is the fact that the South, the most belligerent and warlike and pro-Ally part of the United States, appreciates the leadership which Mr Roosevelt has given the country in the greatest crisis it has ever faced. The South is less anxious to shift to another leader while the conflict is in progress than some other regions are.

Just now the vocal group of anti-Roosevelt Southerners, consisting mainly of financial and business interests, is holding meetings throughout the South in an effort to work up enough sentiment behind Senator Harry F. Byrd, of Virginia, to nominate him for the Presidency over President Roosevelt. Senator Byrd is a direct descendant of the famous Colonel William Byrd, of "Westover" on the James, who founded the city of Richmond, and was the most talented writer and greatest bibliophile of the early eighteenth century in America. Senator Byrd has been at odds with President Roosevelt since the latter's first term, and he has just been

described in two *Saturday Evening Post* articles as "The New Deal's Hair Shirt." A wealthy man, who made his way through his own efforts, he believes sincerely in the old concepts of "rugged individualism," as opposed to what he terms the Administration's wasteful paternalism and extravagant bureaucracy. His chief function in the Senate has been to recommend means of saving money, and he did succeed in cutting down Federal outlays by over \$2,000 million in a two-year period, most of it in ways beneficial to the body politic. But if Senator Byrd were given *carte blanche* to do as he sees fit to the Federal establishment, he would eliminate most of the social services, and reduce the Federal mechanism to its simplest terms, retaining a minimum of "interference" with the individual, and a maximum of "free enterprise."

This is the man behind whom the anti-Roosevelt elements in the Southern States have been rallying of late. They have held regional meetings at various places, under the leadership of John U. Barr, a New Orleans rope manufacturer, who is vice-president of the ultra-conservative Southern States Industrial Council. Most, if not all, of the meetings have drawn small assemblages of anti-Roosevelt elements. The reason for the smallness of the response apparently lies in the realisation of most of the prospective Byrd supporters that their man cannot be nominated. If Mr Roosevelt wants to run again, he can do so. If not, he can control the convention. Fully aware of this, Mr Byrd himself has discouraged the movement in his behalf.

Whether the President will seek a fourth term remains uncertain at this time, with most of the uncertainty revolving about the question of his health. But if he wants the nomination, he can have it, and if he runs, he will certainly carry the South, despite the highly articulate nature of the opposition to him in this region.

## American Notes

### KNAPP

The Congress of Polish Americans, which took place at Buffalo last week, was preceded by Homeric disputes between the various political groups that compete for influence among the Americans of Polish descent. The ties between those Americans and their "mother-country" have always been fairly strong; and so Polish domestic affairs have always tended to produce repercussions among Poles in Chicago, New York and Detroit. The National Committee of Americans of Polish descent (KNAPP—Komitet Narodowy Amerykan Polskiego Pochodzenia) has provided the ground on which Polish political feuds have been fought out. In the election of 1940 KNAPP worked with great enthusiasm for Mr Roosevelt. All Poles were then, equally interested in helping to bring into the White House the man whose election provided the best chance of American participation in the war against the Axis. Since then, however, much has changed. To some Poles, at least, the President now seems to symbolise the policy of co-operation with Russia at the expense of Poland. Those Poles—grouped around Colonel Matuszewski, former Polish Minister of Finance, and Mr Węgrzynek, a big importer of Polish bacon before the war, and sympathisers with the old Colonels' regime—have now transferred their support to the Republicans. Some time ago they succeeded in gaining a dominating influence over the New York branch of the KNAPP, and decided to use New York as a jumping-off ground from which to conquer the key positions in the Polish American Congress. They hoped to win the Congress for an anti-Roosevelt vote, and to turn it into the forum of an extremist anti-Russian policy. At the same time, they intended to exploit the Congress for a show-down between the Pilsudskists and the present Polish Government, which they accuse of having sold Poland's interests to Russia and the democracies. The Matuszewski-Węgrzynek group have been opposed by the supporters of the present Polish Government, who were anxious not to involve the Congress in anti-Roosevelt manoeuvres, but who nevertheless desired that it should put pressure on the President and demand from him a "stiffer" pro-Polish attitude in the Russo-Polish conflict. A third group, led by Professor Lange, Krzycki and Father Orlemanski, has been unconditionally pro-Roosevelt and has hoped that Mr Roosevelt might, like Mr Churchill, speak out in favour of a Polish-Russian settlement based on the Curzon Line. This latter group was not admitted to the Buffalo Congress at all. The Matuszewski-Węgrzynek group remained in a minority, though Mr

Węgrzynek himself was elected to the new Board of the KNAPP. The Congress adopted a resolution which was neither for nor against Mr Roosevelt. Ostensibly evading the election issue, the Congress addressed to the President a very emotional plea in favour of Poland's pre-war frontiers with Russia and branded any change in those frontiers as a betrayal of civilisation. This appeal has brought a spate of accusations against the Polish Government in London, which is accused of using its influence in order to blackmail the President and meddling in internal American affairs, accusations against which spokesmen of the Polish Government have vigorously defended themselves. The effect of the Congress on the attitude of the Poles in the elections cannot easily be predicted. The suspicion that the President may have accepted the Russian viewpoint on the Curzon line at Teheran may throw many Polish Americans into Republican arms. Against this must be set the traditional Polish leaning towards the Democratic Party, which has always treated the American Poles—one of the not very wealthy and not very influential national groups in the United States—more liberally than the Republican Party. There can be no doubt that a just and satisfactory compromise between Poland and Russia, freely accepted by the Polish Government, would eliminate the Polish issue from American pre-election politics and kill at a stroke the many demagogic manoeuvres which are now being prepared. The present visit of the Polish Prime Minister to Washington may possibly yield good results.

### Lone Star State

The Lone Star State seems to be seeing double. A split in the Democratic Party in Texas has produced twin conventions and slates of delegates to the National Convention, the first concrete evidence of a rift in the Solid South. Conservative opposition to the Administration on the part of Texas Democrats rests, in the main, on wartime policies affecting the oil and cattle industries; but there is no doubt that it was the Supreme Court decision on the rights of Negroes to vote in the Texas primaries which brought it to boiling point. The anti-Administration group has adopted a resolution to the effect that if the National Convention seats a "rump" delegation, or does not accede to the anti-negro plank on the platform, Texas electors will not feel bound to vote for the Democratic nominee. (The final vote for President is technically cast by state "electors," but it is unheard of for electors not to follow the popular vote in their states, although, constitutionally, they have the right of free choice.) This is an ambitious try-on. Despite the speculations of the columnists, it is hard to believe that Texas, or other Southern states like Mississippi, Virginia, and South Carolina, would in the end allow their electors to misrepresent popular feeling in their states, or that the election might have to be decided by the House of Representatives, the solution if neither Republican nor Democratic candidate receives a majority in the electoral college. Where the revolt may have its effect is in the choice of the Democratic Vice-Presidential nominee. It is worth remembering that Mr Rayburn, often in the past tipped as a likely peace offering to the conservative South, comes from Texas. If the split is to be healed, as even most Republican commentators glumly assume, Mr Rayburn's name may yet supplant that of Mr Wallace as the President's running mate.

### Catechism Before Breakfast

Mr Hull showed some acerbity this week over criticisms that the small nations are being left out of the planning of the peace. His press conference was distinguished by an unusual tartness, as when he snapped—

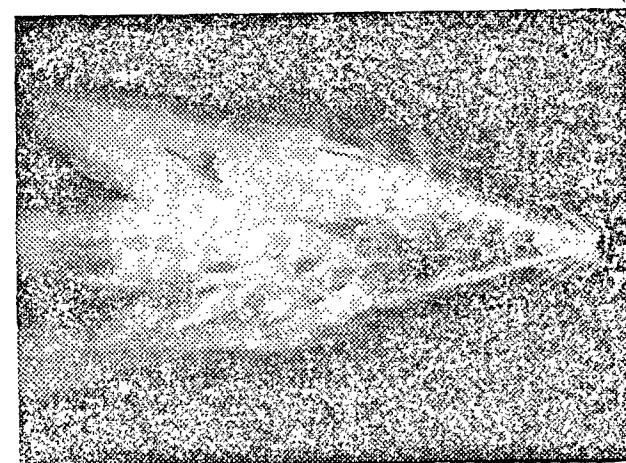
I see no reason why the American people should be catechised every morning before breakfast as to their loyalty to liberty, or their consistent desire of liberty for everybody, and freedom for aspiring peoples everywhere.

Mr Hull's irritability is understandable. Although approval of his method of Senate consultation and of the reported American draft plan is growing, there is a genuine feeling among liberal elements that too much emphasis is being placed upon the rôle of the Big Four, and that at least one very important nation, France, is being treated cavalierly. Apart from this, there is also a disposition in some sections of the press to manufacture grievances and exaggerate scruples to discredit the scheme. The comments of some

Senators, like Messrs LaFollette and Vandenberg, that they do not want to commit themselves to collaboration until they see the terms of the settlement, are calculated to create suspicion and discouragement. Mr Hull's cautious approach may not be altogether of his own volition. The opponents of collaboration apparently are determined on a resurrection of the Fabian tactics which Senator Lodge pursued in 1919. Lodge thwarted Wilson, not by an outright assault upon the League, but by piling reservation on reservation until the thing was smothered. It is difficult not to read a similar danger of acceptance hedged by disabling conditions into some of the statements attributed to Senator Vandenberg. The sincere dislike of "power politics" held by many Americans may be made a strong element in this scheme of passive resistance.

### Wolf, Wolf

The War Manpower Commission has made so many optimistic pronouncements on the manpower position that a certain wariness is excusable in appraising the new controls to go into effect on July 1st. Nevertheless, it appears that Mr McNutt has plunged with some boldness into the vacuum created by the disinclination of Congress to take the warnings of the Services seriously. The new plan is labelled "semi-compulsory," and is an extension, on a national scale, of the scheme already in use in areas of acute shortage. Under its provisions, no employer will be able to hire any full-time male labour except through the United States Employment Service, or designated agencies. No man over 17 (with certain exceptions, including farm labour) will be able to change his job without getting a card from one of these approved agencies, its issue in general being dependent on his willingness to accept one of the urgent vacancies the agency has been asked to fill. There will be some freedom of workers' choice, but it is emphasised that the jobs offered need not be in the workers' home towns. The advantage of the scheme is that, if it is enforced, it should cut down turnover and direct at least a trickle of labour into essential work. What it fails to do is to get at men in non-essential



## KODAK FILM is helping to design better aero engines

Illustration is from a cine film made by Kodak's super-speed camera at 2,500 pictures a second. The film shows various aircraft fuel injection jets in action. On the screen the action can be studied in ultra-slow motion and this has enabled the jet with the best fuel distribution to be selected. If you have difficulty in getting 'Kodak' Film, one reason is because vast quantities are needed for vital work in industry.





jobs who are canny enough to stay put; and it does not touch female labour at all. Nor does it appear what penalties attach to evasion of the order, or how it is to be policed. In the first and third respect it is plainly inferior to the Bailey-Brewster bill now before Congress, which would use the threat of conscription into the Army to freeze essential workers in their jobs, and to force men from non-essential industry without waiting for them to make the first move. Mr McNutt's directive has, however, one decisive advantage: to go into effect it need not wait, perhaps indefinitely, upon legislators reluctant to compromise themselves, at this critical time, with their constituents.

### Guaranteed Wage

It was from the steel industry that the formula for war-time wage stabilisation came. The formula is once more on trial, in the steel industry, with the CIO demanding a wage increase of 17 cents an hour. To grant the increase in the very industry which set the standard for nation-wide stabilisation could hardly be disguised as anything but the smashing of the formula. For that reason, particular attention is being directed to the subsidiary demands of the union, in the thought that if these can be satisfied, the frontal assault on the wage freeze may be averted. These include such items as severance pay, the union check-off, sick leave, company establishment of group insurance plans; but the most spectacular is the request for a guaranteed annual wage, over the next two years, in an industry noted for the violence of its employment swings. Mr Murray, head of the steel union, appealing for congressional approval of the principle, argued that farmers have been guaranteed a postwar 90 per cent of parity prices, and that industrial profits are protected for two years through tax provisions; and that the same sort of provision should be extended to labour. A variety of such schemes, on a small scale, already exist in the United States, notably in soap (Procter and Gamble), in shoes (Nunn-Bush), and packing (the Hormel Company). The "sit-in" strike staged by Brewster workers last week, when the company lost its Navy contract, and consequently had no work to offer, can hardly fail to stimulate interest in methods of stabilising post-war employment. Senator George, chairman of the Senate Postwar Committee, somewhat surprisingly gave the Murray proposal a mild blessing. The steel industry, less surprisingly, finds the

plan "impractical," "revolutionary," and calculated to force the industry into bankruptcy. The possibilities of stabilising the industry into bankruptcy. The possibilities of stabilising steel production plainly are on a slighter scale than those of stabilising the production of soap or shoes, standard consumer products capable of being warehoused. But Mr Reuther, head of the Automobile Workers' Union, made it clear that labour is thinking along these lines by suggesting a plan for spreading car purchases more evenly through the year. If the steelworkers are not determined to freeze steel employment at war-expanded levels, the proposal may have some chance of success.

### Enfranchising the War Worker

The census bureau has just released figures showing that men and women of an age to vote have increased over 8 million since the last Presidential Election. This large increase is due mainly to the advancing age of the population as the birth-rate declines. In 1940 62.4% of the approximately 80 million able to vote took part. In 1942, the proportion was much less, partly because it was not a Presidential year, partly because so many war workers were disfranchised owing to having moved across state boundaries. Recent New Deal victories suggest that this immense migration—calculated at over 3 million—has now settled down enough to allow war workers the opportunity to register, and thus to vote. One of the main functions self-imposed by the CIO's Political Action Committee has been to get its voters registered where outside stimulus was needed. Should it prove that war workers are now eligible to vote in substantially greater numbers, it may prove a central factor in a Democratic victory, for one of the main sources of President Roosevelt's strength is with labour. It will help to offset the inevitable loss of votes resultant upon the inadequate soldier-vote bill. The Democratic party is peculiarly dependent upon its young voters, not only for numbers, although these are important, but for party workers and enthusiasm, and it has suffered disproportionately, therefore, from conscription and the calls of war work. At a time when considerable numbers of the party organisation stalwarts find their devotion to the Administration somewhat tepid, and the power of the "state-house machines" has been lessened by the loss of so many state governorships, the need of getting out the working vote is particularly acute.

## THE WORLD OVERSEAS

### Credit for Canadian Industry

[FROM OUR OTTAWA CORRESPONDENT]

In its Industrial Development Bank legislation, the Canadian Parliament took one of its first steps in implementing post-war policy. In the field of intermediate credit, besides the industrial bank, the Canadian programme will include credit measures in the fields of housing and agriculture and, in addition, a scheme of export guarantees. These were forecast in the 1944 speech from the Throne, and the industrial bank was the first legislation brought in. "If we are to maintain employment and income after the war," said Mr D. C. Abbott, Parliamentary Assistant to the Minister of Finance, introducing the Bill, "we must envisage a high level of industrial activity." His outline of the functions of the proposed bank showed that it would be supplementary to the lending activities of commercial banks and other private lending institutions.

In general outline, the problem of maintaining "a high level of economic activity" in Canada after the war is clearly recognised. The 1943 report of the Bank of Canada stated it in terms of the employment problem. In 1939, Canada had 4,000,000 persons gainfully employed and 300,000 unemployed. At present, 5,100,000 Canadians are gainfully employed, of whom 1,900,000 are in the Armed Forces or in war production. Thus, the civilian sector of the Canadian economy at present employs only 3,200,000 persons. After the war, it is estimated, 4,700,000 persons will be available

for employment, or 1,500,000 more than now employed in civilian categories.

A working force of this size [the report says] at present rates of efficiency, will be able to produce a vastly greater volume of civilian goods and services than Canada has ever known. By the same token, a vastly increased volume of consumption and capital development will be necessary if this output is going to be fully absorbed and high employment maintained.

The chief agency of capital expansion in industry during the war has been the Department of Munitions and Supply. Down to the present, the sums it has provided as capital have amounted to more than \$1,750 million; of which about \$900 million has been distributed as working capital and about \$850 million as fixed capital. Against these immense sums, the provision of only \$60 million for "additions and extensions to plants" in the Department's 1944-45 estimates seems a paltry sum. It indicates that the momentum of industrial activity must begin to rely on other credit agencies.

For the most part, the Canadian viewpoint accepts private lending as the answer. But in bringing forward the Industrial Development Bank Bill, the Government argued that a serious gap existed in the Canadian financial structure for the provision of intermediate credit for new or existing small industries. Parliamentary speakers debated at length the meaning of "small," and the definition of enterprises coming within the scope of the new bank, contained in the Bill, showed a generous intention. It was:

A business in which the manufacture, processing or refrigeration of goods, wares and merchandise or the building of ships and vessels, or the generating or distributing of electricity is carried on.

The new bank will be a subsidiary of the Bank of Canada, with that bank's governor, Mr Graham Towers, as its president. Its directors will be drawn from the Bank of Canada's board. It will have an authorised capital of \$25 million subscribed by the Bank of Canada and the right to raise an additional \$75 million by the issue of debentures. This is not a large sum, though, since the width of the gap in intermediate credit is a matter of dispute, it may be more than sufficient. The gap will obviously depend on the extent to which ordinary sources of credit come into play again. The business likely to find its way to the door of the ID Bank will be small or medium, of the kind that has difficulty in financing through issue of stock and which needs credit beyond the short-term limits imposed by statute upon the commercial banks.

Precedent for making the new bank a subsidiary of the central bank rather than a separate Government-owned institution, was found in the Bankers' Industrial Development Corporation, the Bank of England's industrial salvage subsidiary, and Section 13 of the US Federal Reserve Act, which permits federal reserve banks to make industrial loans.

In the Canadian Parliament, the Bill drew forth a variety of views. On one thing, general agreement existed. It was that industrial development in Canada will proceed in future at an expanding rate. Two or three Conservatives argued that no justification existed for the Government entering the field of industrial credit. The small Social Credit group renewed their arguments that not production, but consumption, was the proper field of Government intervention in the field of credit.

The Co-operative Commonwealth Federation Party, betraying some lack of unity, argued for continuance of the wartime controls of credit and investment, in the interests of "national planning and a national investment authority." The nationalisation of the banking system, one of the CCF objectives, found one dissenter in the CCF ranks.

I do not visualise a time in the future [said Mr Gillis, the Nova Scotian CCF member] when the state will be supreme in this country, nor do I believe the organisation of state banks is the answer to the extension of a democratic order of society.

Mr Gillis argued for a wholesale development of co-operative credit unions.

Yet most of the CCF opposition, ardently in favour of political democracy, advocated the adoption of state control in economic policy.

### West African University

[FROM OUR ACCRA CORRESPONDENT]

THE Elliot Commission on higher education in West Africa has returned to Britain and its findings are not expected until the end of the year, but interest, especially in the question of a West African University, is kept alive by repeated editorials in the West African newspapers, and debates and discussions in educational centres in all four colonies.

From the evidence given before the Commission and the opinions aired in discussion it is clear that the location of a West African University tends to take precedence over the question of the actual desirability of a university. The prior claims of Fourah Bay, Achimota, and Yaba as the possible nucleus of a university are the subject of keen discussion in Sierra Leone, the Gold Coast and Nigeria. The major problems of establishing the functions of an academic institution in West Africa and its rate of growth are apt to be dismissed by African opinion as already solved. When the Principal of Achimota, recently addressing a meeting under the auspices of the Old Achimotans at Accra, pointed out that there would have to be a greater appreciation of the academic and corporate aspect of the undergraduate life and of the value to be gained from the student's "rubbing his mind against a better mind" if a university was to make a substantial contribution to West African society, he received a friendly press report. But it was clear that he had presented a new idea to many people who look on a university as a bigger and better secondary school.

The social position and the economic security which a university might bring to its graduates is readily appreciated here. Parents who send their children will be looking at the hall-mark conferred upon them and the grade of salaried

post in the Civil Service and business which an academic qualification might bring. This will probably be a weightier argument in the eyes of educated Africans for an expansion of the university's activities than the possible prestige value it would have in the eyes of the rest of the world.

If this were condoned with to the exclusion of more academic activities, the problem of the secondary school would have been raised again in another form. Educational thought in West Africa is now turning away from the fostering of cramming courses for the Cambridge school leaving certificate at secondary schools. It looks towards "the introduction of a type of education more suitable to the needs of the country" (Advisory Committee on Education in the Colonies), and to a leavening of the whole mass of illiteracy through adult education. But to superimpose a university on top of the educational system will require a very high standard of teaching in those secondary schools which are now in existence.

### The Scope of Employment

Yet it remains true that a university must be judged to a considerable degree by its ability to train graduates for employment. Where are the jobs for the graduates to take up? Some will go to the teaching profession and many, no doubt, will expect in time to oust Europeans from the Civil Service. Others with B.Sc. degrees will find openings as engineers in the railways and as research officers in government departments. The field for research in economics and sociology in West Africa is wide and, as yet, largely unexplored. Moreover, there is more than ample scope for the doctors in the field of health and nutrition. But the openings will be limited, especially on the managerial and technical sides, unless educational expansion and economic expansion march together. A buoyant revenue from taxation must be achieved to help bear the cost of the consequent expansion in government departments.

Those responsible in the four colonies for post-war reconstruction plans are aware that the solution to this problem does not lie merely in equating a given number of potential graduates to a number of jobs. Once he is graduated, the West African will still need in many cases more education in managerial responsibility than his opposite number in the old industrialised countries. He will also need more time to adjust his ideas to a new post-graduate environment. Nevertheless, the problem remains of providing employment, if necessary with European supervision, to absorb the output. The demobilisation of tradesmen and clerks, trained by the Army, after hostilities cease in the Far East, gives further urgency to the problem, for a great number of these will expect employment in an industrial environment as machinists, lorry drivers and clerks. Their reabsorption is a short-term problem, but its solution would materially assist the more permanent difficulty of absorbing graduate labour.

The organisation of cocoa marketing, by helping the farmers to learn a less haphazard method of cultivation and freeing them from the worse consequences of price fluctuation and the burden of usury would provide clerical, managerial and research employment, and, with similar schemes for groundnuts, palm-oil and cotton, would be the basis for an orderly economic expansion. To these must be added the employment value of stable conditions in the gold, manganese, tin and other extraction industries. Stable commodity prices would give an opportunity for an estimate of the economic possibilities of processing industries in cocoa, leather, palm-oil and other products.

But in the case of the cultivation of the oil palm, for example, improved methods might involve a revision of the land-tenure system. No matter how undesirable such a step might be in the eyes of a conservative older generation, it might yet have to be regarded as a part of the price of advancing with the times, the price of the higher education which is everywhere demanded.

### Egyptian Cotton

As a result of the cutting off of the European and Japanese markets, all the major cotton-growing countries have had to restrict their production in some degree to avoid burdensome surpluses. The degree of restriction has been most severe in Egypt, where the acreage is now cut to less than half what was normal before the war.

The necessity of increasing wheat crops to supplement food supplies was another potent reason for this cut in

Egyptian cotton growing. Present legislation imposes on all growers a maximum acreage for cotton and a minimum for wheat. This is an indication of the fact that, if left to themselves, growers would prefer to grow more cotton, and it is probable that the acreage under cotton will quickly expand to pre-war dimensions as soon as the free play of individual choice is allowed.

Higher wheat prices have only approximately made up for the lower yields which have been the result partly of a shortage of artificial fertilisers and partly of the unbalanced agricultural rotation which has been made necessary to achieve the required acreage.

Yields of cotton, on the contrary, have been maintained remarkably well. The average for the war years has been as high as for the previous five-year period, while prices have steadily risen. The basis fixed for FGF ("Fully Good Fair") Ashmuni by successive official buying commissions has been as follows:

- 1940—14½ British Government Commission.
- 1941—16½ Joint Anglo-Egyptian Commission.
- 1942—20 Egyptian Government Commission.
- 1943—24 Egyptian Government Commission.

The earlier commissions took delivery of fairly large quantities of cotton. In 1941, they tendered for more than half the total crop. But the free market has remained open the whole time, and a combination of genuine trade and keen speculative interest has now carried FGF Ashmuni to 29, so that the current commission has taken practically no cotton.

Total stocks in the country were estimated by an official census in August, 1943, at 10 million kantars (1 kantar=

100 lb.), which is only slightly larger than the pre-war crop of one average year. On the present limited acreage, which is to be maintained in 1944, crops of 3 to 4 million kantars are being grown, which about equals the requirements of the local industry and of Britain, the United States and India. The Egyptian cotton industry, which is working round the clock, is now consuming up to one million kantars a year, in place of 600,000 before the war. Stocks are not at present increasing, and local hopes are that a large demand from liberated Europe will provide the opportunity for a flourishing trade, at any rate in the immediate post-war period.

Cotton as a speculative investment is attracting large quantities of the surplus purchasing power at present available in Egypt, and more and more of the carry-over is now coming to be privately owned in this way. Unfortunately this is likely to lead to inflated ideas of the post-war value of cotton by the local public which still has memories of the cotton boom following the last war.

If, on the other hand, no attempt is made to hold out for inflated prices, such a situation might be avoided, even with keen competition from rayon and the newer synthetic fibres. There are several factors which are likely to operate in favour of a steady demand for Egyptian cotton in the longer period. As a quality product, it enjoys a premium over the cheaper American varieties, although the demand for it is closely dependent on a rising standard of living. In addition, yields per acre are the highest in the world, and are steadily being improved, while modern methods of spinning and weaving prefer a longer-stapled and stronger yarn, to minimise stoppage due to breakages.

## Germany at War

### Fight to the End

THE actual invasion of France has ended the "phase of expectation" during which the Germans have been on the defensive in all theatres of war for more than twelve months.

Obviously the Nazi politicians and generals must have some hopes that the defence may in some way prove successful. The question is how and when and where they hope to gain this success. Economically and militarily German strength is much inferior to the accumulated power of the Allied Nations. There is no chance that the Germans will be able to go over from the defence to the attack again. Looked at like this, the defensive would seem to be useless and only a fruitless prolongation of mutual destruction. Yet the leading spokesman of the Wehrmacht, General Dittmar, recently rec'd and stated the conclusion that the political and military conditions of "totalitarian war" had changed the classical view that a defensive, however actively conducted, cannot win a war. "Totalitarian war," on the contrary, according to Dittmar, has created conditions in which the side which carries on a defensive actively and successfully can reach a favourable decision.

There is little doubt that Dittmar expressed the attitude of the Nazi politicians and generals. What exactly he meant—apart from the obvious purpose of stiffening morale—is hard to say. More than morale is clearly involved, for the Germans are still fighting hard—with what hopes? Immediately, of course, the question is simply how long they can hold out. How far do the material conditions exist in Germany to continue an active defensive against a co-ordinated and prolonged Allied attack? No power of propaganda or subtle tricks can create such conditions. Dittmar himself has been the advocate of a policy of husbanding resources, and his statement came after a period in which, from a military point of view, the Germans had been using their forces as sparingly as possible on land as well as in the air.

There is no clear-cut method of finding out what Germany's material situation is like at present. During the course of this war every imaginable difficulty that can happen to a belligerent power has happened in Germany. Economic problems that were discussed and solved at the beginning of the war recurred at different stages even before large-scale bombing became a permanent feature. As before, on occasions such as the winter reverses of 1941-42, the Stalingrad disaster and the fall of Mussolini, the first sustained air onslaught on a large scale created a situation of the utmost muddle and even political crisis. Each time the regime recovered and achieved some measure of very temporary stabilisation.

It seems that, in spite of the destruction of the major part of Germany's big towns, war production, war transport and some degree of civilian life, at an extremely low level, go on. No comprehensive picture of Germany at this important stage of the war can be drawn on the analogy of the situation in 1917 or 1918. The political and social tensions of that period have ostensibly been eliminated by a centralised totalitarian regime. Economic conditions are different in every aspect. Shortages which would have been crippling in 1918 have been overcome by tremendously wasteful substitute production. With regard to large-scale bombing, modern industry, using electric power, has been dispersed over the country ever since the reconstruction period after the last war. Apart from the extractive industries German industry has become highly mobile; and after the vast muddle of last summer, the centralised economic administration has succeeded in dispersing essential war production over the whole country.

This dispersal occurs in the most diversified forms. It is a process rather than a temporary evacuation of

factories from bombed towns. The present phase of the process has two distinctive features. One is the repair and evacuation of bombed factories; the second is the planned dispersal of new factories. Sometimes a Wehrmacht order placed with a manufacturer carries the condition that the plant where the order is to be executed is to be established at a specified place. Over a long period, the prefabrication of factory shops and the standardisation of machine tools and designs has been carried very far.

Another feature is that evacuation and the dispersal of people and factories into the countryside has obviously tapped new sources of labour. The children, the old people and the housewives in remote places and villages have been drawn into war work during recent months. Manufacturers have established a method which makes it possible to engage whole villages in assembly work and part time work in which the working processes are broken down into the most simple operations.

On balance, of course, there can have been no increase in war production. There has undoubtedly been a very big decline. But all these methods, combined with a further reduction in civilian production and consumption, may have arrested the serious decline caused by heavy bombing. Family relations or political and social conditions present no obstacles; the totalitarian regime does not know of such things. The only concern is to maintain physical conditions sufficiently for the workers to retain their ability to work.

#### Hopes of a Stalemate

At the beginning of the large-scale bombing, the Nazi authorities showed real anxiety and even alarm about the possibility of a physical breakdown of the bombed people. Whether this anxiety has been dispelled is impossible to say. Additional food rations after each heavy bombing raid, the utmost expediency in supplying bombed towns and areas with emergency shelter and household commodities, and above all the frantic efforts to restore places of entertainment show the direction of Nazi policy.

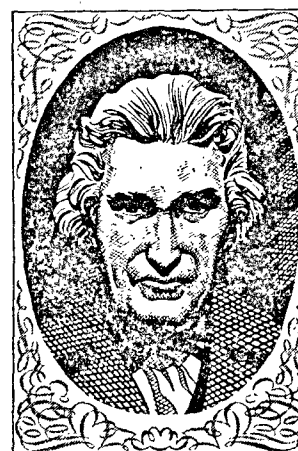
From a material point of view, then, it certainly seems that there is no safety margin left for the German war economy. The withdrawal and retreat from southern Russia and Italy has made Poland and Czechoslovakia Germany's

more valuable conquests in an industrial and particularly in an agricultural sense. The conquests in Western Europe, on the other hand, have become potential theatres of war. In Germany itself, the central and especially the eastern provinces are now the more important regions. Northern Italy, the Balkan countries and Hungary are actual or potential battlefields; and there is no doubt that the general strategy has taken into account further withdrawals when the grand Allied offensive begins.

Yet the Nazi politicians and generals alike have a fixed idea, that is, the idea that to gain time is to win a battle. What do they expect to get out of it? It is perhaps hard to attribute to them any higher purpose than Micawberish waiting for something to turn up. They admit that at present the advantage is with the Allies. They also seem convinced that the final Allied offensive, when it begins, will end without a clear-cut decision. This active defence, then, is designed to create a situation of military stalemate. If they can go on defending, they apparently argue, the war will end without their being beaten. They are like a football team that continually kicks the ball into touch and waits for the final whistle to blow. How the fight will end or what referee will blow the final whistle with the outcome still undecided is not made clear.

Meanwhile they have left nothing undone for the great defensive. This is the "fight to the end" that will prevent the end from arriving. Germany, and for that matter the whole German-occupied continent, has changed out of all recognition during this period of German defensive strategy. Manufacturing industries are scattered all over central, eastern and south-eastern Germany, Czechoslovakia and Poland. More than one-third of the workers in industry and agriculture are foreigners. Dominant among them are Russians, who have recently been raised to the status of other foreign workers in pay and treatment. The Nazi party with its million of members has no opponent, and the SS formations have been active in recruiting new members all over Europe. How much of this is propaganda and how much of it is fact will not be shown until the battle is fully and finally joined that will decide the issue and settle all the arguments. We shall soon know.

## BENEFACTORS OF MANKIND



JAMES WATT (1736-1819)

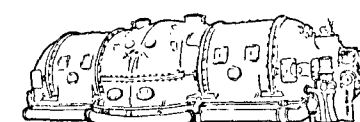
No greater personal tribute could have been paid to him than that by his partner Boulton: "I am sure it is impossible we can disagree in the settling of our accounts, as there is no sum total in any of them that I value so much as I do your esteem."

*Improvement*

IN the world of science and invention the name of WATT is numbered among the great improvers. He did not invent the steam engine, but his patented invention in 1769, consisting of a steam condenser and pump separate from the engine cylinder, led to economies in steam consumption so enormous that many Cornish mines and other industries received a new lease of life as a direct

consequence. He also invented the sun and planet system for converting reciprocating into rotary motion. Not without opposition and litigation were his achievements consolidated. "Only at trees bearing fruit do people throw stones."

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# THE BUSINESS WORLD

## Liberated Currencies

THE invasion of the Continent of Europe must for some time remain a grim military operation. Nevertheless, it begins to lift the curtain on all the problems of civil administration, including those of finance, that will have to be tackled in the liberated countries. Those problems have for some time past been receiving the constant attention of the exiled Governments in London and of a committee of Allied Nations experts in Washington. In the case of all occupied Western European countries the plans for dealing with public finances and the currency position as the Germans are evicted have been completed. They are ready to come into operation the moment a sufficient part of these territories is liberated to allow a local civil administration to be set up.

The actual details of the arrangements cannot now be divulged, but some indication can be given of the broad lines of approach to the problem together with some factual information on the position with which the reoccupying authorities will be faced. Those facts are presented in the accompanying table which was prepared by French experts for the guidance of the discussions taking place in Washington to determine the rates of exchange at which the liberated currencies should be fixed in terms of sterling and dollars. The table does not show the position as it will be found on the liberation of the occupied countries. The 1943 figures are those for the month of September, and it is known that considerable further inflation of the currency has occurred since then, especially in France. But the general picture it presents is one in which the divergence of currency, price and wage movements from the "norm" set by the experience of the United States and Great Britain is not too great to put out of court all hopes of a reasonably "normal" solution of the problem. Exchange relationships not unduly removed from those which existed before the war will be possible, without imposing on the liberated countries any excessive deflationary effort in the crucial sectors of the economy, namely, in the level of wages and of controlled prices.

An important distinction must at the outset be made between the situation in France and in the other countries

here considered. It is a distinction which arises not necessarily from differences of economic experience, but from the contrast between the political status of the French National Committee and that of the recognised refugee Governments in London. For the latter the task of tackling monetary problems will be immensely facilitated by the fact that they are the recognised authority. They will have sole and unfettered discretion in dealing with the old and in issuing new currency. The French National Committee, though charged with the main responsibility for maintaining order and carrying on the civil administration, will not have that advantage. The new currency taken into France by the invading forces is not issued under any French authority, and will enter into circulation without that degree of control and centralised supervision which would have obtained had a French and not an Allied military authority been the issuer. In practice these drawbacks may be found unimportant and the difficulties involved overcome without undue damage having been caused. But it must be admitted that the political vacuum into which the forces invading France enter, and the arbitrary discretion left to the High Command in deciding how that vacuum is to be filled, must much increase the difficulty of solving the financial problem.

In envisaging the financial problem of the liberated countries as a whole, the main fact that springs from the appended statistics is the remarkable degree to which the economic structure of the occupied countries has been kept insulated from the currency and credit inflations which all of them have suffered. The slowing of the tempo of economic life in these countries has kept a large part of the increased circulation idle. Much of the currency is hoarded, while the turnover of bank credit must have fallen very considerably. The main task of the reoccupying authorities, therefore, will be the reabsorption of this redundant credit and the continued defence of the structure of costs and prices against the monetary expansion that has occurred under German occupation. This expansion has mainly come about through the financing of the occupation costs and of the surplus of exports to Germany reflected in the clearing accounts with that country.

### FINANCIAL STATISTICS OF THE OCCUPIED COUNTRIES

(In millions of each national currency)—(a)

|                                                                      | BELGIUM |         |       | FRANCE  |           |       | NETHERLANDS |        |       | NORWAY |        |       | UNITED STATES |         |       | UNITED KINGDOM |        |       |
|----------------------------------------------------------------------|---------|---------|-------|---------|-----------|-------|-------------|--------|-------|--------|--------|-------|---------------|---------|-------|----------------|--------|-------|
|                                                                      | 1938    | 1943    | Index | 1938    | 1943      | Index | 1938        | 1943   | Index | 1938   | 1943   | Index | 1938          | 1943    | Index | 1938           | 1943   | Index |
| Note circulation                                                     | 23,000  | 81,000  | 352   | 109,000 | 468,000   | 430   | 993         | 3,041  | 306   | 504    | 62,000 | 397   | 6,856         | 18,844  | 275   | 505            | 986    | 195   |
| Bank deposits                                                        | 14,600  | 33,700  | 231   | 60,000  | 180,000   | 300   | 1,063       | 1,973  | 186   | ...    | ...    | ...   | 54,054        | 100,000 | 185   | 22,253         | 43,700 | 165   |
| Note circulation plus bank deposits                                  | 37,600  | 114,700 | 305   | 169,000 | 648,000   | 383   | 2,056       | 5,014  | 244   | ...    | ...    | ...   | 60,910        | 118,884 | 195   | 2,758          | 4,686  | 170   |
| Public debt                                                          | 57,000  | 128,000 | 225   | 414,000 | 1,260,000 | 304   | 3,986       | 9,800  | 246   | 1,450  | 10,000 | 690   | 39,427        | 158,349 | 402   | 8,300          | 18,300 | 220   |
| Note circulation plus bank deposits plus public debt held by public  | 87,000  | 156,700 | 180   | 530,000 | 1,380,000 | 260   | 5,800       | 13,700 | 236   | ...    | ...    | ...   | 82,350        | 185,000 | 225   | 10,100         | 20,600 | 204   |
| Budget receipts                                                      | 11,100  | 15,000  | 135   | 54,000  | 120,000   | 222   | 900         | 1,600  | 177   | 604    | ...    | ...   | 5,855         | 30,000  | 512   | 1,000          | 3,000  | 300   |
| Annual interest on public debt                                       | 2,500   | 3,950   | 158   | 14,000  | 24,000    | 171   | 111         | 280    | 252   | 70     | ...    | ...   | 950           | 3,000   | 316   | 220            | 329    | 150   |
| Interest on debt (1938)                                              | 2,500   | Ratio   |       | 14,000  | Ratio     |       | 111         | Ratio  |       | 70     | Ratio  |       | 950           | Ratio   |       | 220            | Ratio  |       |
| Budget receipts (1938)                                               | 11,100  | 22%     |       | 54,000  | 26%       |       | 10,500      | 11%    |       | 604    | 12%    |       | 5,855         | 16%     |       | 1,000          | 22%    |       |
| Interest on debt (1938)                                              | 2,500   |         |       | 14,000  |           |       | 111         |        |       | 70     |        |       | 950           |         |       | 220            |        |       |
| Pre-war national income                                              | 60,000  | 4.2%    |       | 300,000 | 4.7%      |       | 5,000       | 2.2%   |       | 3,000  | 2.3%   |       | 66,000        | 1.4%    |       | 5,000          | 4.4%   |       |
| Index of wholesale prices (Sept. 1943; annual av. 1938=100)          | 172     |         |       | 249     |           |       | 165         |        |       | 176    |        |       | 131           |         |       | 161            |        |       |
| Index of wages—av. hourly earnings (Sept. 1943; annual av. 1938=100) | 144     |         |       | 143     |           |       | 109         |        |       | ...    |        |       | 144           |         |       | 134            |        |       |
| Index of cost of living (Sept. 1943; annual av. 1938=100)            | 162     |         |       | 209     |           |       | 140         |        |       | 151    |        |       | 123           |         |       | 127            |        |       |

(a) Except where noted, figures are for the end of 1938 and the end of Sept., 1943. (b) End of December, 1942. (c) End of July, 1943. (d) Eleven London clearing banks. (e) Includes demand and time deposits for all banks. (f) Deposits for five principal banks as reported in Netherlands press. (g) Average hourly earnings (25 industries)/N.I.C.B.

In facing up to this task of monetary reabsorption (it should not be regarded as deflation) two methods of approach have suggested themselves. The first is the precise detailed, juridical approach in which all eventualities are, as far as possible, foreseen and provided for in decrees and laws the texts of which are now ready to the last dotting of the i's and crossing of the t's. The other is the less formal, though not necessarily less carefully prepared, approach, which depends for its success on the voluntary co-operation of the liberated population in schemes of debt funding, savings campaigns and the like, and which will rely more on traditional fiscal discipline and pride in the domestic currency than on rules and regulations. There is no need at the present time to assess the relative merits of these two techniques or to try to apportion them to the countries concerned. Experience will show where each of them is applied and what measure of success it attains.

Whichever method is attempted, one fiscal weapon will probably have to be wielded by all the countries concerned. This is heavy retrospective taxation of profits made during the war in the occupied countries. There will be widespread support for such taxes in all occupied countries. The biggest profits will probably have been made by collaborationists. They may be completely sequestered after full investigation has been made. Even if they escape that financial retribution, they should in any case be heavily taxed. The same holds true of the profits made in black market transactions, especially by the agricultural population. They should in all cases be taxed heavily and retrospectively. The yield of the war profit taxes should go a long way to reabsorb redundant currency and credit for, given the lack of consumer goods, a large part of these abnormal profits will be found in the form of hoarded notes, bank deposits or negotiable securities.

The other feature which should be common to the financial policy of all the returning Governments in the immediate post war period is the maintenance and, in some cases, the reinforcement, of rationing and of controls of prices, wages, capital and exchange markets that have operated during the occupation.

The juridical approach to the monetary problem would, at its most extreme, have the following steps in mind. All currency in liberated territory, except for coins and perhaps notes of very small denomination, would have to be deposited with the authorities. New notes would be issued against the old at par—but only up to a given and comparatively modest maximum for each holding. The balance would be blocked and provisionally credited to a

bank account. Up to a certain figure, these blocked bank balances would be released over a period as supplies of consumer goods became available. The balance over and above this figure would be converted into a loan to the Government. This loan would be available for payment of taxes and, if tendered to any extent in respect of the amounts due for war profits tax, might play a considerable part in the reabsorption of redundant currency. The loan in question could only have limited negotiability and transfers would have to be made subject to the consent of the Government or of some authority appointed by it. Bank deposits would be treated in the same way as currency. They would in the first place be blocked. Then a comparatively small fixed amount would be credited to a free deposit. A further amount would be liberated over a period so as to keep pace with the reconstitution of stocks of goods in the liberated country. The balance would be converted into Government securities. In determining what proportions of currency and deposits to free and to block, the authorities would have to be guided by the true requirements of circulating media, by the trend of costs and prices and by their relation to comparable movements in Great Britain and the United States, bearing in mind the rate of exchange fixed for the currency.

This is one solution, on which some of the liberated countries will mainly rely. The other solution, which some of the exiled Governments prefer, would tamper neither with notes nor with the bank credit found in the reoccupied territory. Rather would it rely on the introduction of as rigorous a rationing of consumer goods as the situation will demand, on effective control of prices and wages and on an intense but voluntary savings campaign designed to reabsorb redundant currency and credit. Where the psychological atmosphere makes it possible, this solution has a great deal to commend it. It is more likely to achieve success where the liberated country has an efficient administrative machine, a naturally well disciplined population and traditional pride in the stability of the national finances and of the domestic currency.

It is not likely that, in practice, either policy will be pursued without some tincture of the other. It is unlikely that any country will be able to dispense with all forms of blocking; and it is certain that some reliance will be placed in every country on the position and confidence of the liberated peoples. But the different governments, according to their different circumstances, will lay emphasis on the two principles in different measure. Both methods will be seen at work before long.

## Business Notes

### Invasion Currency

The arrangements for supplying currency to the Allied troops in France are still far from clear. The American troops taking part in the invasion have taken with them franc notes printed in the United States for the military authorities. The notes have the tricolour flag prominently printed on them. The responsibility for their ultimate redemption has not yet been defined. No proclamation has yet been issued regarding their legal tender status in France or regarding the ratio at which they are to be accepted by the local population in exchange for the existing Bank of France notes. The British troops have been supplied with some of the old Bank of France notes that were brought to this country at the time of the Dunkirk evacuation. The stocks of these notes, especially in the smaller denominations, are too small to meet the current requirements, and the balance of currency required is being made good from the tricolour notes printed in the US. The prevailing confusion concerning the currency position in liberated French territories is merely part of the picture created by the unwillingness of the US Government to recognise the French Committee as a *de facto* Government and to make it responsible for the issue of fresh currency. General de Gaulle had intended to discuss this, among other problems, on his visit to London, and for this purpose he brought financial experts with him. The issue, however, had been decided and forced before the crucial discussions could be started, and for the time being the American printed notes are going into circulation. It has been reported that some 80,000 million francs of these notes have been printed, a figure which compares with the current Bank of

France circulation of around 500,000 million francs. The addition of these tricolour notes to the circulation could, therefore, introduce a new and serious inflationary element in the position. Agreement in principle has been reached on the rate of exchange to be applied to the metropolitan franc. It is to be 50 francs to the dollar and 200 francs to the £. It is on this basis that the troops' pay is being issued, though it should be added that the British—though not the American—troops are unlikely, for the time being, to receive their full pay in francs, some part being retained in this country. Presumably the military notes will ultimately be redeemed in dollars and sterling, the amounts in question being credited to the recognised French Government. The National Committee, if it becomes the recognised Government, is unlikely to accept responsibility for the military notes now going into circulation. These currency arrangements appear to be the one part of the invasion preparations that could have been vastly improved.

\* \* \*

### Second Front Markets

Industrial equities rose steadily during the weeks preceding the invasion of Western Europe. The Budget speech, the Finance Bill, the White Paper on employment policy and the successes in Italy, all seem to have contributed to encourage the investor in equities. The latest figures of *The Actuaries' Investment Index*, of which some particulars are given on page 798, show that the rise for the month to May 30th was approximately treble that of April. The general price index was at its highest at the end of last month since September, 1937.

and it is necessary to go back three months before that to find anything as low as the yield index of 4.26 per cent. At that figure the yield was only 1.10 points per cent above that obtainable on 2½ per cent Consols. The first news of the invasion caused feelings of jubilation in the inner circle of the market, while the sole reaction of jobbers was a slight widening of the margins between buying and selling prices. Since then, prices of industrial equities have been well maintained. The Index of *The Financial News* stands at 111.1, a rise of 3.2 points on five weeks and a new high since September, 1937. There has been some switch from speculative buying of shipping and motor shares into European securities, particularly French guaranteed railway bonds and Imperial Continental Gas. The volume of business has fallen only moderately and price margins are almost normal. The investor continues to back his view, but is not prepared to bid prices up. It seems, however, very doubtful whether the new high level can be held without a setback, unless the supreme effort of the United Nations meets with earlier and more continuous success than it seems prudent to expect.

\* \* \*

#### Future of Engineering

The wartime expansion in the armament industry has been largely concentrated on the industries that may be classified under the umbrella heading of engineering. The labour force of these industries has been increased by millions, and their capital equipment has been augmented by the expenditure of hundreds of million pounds. In a thoughtful paper read to the Institution of Electrical Engineers, Professor Postan addressed himself to the conditions that are likely to shape the future of British engineering—these will no doubt also be discussed at the conference of the Amalgamated Engineering Union, planned for next week. Part of the wartime accretion to engineering is probably too specialised for peacetime use, but the industry is assured of a large market during the immediate post-war years. Professor Postan, as an economic historian, is more concerned with long-term tendencies. He foresees the need for a strong engineering industry as a source of potential military strength, and as a source of exports, and he would

rightly regard it as a sorry waste if the immense volume of skill acquired during the war were not turned to good account in peace. Of the past Professor Postan was able to give a picture of steady expansion in the labour force of the engineering and allied industries, from 985,000 in 1924 to 1,104,000 in 1935, accompanied by an equally steady increase in the net value of production, from £148 million to £249 million, and by a rise in output per head. But the balance between the various sections of the industry has altered quite considerably. A decline in shipbuilding and marine engineering, and in the railway carriage and wagon branch has been offset by a great expansion in the motor and aircraft sections, and in electrical engineering. The machine-building industry proper has grown rather slowly; it employed 390,000 persons in 1924 and 401,000 in 1935, and the value of its net output rose from £135 million to £159 million. The balance within this section has substantially altered; while the production of machine tools, machinery for printing, tobacco and food manufacture, weighing, refrigerating, road-making and construction grew or remained stable, that of textile machinery, agricultural, mining, gas and chemical machinery tended to decline. In Professor Postan's view any overall expansion of the industry from pre-war levels will again involve continuous changes in its balance. He does not hold out much hope of permanent expansion in the shipbuilding and railway carriage and wagon sections, but he envisages a further growth of the motor, aircraft and electrical engineering industries.

\* \* \*

#### Conditions of Progress

Professor Postan reserved his most interesting comments for mechanical engineering, though they are equally applicable to many other branches. The future of the machine-making section of engineering depends, of course, on its ability to turn out specialised, advanced and high-quality machinery. Price, though important, is not the only determinant. If the industry has not always kept in the forefront, this has been due, not so much to its inability to design and develop specialised machinery, as to the difficulty of placing it on the home market. In other words, the prospects of British mechanical engineering, not only at home but also abroad, are largely in the hands of British industry, its main consumer. British industry, regrettably, has been slower than other countries, such as the United States and Germany, in modernising its plant and equipment. In Germany, for example, the ratio between the production of machine tools and other machinery to total industrial production was appreciably higher than in Great Britain; Professor Postan estimates this difference as three to two. The low rate of physical turnover of machinery in this country is not due merely to an inefficient system of taxation but also to bad habits of management, inadequate attention to research, the prevailing approach to costing and to the lay-out of production, and, finally, to the behaviour of labour and trade union practices. Professor Postan's diagnosis of the shortcomings of the machine-building industry carries two important implications. First, it underlines the need for speedier modernisation of the productive equipment of British industry as the only sure means of raising industrial productivity and the national income. Sir John Anderson's taxation proposals are a first step in the removal of the defects of the present system of industrial taxation; but a new outlook among industrialists and workers is equally necessary. Secondly, the speedier modernisation of Britain's industrial equipment, by providing a home market for the most advanced machines, is also essential to a flourishing export trade in machinery. And a large export trade in machinery is particularly desirable after the war, because the co-efficient of imports in the value of exports has been estimated to be only about 9-11 per cent, a proportion that is lower than in almost any other commodity exported by this country.

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#### Aircraft Industry

On Saturday last week, Sir Stafford Cripps, Minister of Aircraft Production, amplified the aircraft production figures previously released by the Aircraft Production Board of the US War Production Board, and given on page 749 of *The Economist* of June 3rd. Deliveries from factories rose from under 1,830 units in 1936 to 2,287 in 1938, 7,940 in 1939, 15,049 in 1940, and 27,273 during the year ended March, 1944. The weight of airframe production last year, at nearly 200,000,000 lb., was over 50 times as great as in 1936, and

nearly four times that in 1940. In other words, the growth in numbers produced has been accompanied by a substantial increase in average weight, by bigger and better aircraft. For example, the bombload capacity at 1,000 miles range of bomber aircraft production was nearly 35,000 tons during the year ended March, 1944, against only just over 4,500 tons in 1940. Some 60,000 aero engines were delivered in 1943-44. These, too, have grown in power, for their horse-power equivalent last year was five and a-half times as great as that of production in the first twelve months of the war. To achieve this measure of expansion the man-power employed by the aircraft and its subsidiary industries has been increased about twenty times. The vast expansion of the industry inevitably prompts the question how much of it is likely to be permanent. The answer depends, not merely on the growth of civil aviation, but, for some years at least, primarily on the rate of military production. A year ago Sir Stafford Cripps mentioned one-tenth as a possible proportion of the industry's capacity that may find employment after the war. His guess—it could hardly be more—was held to be somewhat low in an article in *The Economist* on August 21, 1943. Professor Postan, in a paper discussed on page 788, suggested that one-quarter of the industry's present size might be needed after the war. Whatever the ultimate proportion may be, the industry will be faced with the problem of a substantial contraction after the war. It remains to be seen how far this problem can be solved by the withdrawal of the motor and other industries that have temporarily joined forces with the established aircraft industry.

\* \* \*

#### Tax Reform

It may be recalled that the late Sir Kingsley Wood asked the recognised bodies of financial accountants of England and Wales and of Scotland to submit a memorandum on post-war fiscal policy. It is now evident that this document contributed largely to the framing of Sir John Anderson's tax reliefs. It is also clear that Sir John was not prepared to go so far as the accountants thought desirable. The memorandum starts out from the contention that profits for taxation purposes should be measured on sound accounting principles; it maintains that this has not been the practice in the past and that the need of industry to modernise and re-adapt itself, on a scale never before necessary, will greatly accentuate the damaging effects of tax anomalies. Space does not permit of giving a detailed list of anomalies and their suggested cures, but the central thesis of the profession is clear enough: all monies retained in a business for the purpose of maintenance or extension should be allowed some measure of tax relief and, for this purpose, there should be no distinction between fixed and floating capital. All distributable profits, whether paid out or not, would bear full tax. This is certainly sound, although it might be that the proportion which it was reasonable to retain for fixed assets might differ from the proportion retained for floating capital. Here is, evidently, the plea for exemption from tax on all retained profits which the Chancellor felt he must reject. The memorandum suggests as possible means of carrying out this policy—one, the granting of a lower rate of tax on retained profits used for extension; two, the deferment of tax payments on such retained profits during the development; and, three, "a lump sum allowance to be granted directly expenditure is incurred on major additions, extensions and renewals of fixed assets." Of the three choices it favours the last as being most likely to meet the case of concerns in the greatest need of assistance after the war, when many will, it is stated, be making only very moderate profits and so would not benefit greatly from tax reliefs.

\* \* \*

#### Upkeep and Expansion

The suggestions put forward by the accounting profession have the same objectives as those advanced from time to time by *The Economist*. They have also much the same scope, but they differ in at least one important matter from what appears to be the most helpful approach to the problem. Provided the administrative difficulties can be overcome—and there seems no reason why they should be greater than under the present system—all business should be granted as of right, probably, total exemption from tax on all retained profits which are necessary to maintain production, provided production is maintained. This would apply to floating as well as to fixed capital. This extension

of what may be called maintenance allowances is particularly important under a regime of rising prices, such as is likely to prevail after the war. In addition, encouragement should be granted to all true investment. To achieve this only by making a grant for expansion to existing firms would tend still further to hinder the setting up of enterprise under new management. Any tax relief given in connection with expansion of production, whether in old fields or in new, would need to have its counterpart in some system of relief to new enterprises financed by raising money in the market. The relief must be sufficient to ensure that new entrants are not discouraged. If this principle were accepted, it would place in the hands of the authorities a very powerful instrument for influencing the volume of new investment in capital goods. By varying the margin between the special rate on income so invested and the standard rate of tax, it would be possible to influence the extent to which money savings were directly invested in physical capital. From the standpoint of the investor, it is reasonable to seek a higher initial return on a new enterprise, owing to the increased risks involved. With a standard rate of, say, 7s. 6d. in the pound, and a rate on re-invested profits of 5s. in the pound, the return obtainable by direct investment in new capital goods would be one-sixth higher than if the relief were not granted.

\* \* \*

#### Curbing the "Grey" Market

It appears that, as one result of protracted conversations between the authorities and the Stock Exchange, further measures are under contemplation designed to restrict the activities of the "grey" market in stocks and shares. As previously pointed out, under the prevailing system anybody but members of the London market has been able to deal in unquoted securities, with the result that the investor tended to get the worst of both worlds and the desires of the Treasury were not met. Now, it is understood, the Bank of England has addressed a letter to the Association of Investment Trusts, the Accepting Houses Committee, the British Bankers' Association, the Associated Stock Exchanges and the Provincial Brokers' Stock Exchange asking them to give certain undertakings with regard to dealing in unquoted securities. It is not perfectly clear what these undertakings are, but, apparently, members of these bodies are not barred from taking blocks of shares from outside bodies or persons. If, however, they wish to re-sell them, they are asked to apply to the Capital Issues Committee for permission. This would mean that the need of individuals and firms for

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# ROWNTREES



liquidity would be met, but that no widespread offer of the shares would be feasible, so far as these bodies are concerned. It is possible that these bodies may be prepared to take over blocks of shares on such terms and to that extent the needs of the Treasury would be met. There are, however, two large and significant absentees from the list, namely the insurance companies and the issuing houses. The absence of the former may be explained by the fact that insurance companies do not directly engage in detailed distribution of shares. The issuing houses are in a different category. In the first place they rely almost entirely for their profits on the type of business which it is sought to ban, in the second they cover so various a collection of firms that it has never been possible for them to create a representative body. No doubt some of them would be prepared to accept further sacrifices. But until methods have been found to persuade the others to comply, there is at least a danger that the effect of the new suggestions will be to canalise into the hands of those bodies which do least to protect the investing public the whole of the business in unquoted securities.

### Plaster Board Fusion

The announcement that negotiations have been completed for a fusion of the interest of the Distillers Company in the plaster board business with British Plaster Board is representative of a tendency which seems to be gathering weight. The concern which BPB is to acquire is Gyproc Products, established in 1933 to take over the UK business of Gypsum, Lime and Alabastine, Canada. The Canadian owners retained a 40 per cent interest in the new concern at that time. Gyproc Products has now factories at Rochester and near Glasgow engaged on the production of building and other materials containing gypsum. It is a private company, and no information is available as to assets. Presumably some disclosure will be made when the terms of fusion are announced. It is stated that the object of the fusion is not to increase profits, but to avoid overlapping expenditure on development and research. To pool research is an excellent procedure, but it may be asked whether a complete fusion of interests is necessary to secure that end. There can be little question but that, subject to the terms being reasonable, it is advantageous to BPB to obtain the support of the Distillers resources and remove a possibly dangerous competitor at one stroke. It is also symptomatic of the outlook of the largest concerns in this country at the present time that they prefer to widen their sphere of influence in fields of ancillary activity by agreement rather than by competition. Whether this movement towards the concentration of the control of even the newer industries in a few hands can be anything but disadvantageous to the country may be questioned. The effect of the announcement was to raise the shares of both companies. At present prices of 97s. 9d. for the £1 stock units of Distillers and 34s. 6d. for the 5s. shares of British Plaster Board the yields, on the basis of the latest dividends, are £3 7s. per cent and £3 13s. 3d. per cent respectively.

### Institutional Savings

The Chancellor of the Exchequer, opening the Leeds "Salute the Soldier Week," devoted a considerable part of his speech to a defence of the big institutional subscriptions that have contributed so much to the success of these weeks. Sir John Anderson pointed out that "all such investments represent very satisfactory forms of borrow-

ing" and that "a big proportion of these institutional investments represent indirectly the savings out of income of individuals." Sir John has little difficulty about proving his case in so far as it concerns the investment of insurance company and building society funds. The former are derived from premiums, the latter from depositors' savings and both represent personal savings in their best and most permanent form. If such savings are allowed to accumulate in liquid form and are then invested in a lump sum in order to help the local savings week the slight subterfuge involved is one that can readily be allowed and that does not in any way detract from the genuineness of the operation. As regards direct subscriptions from the banks, Sir John pointed out that a considerable part of them could be regarded as the accumulated savings of their customers. He refused to be drawn into the metaphysics of the rest of the problem, namely that part of the banks' subscriptions which may be regarded as the mere by-product of credit creation. The Chancellor merely contented himself with the safe and sound injunction to individual savers to invest their savings direct in Government loans and not to let their banks do it by proxy. His review of the savings campaign since the beginning of the war gave some impressive facts on the achievements of the small saver. Since the beginning of the war savings campaign, the number of holders of savings certificates has risen from 7 to 17½ millions and the number of savings bank depositors from 14 to 21½ millions. The proportion of small savings to total borrowing has risen from 21 per cent in 1942 to 25 per cent in 1943 and amounts to 22 per cent for the war period as a whole. As regards the current campaign, 560 "Salute the Soldier" weeks have been held, and of these only five failed to reach the target. The certified results so far available refer to 328 localities. They show a total of £272,539,000, which represents an increase of £6,451,000, or 2.4 per cent, on the amount raised in the same localities in the "Wings for Victory" weeks last year.

### Industrial Diamonds

The diamond industry's post-war policy for industrial diamonds is taking shape. Last year Sir Ernest Oppenheimer pointed out at the annual meeting of De Beers that the price stability for industrial stones, imposed during the war—at pre-war levels—in favour of the Allied war industries, should, after the termination of hostilities, be continued in order to encourage demand. He also pointed out that industrial diamonds, and especially crushing board, "should be stripped of their spurious mantle of preciousness and rarity," and quoted by the kilogramme instead of by carats (0.2053 gram). At this year's annual meeting of De Beers, Sir Ernest pointed out that the Diamond Trading Company, the industry's selling channel, has established a research department in London to study the properties of diamonds, their preparation for use, and especially their application in industry. Technical information on the basis of this research is available to industry free of charge. These steps are encouraging, and will not only prove of value to users of industrial diamonds, but may also increase the stability of the diamond trade. Last year, the syndicate sold industrial diamonds valued at £5,500,000, compared with £4,250,000 a year before, and a normal pre-war figure of £1,500,000 to £2,000,000. As the price of industrial diamonds has not been altered since the outbreak of war, this increase reflects the expansion in the volume of demand. Industrial diamonds in 1943 accounted for about one-quarter of the syndicate's total sales. In 1938 world diamond sales—gems plus industrial—did not exceed £4,050,000, and in 1939 they were no higher than £6,000,000. A wide market for industrial stones, therefore, will have an important influence on the industry's total sales turnover after this war. In pursuing an expansive policy for industrial diamonds—in contrast to the inevitably restrictive policy for gem stones—it will be necessary to make provision for securing a regular and adequate supply of industrial diamonds. Since the heavy stocks of gem stones, accumulated by the syndicate during the depression period of the early thirties, have been virtually exhausted during the war, fully adequate supplies of industrial diamonds from new production can at least be guaranteed for a number of years without there being any danger of undermining the stability of the gem stone market.

### Wool Textile Problems

In its domestic and international contexts the wartime experience of the British wool textile trade—formerly one of

Great Britain's major export industries—closely resembles that of the cotton industry. The Cotton Board Committee's report on the post-war problems of the cotton industry, discussed in *The Economist* of January 29th, told a story of markets lost by Great Britain through Government restriction on exports and gained by other countries, and of a drastic cut in British consumption and expansion elsewhere. As the facts quoted by the National Wool Textile Export Corporation in a booklet entitled "Exports of Wool Textiles, 1942-43," show, the British wool textile industry has suffered a contraction in its labour force of about 40 per cent, one that is comparable in magnitude to that imposed on the cotton industry. And, as the accompanying table shows, the reduction in exports has been severe. The main difference between the two industries is that curtailment took place earlier in the cotton trade than in the wool

U.K. WOOL TEXTILE EXPORTS

|            | Tops<br>(million lb.) | Yarns<br>(million lb.) | Woollen and<br>Worsted Tissues<br>(mill.sq.yds.) |
|------------|-----------------------|------------------------|--------------------------------------------------|
| 1937 ..... | 40.2                  | 41.4                   | 122.9                                            |
| 1938 ..... | 32.5                  | 34.7                   | 90.5                                             |
| 1939 ..... | 33.8                  | 32.0                   | 93.5                                             |
| 1940 ..... | 28.5                  | 17.7                   | 83.0                                             |
| 1941 ..... | 16.2                  | 13.2                   | 86.3                                             |
| 1942 ..... | 11.8                  | 10.5                   | 73.2                                             |
| 1943 ..... | 8.2                   | 9.0                    | 44.2                                             |

textile industry. In the United States the labour force of the wool textile industry in mid-1943 was still 10 per cent above the average for 1939. Moreover, as a result of an increase in working hours, mill consumption of apparel wool in that country almost doubled between 1939 and 1943, whereas the volume of output in Great Britain was barely two-thirds of the pre-war level. Canada, too, doubled its output of cloth between 1938 and 1943 and, as was to be expected, the four great raw wool-producing countries—Argentina, Australia, New Zealand and Uruguay—all converted a growing volume of raw material into finished goods. The report expresses the view that at the end of the war the British wool textile industry will be faced with a pent-up demand much in excess of that at the end of the

last war. But its difficulty in meeting this demand will also be much greater because its labour force has been reduced more severely than in 1914-18. The industry is thus faced with two major problems: the short-term problem of restoring its labour force and the long-term one of maintaining a large volume of exports after the fulfilment of the immediate needs of importing countries.

### The Syncrophone

Government, employers, trade unionists and educationists alike are coming to realise the importance of training in industry, if Britain is to maintain its position in a competitive postwar world. One problem is to make training attractive, and to stimulate the interest of trainees in their work. In this connection, the use of films in industry has been discussed. A device which may play an important part in industrial training after the war is the Syncrophone. Invented four years ago by Mr Nicholas Sandor, of ISM Ltd., the syncrophone is a combination of a radiogram and pictorial charts, on which illustrations light up as the recorded talk proceeds. The syncrophone has been extensively used in training servicemen—over a million RAF men have been trained with it—and in training unskilled labour in war factories. Instruction in such subjects as safety first, the care and handling of machines, and what is perhaps the most important, the relation of factory jobs to the war effort, is given in a graphic and original form. The instrument has the advantages that it is easy to operate and adaptable; its lectures can be repeated to fit the pace of the slowest. It can be adapted to any language, and from this point of view it offers considerable possibilities in connection with publicising this country's exports in world markets.

### The Bombay Disaster

During the past weeks there have been discussions among insurers in London on the subject of the disaster in  
(Continued on page 795.)



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## COMPANY MEETINGS

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## HIGH LEVEL OF PRODUCTION

## 20 PER CENT FOR TENTH SUCCESSIVE YEAR

The 25th ordinary general meeting of George Wimpey and Company, Limited, was held, on the 7th instant, at Incorporated Accountants' Hall, Victoria Embankment, London, W.C., Mr. G. W. Mitchell (chairman and managing director) presiding.

The secretary (Mr. T. A. Mitchell, F.C.I.S.) having read the notice convening the meeting and the auditors' report,

The chairman said: Gentlemen, the directors' report and accounts have been in your hands for some time and I presume that, as usual, you will take them as read. (Agreed.) This is our twenty-fifth ordinary general meeting, and it marks a quarter of a century of steady growth and solid achievement since the business was made into a limited company in 1919. During the previous forty years the business had been carried on as a partnership from the same premises at Hammersmith—premises to which we are already planning to return at the earliest possible moment.

## MAGNITUDE OF COMPANY'S OPERATIONS

The accounts before you cover the fourth full year during which your company was wholly engaged on war work—the year during which the Government's building programme rose to its peak and, as you would expect, the company achieved its highest level of production. You will realise that I cannot enter into any description of the work carried out; but it was really a very great achievement, and perhaps I can broadly indicate something of its order of magnitude by mentioning a few figures. During 1943:—

We erected 5,612 buildings.  
We laid down concrete equivalent to a carriageway capable of taking two lines of traffic from London to Russia via Berlin.  
Our excavating machinery moved 24 million tons of materials.  
Our lorries—most of which we own, some of which we hire—ran 100 million ton miles.

We laid 3½ million square yards of asphalt and tarmacadam.

We used 375,000 tons of cement.  
And employed throughout England, Scotland and Wales about 16,000 men.

These figures will enable you to appreciate that all our departments, with the sole exception of the housing department, were very fully engaged; and that the company as a whole and every member of its staff made the utmost possible contribution to the winning of the war as quickly as possible.

The Government's construction programme in this country for war purposes is now substantially completed and we are anticipating during the current year a much reduced volume of work. Perhaps that will not be wholly a disadvantage if it affords our staff a little respite to get their second wind for the reconstruction programme which lies ahead.

## VALUE OF TEAM SPIRIT

Before the efforts of the past four years are forgotten you will wish me to pay tribute to the eager spirit and ungrudging service of the whole of our staff of whom I cannot really speak too highly. For four years they have worked together with a fine team spirit to drive their jobs through to completion—working always against time and under very great difficulties.

To an increasing extent our board of management bears the responsibility for organising the work of the company. They have been most effectively helped by a somewhat enlarged planning and progress

department in which a group of expert and specially trained engineers plan in advance the exact sequence of each operation on the jobs and thereafter compare in graph form the actual with the planned progress. As a result they are able to detect and throw out into relief delays actual or impending, so that the cause may be found and removed.

The only new class of work undertaken during the year was the winning of Open-cast Coal in two districts of England, and also in Scotland.

## RIVALRY FOR WIMPEY SHIELDS

Some of you may have seen reference in the Press to the presentation of a Wimpey Shield. We have two shields—one for civil engineering work and one for building work. The shields are competed for monthly and won by the gangs on civil engineering work or building work, as the case may be, who have during the month achieved the highest output for each class of work. The names of the charge-hand and his men are inscribed on the shields, and they are hung with pride in the canteens on the jobs for a month. All the jobs have live production and welfare committees, which as well as facilitating by discussion and suggestion all methods for increased production or better welfare, also enter into keen rivalry for these shields. Half of the members of these committees are elected by the men and half are from the job staff. Prominent Navy, Army and Air Force officers, trade union officials, and public men have presented the shields, thus linking the men's efforts to the total war effort of the country.

A large number of our staff have been drawn away on active service during the year. We keep in the closest possible touch with them, circulating to them an occasional little bulletin, giving news from men serving, with excerpts from their letters, so as to keep them informed about one another.

The number of members in the Pension Fund is now 550, and it is proposed to admit during the current year a selected number of our drivers, gangers, and manual workers who by outstanding work for the company have fully earned this privilege.

## THE ACCOUNTS

The only items on the balance-sheet which call for any comment are that our reserves are increased by £50,000 to a total of £250,000, and the amount of £188,000 for plant. The latter covers a fine fleet of some 600 lorries and a very wide range of the most up-to-date contracting plant, all maintained in good working order and conservatively valued.

Turning to the profit and loss account you will see that the profit for the year is £228,000 compared with £192,000 last year. Adding to this the £39,000 carried forward from last year and deducting provision for income tax and payment of dividend to the preference shareholders there remains an available balance of £152,000. Your directors recommend that the dividend on the ordinary shares shall remain at 20 per cent. for the tenth successive year; that we add £50,000 to our general reserve and carry forward £62,000.

I cannot give you any forecast of the future, but we have an efficient and widespread organisation—in addition to our London and Edinburgh offices we have provincial offices in Newcastle, Manchester, Cardiff, Bristol, Birmingham, Nottingham, Glasgow and Worthing—and I have no

doubt we shall participate in such works, consisting mostly of the smaller but none the less vital jobs, that still remain to complete the war programme.

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

The retiring director (Mr. J. F. Chadwick) was re-elected, and the auditors (Messrs. Saker and Davis) having been re-appointed, the proceedings terminated with a hearty vote of thanks to the chairman, directors and staff.

GUARDIAN ASSURANCE  
COMPANY, LIMITEDANNUAL GENERAL MEETING—  
5th JUNE, 1944COLONEL LIONEL H. HANBURY'S  
REVIEW

The annual general meeting of the Guardian Assurance Company, Limited, was held, on the 5th instant, in London, Colonel Lionel H. Hanbury, C.M.G., the chairman, presiding.

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

## LIFE DEPARTMENT

New life assurances were completed during 1943 for a net amount of £1,341,000, compared with £1,577,000 in the previous year. The decrease is due to the volume of business in connexion with staff assurance schemes being considerably less. Owing to deaths by enemy action there was a small loss from mortality.

## FIRE DEPARTMENT

There has been an increase of £106,000 in the premium income to which both home and foreign business contributed, and the balance transferred to profit and loss is £166,000, equal to 15.3 per cent. of the premium income.

## ACCIDENT AND GENERAL DEPARTMENT

The premium income shows an increase of £47,000, a further fall in the home motor business having been more than offset by an increase in premiums in respect of workmen's compensation and other classes of business.

The amount transferred to profit and loss is £89,000, equal to 12.2 per cent. of the premium income.

## MARINE DEPARTMENT

The premium income shows a decline of £152,000, largely due to changes in the American market and to the reduction in the rates for war risk insurance.

Owing to the first year's settlements only amounting to about 19 per cent. of the premiums as compared with nearly 49 per cent. in 1942; there is good reason for anticipating that the 1943 account will be satisfactory.

After providing for taxation and transferring £10,000 to profit and loss the fund at the end of the year was £804,000, equivalent to 160 per cent. of the 1943 premiums.

## VALUE OF INVESTMENTS

There has been a further appreciation in the total market value of Stock Exchange securities, and a valuation at the end of the year disclosed a substantial margin over book values. Holdings in British Government securities have been further increased.

and to date the Company with its associated companies has invested more than £2,000,000 in Government War Loans since the outbreak of war.

The general reserve at the end of the year stood at £1,985,000.

## ASSOCIATED NEWSPAPERS, LIMITED

## SATISFACTORY TRADING PROFIT

## LORD ROTHERMERE'S STATEMENT

The thirty-ninth annual ordinary general meeting of Associated Newspapers, Limited (proprietors of *The Daily Mail*, the *London Evening News*, and the *Sunday Dispatch*), was held on Thursday, June 8, 1944, in the Memorial Hall, Farringdon Street, London, E.C.

The following statement by the chairman, Lord Rothermere, has been circulated with the report and accounts:

During the past year we have suffered the loss of one of our highly esteemed directors and colleagues—by the death of Mr. William Graham. His passing is a matter of the keenest regret to all of us who knew him so well during the many years he was associated with our business.

During the year Mr. Kenneth Layton-Bennett and Major E. McN. Cooper-Key have been elected directors of the company and shareholders will be asked to confirm their appointments. Our accounts this year are presented in a slightly different form for the purpose of clarity and in accordance with modern practice.

## STRONG FINANCIAL POSITION

We are very pleased to be able to show the satisfactory profit of £623,405, an increase of £56,281 over last year, and the balance sheet once again reflects the very strong financial position of your company, and it is with confidence that we recommend a final dividend of 12½ per cent. on the deferred shares.

The investments in British Government securities now stand at the substantial sum of £1,100,000, and tax reserve certificates to the amount of £400,000 have been maintained to meet future tax liabilities.

Full reserves have been made for taxation and paper and generous depreciation charged before arriving at the profit mentioned above.

In the appropriation account a sum of £108,000 has been transferred to provision for pensions, the total of which now stands at £300,000. The effect of this is to reduce the amount carried forward by £104,662 to £306,374.

## PENSIONS

At the outbreak of war your directors had under active consideration a contributory pension scheme for the employees of our company. In view of the uncertainties of the position created by the war it was decided to postpone these deliberations until the end of hostilities, but we are pleased that events have, in fact, enabled us to continue paying non-contributory retiring allowances to many of our old and faithful employees who have retired during the war. It may well be that some legislation will be introduced by the Government after the war which will make the introduction of a contributory pension scheme neither necessary nor practicable, but in any event your directors feel that this increased provision is fully justified in view of our existing list of pensions which are at present charged against current profits.

## RESTRICTED ADVERTISING SPACE

The net sales of *The Daily Mail*, *The Evening News* and *Sunday Dispatch* continue at the highest possible level under present restrictions in the supplies of newsprint. The slight general increase recently allowed was helpful, but it was far from being sufficient to enable us to print the number of copies needed to meet the demand from the public.

A similar position exists on the advertise-

PROFIT AND LOSS ACCOUNT AND  
APPROPRIATION

After providing for a final dividend of 6s. per share proposed to be paid, the balance of profit to be carried forward is £231,713, compared with £190,515 at the end of the previous year.

ment side of our business. The demand for advertising space far exceeds the limited amount of space available, and although the standard size of advertisements has been gradually reduced—allowing us to accommodate a larger number of advertisements—the waiting list of orders for advertising space from both old and new advertisers increases rather than diminishes.

The demand for space from Government Departments is still considerable, and receives first consideration.

*The Daily Mail* still retains its great reputation, enhanced so appreciably during the period of the war, as the world's greatest advertising medium.

## THE EVENING NEWS WORLD RECORD SALE

The new world record net sale set up by *The Evening News* during the current year of a million copies daily has also contributed to the increased and increasing demand for space in that paper.

A policy similar to that of *The Daily Mail* of reducing the standard size of advertisements and rationing the amount of space has had to be adopted in *The Evening News* as well as in the *Sunday Dispatch*.

All our papers continue to strengthen their positions in the advertising world in a manner which speaks well for their prospects when normal conditions apply once again to the newspaper industry.

The accounts of the Anglo-Newfoundland Development Company, Limited, will, I understand, be issued shortly, and although they must reflect another difficult year in view of the restrictions imposed by the war upon their most remunerative market—the United Kingdom—the strength of that company, to which I referred last year, is reflected in their recent announcement giving notice to repay the whole of their outstanding debentures on July 1, 1944.

## DEMAND FOR NEWSPAPERS

The problem of our company to-day is that of meeting the demand of the public for our newspapers, and once again I wish to pay tribute to the Newsprint Supply Company and its Rationing Committee for the highly efficient manner in which our raw material has been rationed and distributed. It is difficult to see a greater supply of newsprint for more newspapers or bigger newspapers at the moment, but just as soon as the position justifies it every effort will be made to secure more newsprint for a larger production of bigger newspapers, thus ensuring the fullest information to the public by a Free Press in the post-war period.

With keen satisfaction I once again record that our scheme of salary allowances to the 1,361 members of our staff serving with the Forces has not only been maintained but improved by the addition of special payments for young children, and to all of them I send our best wishes for a safe and speedy return.

To my colleagues on the board and the entire staff I extend my grateful thanks for their efforts in the interests of our newspapers.

The report and accounts were adopted, the retiring directors were re-elected and the auditors, Messrs. Lever, Honeyman and Co., were reappointed.

The proceedings terminated with a vote of thanks to the chairman, directors and staff.

## EVER READY

REGD. TRADE MARK

MANUFACTURERS OF  
DRY BATTERIESCELLS, ACCUMULATORS,  
RADIO EQUIPMENT,  
MOTOR CAR ACCESSORIES,  
PORTABLE ELECTRIC  
LAMPS.

Net Trading Profit for Year to  
31st March, 1944 - £621,813.  
Total Reserves and Carry  
Forward - £1,253,518  
Dividends on Ordinary Stock,  
40%.

*The Annual General Meeting of the Ever Ready Company (Great Britain) Limited, was held on June 5th, 1944. The following are Points from the Comments of Mr. Magnus Goodfellow (Chairman), circulated with the Report and Accounts.*

## STRONG POSITION.

The accounts before you show a small increase in profit after providing for Excess Profits Tax and Deferred Repairs to our factories.

Two important matters have been settled during the year. I refer to the ascertainment of the depreciation on Buildings, Plant, and Establishments under war conditions, and to the settlement of that complicated tax—E.P.T.

The effect of these settlements has been to deplete our Reserves by £368,000. We have met this charge as follows:—

|                                                    |          |
|----------------------------------------------------|----------|
| Transfer from the Profits of the year under review | £178,000 |
| Reduction of Contingencies Reserve                 | 130,000  |
| and the Balance from the General Reserve of        | 60,000   |
|                                                    | £368,000 |

You will agree with me on the importance of these transactions when I say that we now go forward in the operation of our business with a clear knowledge of our financial position.

It is worthy of note that the expenditure of £992,000 on Buildings, Plant, and Establishments referred to in our Report, has been provided entirely out of our own resources, and that our liquid financial strength improved during the year, our net Current Assets having risen from £1,000,000 to £1,220,000.

FAVOURABLE POST-WAR  
PROSPECTS.

The business again achieved a substantial increase in production, but this increase was not available for civilian consumption, the supplies so available being approximately the same in quantity and price as in the previous year.

Our post-war prospects are favourable, for the change over to peace-time requirements will not take any considerable time. The renovation of our large plants will be a costly matter, but our service to the public should be quickly available in increased quantity and many improvements in design.

I am happy to be able once again to inform you that our Managers, Staff and Workpeople have continued their service faithfully and well, and I express my appreciative thanks to them for their efforts.



## IMPERIAL CHEMICAL INDUSTRIES, LIMITED

### ACTIVE RESEARCH POLICY

#### LORD MCGOWAN'S STATEMENT

The seventeenth ordinary general meeting of Imperial Chemical Industries, Limited, was held, on the 6th instant, at Grosvenor House, London, W., the Rt. Hon. Lord McGowan, K.B.E., D.C.L., LL.D. (chairman of the company), presiding.

The following is an extract from the statement by the chairman circulated with the report and accounts:

Some further light may be thrown on our finances by the following particulars of the company and its 96 subsidiary companies aggregated in the consolidated income statement for the year 1942. (The complete figures for 1943 are not yet available). The aggregate gross manufacturing and trading proceeds for 1942 were £105,000,000; £56,000,000 was spent on raw materials and purchases for re-sale, maintenance of plants, freight charges, factory, sales and administration expenses (exclusive of personnel), and £3,500,000 was set aside for obsolescence and depreciation of plants. That left £45,500,000 as the net proceeds of manufacturing and trading activities, to which there must be added the company's investment, property and miscellaneous income of £1,500,000, making a total of £47,000,000.

Of this £47,000,000, wages, salaries, pensions and contributions to pension funds took £30,500,000 and £12,500,000 became due to the British and Overseas Governments as E.P.T., National Defence Contribution and income-tax (inclusive of tax deductible from dividends and interest), leaving £4,000,000 net, after taxation, available for the company's reserves and dividends to stockholders. Of this sum, £3,000,000 was distributed as net dividends and the company retained £1,000,000 for addition to its reserves.

#### RESEARCH AND DEVELOPMENT

We have always recognised that the progress of a company such as ours depends to an outstanding degree on the steady pursuance of an active policy of research and development. During 1943 our expenditure on research and development in our own works and laboratories was approximately £2,200,000—a figure which we expect substantially to exceed during the current year. About a fifth was on work for H.M. Government, while practically all the remainder was spent on projects connected with essential war materials.

Our research organisation consists of nearly 900 fully qualified chemists, physicists, biologists, engineers and other scientists, together with more than 1,000 skilled assistants. In addition to this substantial force of our own, we also maintain close and cordial relations with Government and University research organisations and with 24 Industrial Research Associations, to whose funds we contribute.

#### PERSONNEL

On December 31, 1943, 12,800 of our employees were serving in H.M. Forces. I regret that our casualties show a substantial increase. Up to the end of 1943, 418 of our men had been killed in action, 428 are prisoners of war, and 81 are missing, while the number of civilian casualties through enemy action during the year was five, bringing the total number of civilian employees who have lost their lives to 59.

The Trade Unions have again co-operated with us in the settlement of the numerous problems which arise from the continuation of the war. I have to express my thanks for the helpful manner in which they collaborate. Collective bargaining, inspired by mutual trust, has

solved all our difficulties. No major trade dispute has marred our work. The high sense of responsibility and breadth of co-operative understanding displayed by our great Trade Unions is a national asset which no man can measure.

#### THE FUTURE

Since my last statement the Government have thrown a little more light on the future. We have had a White Paper and a Bill for the development of the educational system of the country and also a White Paper outlining the Government's proposals for a National Health Service. We welcome these steps. Our success will rest upon the relation between the wage level and the level of productivity emerging from our men and machines. The high standard of craftsmanship and work of our people must be matched by ability and skill in management. We cannot claim that productivity is as high in the United Kingdom as in the United States. Our workers must be armed with more capital instruments per head of a technical standard equal to that to be found anywhere else.

Public attention has recently been focussed on great undertakings such as your company. Much of the criticism is ill-informed and political in origin. The word monopoly is widely used as a term of aspersion, and the facile assumption is made that large industrial organisations and monopolistic malpractices are inseparable. My answer is that your company is an industrial organisation with 180,000 stockholders and 100,000 employees in its own home factories. Its primary interest is in its adventures in industry, carried on by this large human community of individuals associated together in an enterprise of world-wide benefit. Industrial continuity, progress and expansion, with continually rising standards for our employees, growing satisfaction to our customers and a reasonable return to the members of the company are more important to us than a maximisation of profit.

We are inferentially charged with maintaining high prices by restricting production. My reply, and I think it effective, is a pre-war falling price-level for our products, the magnitude of our expenditure on research and development, all directed to an expansion of production and not to its restriction, and our capital expenditure in the 16 years from 1927 to 1942 at our home works only, on land, plants, buildings, machinery and equipment of £62,000,000. In the first five post-war years, I may add, we plan to spend many more millions on new works and extensions.

The chairman, addressing the meeting, said: May I take this opportunity of offering congratulations to Sir John Anderson, the Chancellor of the Exchequer, for his most encouraging Budget speech? The concessions he proposes to make on scientific research expenditure, on which our future so much depends, and his agreeing that we shall have liberal concessions on new construction work, are a very great encouragement to industry as a whole.

In the past, when trade was depressed industry was indisposed, in the absence of any expansionist outlook by the Government of the day, to risk expenditure on capital projects the fruits of which they could not foresee. Today we have not only the new and concrete proposals of the Chancellor of the Exchequer, but an expression of an expansionist attitude towards the future which is ably set forth in the Government White Paper on "Employment Policy."

The report was adopted.

## FRIENDS' PROVIDENT AND CENTURY LIFE OFFICE

### FAVOURABLE RESULTS

The annual general meeting of the Friends' Provident and Century Life Office was held, on the 7th instant, in London.

The chairman, Mr Hugh E. Seebohm, J.P., said: The new life business exceeded two million, and 1943 was the best year in this respect since 1938. The life premium income advanced by £36,000 and reached £825,000. Our continuance of the practice which was adopted early in the war of giving civilian war risk cover free of charge to new members, as well as to existing holders of policies has been a helpful influence. Our mortality experience continues to be favourable.

In pursuance of our policy of simplification of our organisation, we have arranged to concentrate our sinking fund (or capital redemption) and continuous disability business in the Century. At the end of 1943 the Friends' Provident sinking fund account has been closed by the transfer of the fund, amounting to £927,000, to the Century. The small Friends' Provident continuous disability account has also been closed by the transfer of appropriate amounts to the Century continuous disability account and to the Friends' Provident life and annuity account. Commencing with 1944, therefore, there is likely to be only one fund—the life assurance and annuity fund—in the Friends' Provident balance-sheet, leaving all the other classes of business to the Century, which already had a substantial business in the two departments now dealt with.

The interest income of the Friends' Provident was exceptionally favourable for the past year. The value of our investments, whether in the Friends' Provident or the Century, has had a marked upward trend during the year, and is well above the figure in our balance-sheet.

#### QUINQUENNIAL VALUATION

Turning to the general departments associated with the Century side of the business and taking the figures from the amalgamated accounts, I will first refer to the excellent results of the continuous disability account. The actuary has completed his quinquennial valuation, as a result of which, after providing for taxation on profits, it has been possible to transfer £40,000 to profit and loss account, while strengthening the basis of valuation so that only 2½ per cent. interest is assumed.

The premium income of the fire, accident and marine departments at £1,588,000 showed a decrease of £324,000 from the high level of 1942. This reduction is accounted for by the fall in marine premiums. The total of the net profit transferred to profit and loss account, namely £65,000, was £4,000 less than for 1942. The fire department has suffered the loss of £9,000, compared with a profit of £25,000.

In the accident and general account we were adversely affected by workmen's compensation legislation, which had a considerable retroactive effect, and that account was therefore unprofitable. Fortunately, the results of motor and other sections were satisfactory, so that on balance the profit of £41,000 was only £1,000 less than in 1942.

The marine account, after an anxious period in 1942, ran much more smoothly in the past year. The transfer to profit and loss account of £33,000 relates to years prior to 1941.

It has been decided to revert to the pre-war annual rate of dividend of £90,000, and, in addition, having special regard to the continuous disability profits, to pay a bonus of £60,000, making the total dividend for the year up to £150,000. It has been gratifying to be able to present to you to-day a report which is so generally favourable.

The report and accounts were adopted.

## DUNLOP RUBBER COMPANY, LIMITED

### IMPORTANCE OF ROAD TRANSPORT

#### SIR GEORGE BEHARRELL ON POST-WAR PROBLEMS

The forty-fifth ordinary general meeting of Dunlop Rubber Company, Limited, was held, on the 7th instant, in London, Sir J. George Beharrell, D.S.O., the chairman, presiding.

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

The supplies to Allied Governments have substantially increased, and other business, all generally concerned with the war effort, has been maintained. This has been materially assisted by the steps taken to conserve rubber supplies and to increase the output of reclaim, in all of which the company's technical staff has co-operated energetically with the authorities. Our home business was still subject to the readjustments necessitated by war conditions, and the year had its special difficulties, including shortage of labour, especially at the cotton mills at Rochdale, where, in common with other mills in the district, the position is still far from satisfactory.

#### RESTRICTED EXPORTS

With regard to our export trade from this country, the system of control by market quotas instituted in 1942 remained in force and exports were restricted to those territories allocated to Great Britain and to the volume allowed by the rubber supplies position. Nevertheless, the year saw a substantial increase in profit. It is to be hoped that these limited opportunities for the maintenance of export trade will not be further restricted.

Our manufacturing units in India and South Africa continued in full production. Turnover increased and profits were highly satisfactory. The Irish company was faced by serious difficulties of raw material supplies, but the assistance given by the Ministry of Supply and by the Eire Government has permitted the continuance of production at Cork and the dividends from that company have been maintained. The American company enjoyed substantially increased sales, in spite of shortage of labour, and continued to make profits. The sales and profits of the Canadian company were lower than in 1942, the decrease being solely due to the reduction of rubber supplies.

#### FEATURES OF THE ACCOUNTS

I will now refer briefly to the main features of the accounts. The net profit for the year amounted to £2,765,797, compared with £2,433,307 for 1942. The provision for United Kingdom excess profits

tax again includes adjustments in respect of previous periods and amounts to £869,000, which brings the total provision made in the parent company for U.K. excess profits tax up to December 31, 1943, to £5,163,000, and for the Dunlop group of companies to £7,440,000.

The directors' report shows that the transfer to taxation reserve out of profits has been increased from £700,000 to £944,000. We have thus achieved the object which we have for some time had in view, of providing the full reserve for income-tax on the profits up to the date of the balance-sheet.

I need not remind you of the many factors which may adversely affect world trade after the war. There is also the unknown quantity of damage to our continental and Far Eastern properties. The policy of your directors is to set aside such surplus profits as may be available in order to ensure that the company enters the post-war period in the strongest position possible to withstand the shocks which will inevitably arise. Accordingly we have transferred £250,000 from the profits of the year and £250,000 from the reserve for contingencies to the special reserve for investments in and advances to subsidiary companies, which now amounts to £3,750,000.

#### HUGE TAXATION BURDEN

The aggregate profits of the group for 1943 amounted to £5,384,000 against £4,472,000 last year. The huge burden of present taxation is shown by the provision by the subsidiaries of £2,206,000, bringing the total provision for the group for 1943 to £4,142,000.

A not unimportant part of this burden is due to the failure of the British tax laws to give adequate relief to British firms who export to overseas markets and who have to pay taxes at home and abroad on the same income. The same disability, of course, applies to British firms who manufacture and sell in overseas territories. In this respect British companies are at a disadvantage in relation to most of their foreign competitors, and strong representations on the subject are being made to the Government by various national organisations. The directors' report adequately explains the major features in the Dunlop Rubber Company's balance-sheet.

The consolidated statement of assets and liabilities is submitted on the same lines as last year, and it will be seen that the

investments in subsidiary and associated companies in enemy and enemy-occupied countries is now reduced from £4,138,000 to £3,829,000, an improvement of £309,000. This figure, of course, is after deducting the surplus funds of some of these companies deposited in England and the U.S.A. These funds increased during 1943 from £1,129,000 to £1,405,000. There is also an increase of £643,000 in the total surplus and reserves of the group, which now amount to £8,546,000. The liquid resources of the group have further improved, the total amount in Government and other securities, tax reserve certificates, and bank balances being £7,215,000 compared with £6,427,000 last year.

#### INDUSTRIAL CONDITIONS

I now turn to the general condition of the industry and the problems facing us in the future. The increasing quantities of synthetic rubber now reaching this country tend to create the impression that the rubber crisis has passed. This is not the case. The greatest economy of usage is still essential.

Having regard to the tremendous events which have taken place during the past year, and to the great developments to which we confidently look forward in the next few months, our thoughts naturally turn to the all-important problems which must confront us in the post-war reconstruction period, both at home and overseas. In all departments of the company's organisation these are the subject of careful study by your board and the management, but only so far as war-time conditions allow.

Much of our prosperity must depend on that of the motor industry of Great Britain. This has been the source of an immense volume and variety of munitions, and the maintenance of its strength in post-war years is clearly essential. Road transport will play a prominent part in reconstruction, and it is to be hoped that the taxation applied to it will not obstruct its future development. Road transport can no longer be regarded as a luxury, to be taxed as such. It is a main artery of our national life.

The name "Dunlop" is primarily associated in the public mind with tyres and transport, although for many years before the war your company was engaged in a far wider sphere. To-day our activities are even further extended, and when it is possible for full details to be given you will be surprised and gratified by the record of your company's war-time achievements. The extensive experience gained in new and varied fields will be put to good use when normal conditions return, and I know you will all join with me in the hope that this time may not be long delayed.

The report and accounts were adopted.

(Continued from page 791)

Bombay on April 14th, when a fire which broke out in a ship in dock spread to ammunition and caused explosions resulting in numerous casualties and damage to property running into many millions sterling. Lack of information in the early days left insurers no option but to reserve their position, especially as any admission of liability on inadequate grounds might be considered a precedent in future similar occurrences. The Government of India, however, was desirous of taking prompt measures to relieve distress and therefore proposed an immediate compromise settlement which would avoid the delays inevitable in litigation. This was agreed to following negotiations. By the settlement, which embraces both companies and underwriters at Lloyd's, the Government of India will indemnify fire losses to the extent of 100 per cent in respect of insured property and 75 per cent in respect of uninsured property, recovering from insurers in the former case 12½ per cent of damage on the basis of insured values; marine and accident—including workmen's compensation—losses will be settled by insurers as is covered under their policies, recovering respectively 40 per cent and 50 per cent from the Indian Government. These varying proportions of contribution may be regarded as reflecting in some measure the degree of likelihood of

insurers being held responsible in the absence of the compromise and the arrangement whereby fire losses are paid by the Government and not by insurers stresses their inability to admit liability; needless to say, the local organisations of the companies will be at the disposal of the Government for investigation and ascertainment of fire damage. The disaster will not unduly affect British insurers, who derive their income from world-wide interests, but may prove more serious for Indian companies, most of whose operations are localised; it furnishes one more example of the advantage in insurance of spreading commitments over the widest possible area.

## Company Result

"LEVER" STORES. (Years ended January 1st).

|                    | Profits    |            | Taxation |         | Dividend |      |
|--------------------|------------|------------|----------|---------|----------|------|
|                    | 1943       | 1944       | 1943     | 1944    | 1943     | 1944 |
| Home & Colonial... | 1,235,953† | 1,267,369† | 959,906  | 969,707 | 3        | 3    |
| Liptons .....      | 226,570    | 228,368    | 193,700  | 170,000 | 6        | 8    |
| Meadow Dairy ..... | 349,795    | 313,976    | 253,900  | 235,850 | 12½      | 19   |

† Consolidated earnings.

# RECORDS and STATISTICS

## INDUSTRY AND TRADE

**Ironstone Industry Survey.**—In accordance with a recommendation of the Scott Committee on rural land utilisation, the Minister of Town and Country Planning has appointed Mr A. H. S. Waters, consulting engineer, to make a technical investigation of the ironstone industry of Northamptonshire, Lincolnshire and adjoining counties. Mr Waters will report on the scope and efficiency of the measures now employed to restore land damaged by quarrying and on what extent they could be improved now and in the future. Some developments in the use of machinery to restore land laid waste by the industry have taken place since a departmental committee of the Ministry of Health, under the chairmanship of Lord Kennet, reported in 1939.

**Marine Turbine Research.**—The Parsons and Marine Engineering Turbine Research and Development Association has been formed, with the support of shipbuilding and marine engineering firms which are manufacturers of marine turbines. Its object is to further the development of steam and gas turbines for marine propulsion, for merchant ships and warships. A representative council of directors has been appointed, and nineteen firms have joined the Association. It will be independent of the recently formed British Shipbuilding Research Association, but will maintain close liaison with it.

**Price Control in Loose-Leaf.**—Price Control in Loose-Leaf, compiled and published by Mr. U. H. E. Croner, at £1 7s. 6d., is designed to assist traders to keep abreast of Orders controlling prices of goods other than food. It will be kept up to date by means of a monthly amendment service, the charge for which will be 7s. 6d. per quarter. The book is in five parts. Part I outlines the principles and general rules of price control based on the 1939 and 1941 Acts; Part II deals with raw materials price control; Part III deals with consumer goods, except apparel and textiles, which are covered in Part IV. Part V contains the price schedules referred to in the foregoing chapters. They are reproduced from the official Statutory Rules and Orders by a photographic process.

**Textile Design Exhibition.**—An exhibition of new textile designs was opened at the Cotton Board's Colour, Design and Style Centre in Manchester on June 7th, and it will remain open until July 7th. Nearly two thousand designs were submitted and some 750 have been "hung." The object of the exhibition is to show how far the need and desire for new textile designs can be met. All the designs are for sale at prices varying from three to twenty guineas. They show originality in pattern and use of colour, and well-known artists have contributed.

**Trade Disputes in 1943.**—Detailed statistics of industrial disputes involving stoppages of work during 1943 appear in the May Ministry of Labour Gazette. The number of disputes was 1,785, compared with 1,303 in 1942. The total number of workers involved, directly or indirectly, was about 559,000, compared with about 457,000 in 1942. The aggregate number of working days lost is estimated at about 1,810,000 in 1943, compared with about 1,527,000 in 1942. The following table analyses, by industry groups, the number of stoppages, the workers involved and the number of working days lost in 1942 and 1943:—

| Industry group                            | 1942                                  |                                                                 |                                               | 1943                                  |                                                                 |                                               |
|-------------------------------------------|---------------------------------------|-----------------------------------------------------------------|-----------------------------------------------|---------------------------------------|-----------------------------------------------------------------|-----------------------------------------------|
|                                           | Number of stoppages beginning in 1942 | Number of workers involved in all stoppages in progress in 1942 | Aggregate number of working days lost in 1942 | Number of stoppages beginning in 1943 | Number of workers involved in all stoppages in progress in 1943 | Aggregate number of working days lost in 1943 |
| Fishing.....                              | 526                                   | 252,000                                                         | 840,000                                       | 3                                     | 1,700                                                           | 14,000                                        |
| Coal Mining.....                          | 29                                    | 4,600                                                           | 22,000                                        | 843                                   | 294,000                                                         | 890,000                                       |
| Other Mining and Quarrying.....           | 39                                    | 5,500                                                           | 10,000                                        | 19                                    | 1,700                                                           | 3,000                                         |
| Brick, Pottery, Glass, Chemical, etc..... | 233                                   | 82,000                                                          | 283,000                                       | 30                                    | 1,600                                                           | 4,000                                         |
| Shipbuilding.....                         | 111                                   | 42,000                                                          | 192,000                                       | 288                                   | 121,000                                                         | 437,000                                       |
| Iron and Steel and Other Metal.....       | 132                                   | 18,200                                                          | 51,000                                        | 196                                   | 32,000                                                          | 137,000                                       |
| Textile.....                              | 47                                    | 9,600                                                           | 26,000                                        | 128                                   | 18,200                                                          | 61,000                                        |
| Clothing.....                             | 13                                    | 5,100                                                           | 19,000                                        | 52                                    | 6,100                                                           | 17,000                                        |
| Food, Drink and Tobacco.....              | 12                                    | 2,000                                                           | 4,000                                         | 23                                    | 3,100                                                           | 7,000                                         |
| Woodworking, Furniture, etc.....          | 8                                     | 1,700                                                           | 6,000                                         | 17                                    | 8,800                                                           | 27,000                                        |
| Building, Public Works Contracting.....   | 66                                    | 13,400                                                          | 29,000                                        | 4                                     | 600                                                             | 1,000                                         |
| Transport.....                            | 51                                    | 15,600                                                          | 35,000                                        | 71                                    | 13,200                                                          | 25,000                                        |
| Commerce, Distribution and Finance.....   | 8                                     | 2,000                                                           | 3,000                                         | 68                                    | 53,500                                                          | 180,000                                       |
| All Other Industries.....                 | 28                                    | 3,300                                                           | 7,000                                         | 8                                     | 500                                                             | 1,000                                         |
| Total.....                                | 1,303                                 | 457,000                                                         | 1,527,000                                     | 1,785                                 | 559,000                                                         | 1,810,000                                     |

The principal methods by which disputes beginning in 1943 were settled are shown in the following table:—

| Methods of Settlement                                              | Stoppages |                    | Workpeople Directly Involved |                    |
|--------------------------------------------------------------------|-----------|--------------------|------------------------------|--------------------|
|                                                                    | Number    | Per cent. of Total | Number                       | Per cent. of Total |
| By direct negotiation between the parties or their representatives | 918       | 51.4               | 203,300                      | 44.8               |
| By conciliation.....                                               | 85        | 4.8                | 29,600                       | 6.5                |
| By arbitration.....                                                | 11        | 0.6                | 5,400                        | 1.2                |
| By return to work on employers' terms, without negotiation.....    | 722       | 40.5               | 151,800                      | 33.5               |
| Otherwise.....                                                     | 49        | 2.7                | 63,500                       | 14.0               |
| Total.....                                                         | 1,785     | 100.0              | 453,600                      | 100.0              |

"The Economist" Sensitive Index.—There was no change in the index during the week ended June 7th. The complete index (1935 = 100) was 158.6; crops 135.6; and raw materials 185.5.

### RETAIL FOOD PRICES

|                                                  | Average price per lb. at |               |             | Per Cent. Increase since Sept. 1, 1939 |
|--------------------------------------------------|--------------------------|---------------|-------------|----------------------------------------|
|                                                  | Sept. 1, 1939            | April 1, 1944 | May 1, 1944 |                                        |
| Beef, British—                                   | s. d.                    | s. d.         | s. d.       |                                        |
| Ribs.....                                        | 1 2½                     | 1 3½          | 1 3½        | 11                                     |
| Thin Flank.....                                  | 0 7½                     | 0 9½          | 0 9½        | 27                                     |
| Beef, chilled or frozen—                         |                          |               |             |                                        |
| Ribs.....                                        | 0 9½                     | 1 1           | 1 1         | 35                                     |
| Thin Flank.....                                  | 0 4½                     | 0 6           | 0 6         | 23                                     |
| Mutton, British—                                 |                          |               |             |                                        |
| Legs.....                                        | 1 3½                     | 1 5½          | 1 5½        | 13                                     |
| Breast.....                                      | 0 7½                     | 0 8           | 0 8         | 8                                      |
| Mutton, frozen—                                  |                          |               |             |                                        |
| Legs.....                                        | 0 10½                    | 1 0           | 1 0         | 16                                     |
| Breast.....                                      | 0 4                      | 0 4           | 0 4         | —                                      |
| Bacon.....                                       | 1 3                      | 1 10½         | 1 10½       | 50                                     |
| Fish.....                                        | 0 11½                    | 1 2½          | 1 2½        | 26                                     |
| Flour (per 7 lb.).....                           | 0 8½                     | 0 9           | 0 9         | 9                                      |
| Bread (per 4 lb.).....                           | 2 4                      | 2 10          | 2 10        | 21                                     |
| Tea.....                                         | 0 3                      | 0 4           | 0 4         | 32                                     |
| Sugar (gran.).....                               | 0 6½                     | 0 9           | 0 9         | 32                                     |
| Milk (per qt.).....                              | 1 4½                     | 1 8           | 1 8         | 31                                     |
| Butter (salt).....                               | 1 3½                     | 1 8           | 1 8         | 31                                     |
| Cheese.....                                      | 0 10                     | 1 1           | 1 1         | 30                                     |
| Margarine, special.....                          | 0 6½                     | 0 9           | 0 9         | 30                                     |
| " standard.....                                  | 0 6½                     | 0 5           | 0 5         | 12                                     |
| Eggs, fresh (each).....                          | 0 1½                     | 0 1½          | 0 1½        | —                                      |
| Potatoes (per 7 lb.).....                        | 0 6½                     | 0 6½          | 0 6½        | 6                                      |
| Index all foods weighted (July, 1914 = 100)..... | 138                      | 168           | 168         | 22                                     |

Source: Ministry of Labour Gazette.

## FINANCE AND BANKING

**THE MONEY MARKET.**—Credit has been in abundant supply in the money market this week. The latest Bank return shows a reduction of £6,035,000 in Public deposits and a balancing increase of £6,762,000 in bankers' deposits. This movement ends a comparatively large immobilisation of cash in Government accounts which has persisted for four successive weekly returns. The latest total of bankers' deposits, £171,895,000, illustrates the prevailing ease in the market. The banks had to pay £80,000,000 against TDR's this week, a figure which exceeded the current effective maturities by nearly £10,000,000. On the other hand the taking up of this week's Treasury bills gave the discount market little difficulty as the syndicate's allotment fell from 46 per cent. the previous week to 28 per cent. The results of last week's tenders showed a considerable expansion in official applications for bills. The banks have been ready buyers of July bills from the market.

**MONEY RATES, LONDON.**—The following rates remained unchanged between June 1st and June 8th:—

Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days, 1½%; 3 months, 1½%; 4 months, 1½-1¾%; 6 months, 1½-1¾%. Treasury Bills: 2 months, 1-1½%; 3 months, 1-1½%. Day-to-day money, 1-1½%. Short Loans, 1-1½%. Bank deposit rates, 1%. Discount deposit at call, 1%; at notice, 2%.

**Exchange Rates.**—The following rates fixed by the Bank of England remained unchanged between June 1st and June 8th. (Figures in brackets are par of exchange).

**United States.** \$ (4-86½) 4-02½-03½; mail transfers 4-02½-03½. **Canada.** \$ (4-86½) 4-43-47; mail transfers 4-43-47½. **Switzerland.** Francs (25-23½) 17-30-40. **French Empire.** Francs 197½-200½. **Syria.** p. 8-81-85. **Sweden.** Krona (18-159) T.T. 16-85-95. **Dutch West Indies.** Florin (12-11) 7-58-62. **Portugal.** Escudos (110) 99-80-100-20; mail transfers 99-80-100-30. **Panama.** \$4-02-04; mail transfers 4-02-04½. **Brazil.** 83-64½ cr. (buying); mail transfers 83-56½ cr. **Uruguay.** 7-6597 p. (buying).

**Fixed Rates for Payment at Bank of England for Clearing Offices.** **Spain.** Pesetas 44-00. **Turkey.** Piastres 520. **Italy.** 71-25 lire.

**Market Rates.**—The following rates remained unchanged between June 1st and June 8th.

(Continued on page 798)

## GOVERNMENT RETURNS

For the week ended June 3, 1944, total ordinary revenue was £29,017,000, against ordinary expenditure of £21,546,000 and issues to sinking funds of £159,999. Thus, including sinking fund allocations £1,340,027, the deficit accrued since April 1st is £593,978,000 against £670,215,000 for the corresponding period a year ago.

## ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

| Revenue                     | Estimate, 1944-45 | Receipts into the Exchequer (£ thousands) |                         |                         |                         |
|-----------------------------|-------------------|-------------------------------------------|-------------------------|-------------------------|-------------------------|
|                             |                   | April 1 to June 5, 1943                   | April 1 to June 3, 1944 | Week ended June 5, 1943 | Week ended June 3, 1944 |
| ORDINARY REVENUE            |                   |                                           |                         |                         |                         |
| Income Tax.....             | 130,000           | 114,660                                   | 117,106                 | 5,787                   | 8,466                   |
| Sur-tax.....                | 80,000            | 6,912                                     | 5,583                   | 450                     | 200                     |
| Estate, etc.,               |                   |                                           |                         |                         |                         |
| Duties.....                 | 100,000           | 18,948                                    | 19,840                  | 1,700                   | 1,750                   |
| Stamps.....                 | 19,000            | 1,690                                     | 1,052                   | —                       | —                       |
| N.D.C.....                  | 500,000           | 3,531                                     | 3,619                   | 430                     | 410                     |
| E.P.T.....                  |                   | 62,522                                    | 70,032                  | 6,070                   | 6,568                   |
| Other Ind. Rev.             | 1,000             | 100                                       | 60                      | —                       | —                       |
| Total Ind. Rev.             | 200,000           | 208,363                                   | 217,292                 | 14,437                  | 17,394                  |
| Customs.....                | 564,900           | 96,807                                    | 98,387                  | 12,418                  | 10,584                  |
| Excise.....                 | 472,900           | 81,400                                    | 89,285                  | 2,148                   | 1,228                   |
| Total Customs & Excise..... | 1,037,800         | 178,207                                   | 187,672                 | 14,566                  | 11,812                  |
| Motor Duties.....           | 27,000            | 1,738                                     | 1,948                   | 121                     | —                       |
| P.O. (Net Receipts).....    |                   | 1,850                                     | 1,700                   | 450                     | 1,200                   |
| Wireless Licences.....      | 4,850             | 600                                       | 640                     | —                       | 320                     |
| Crown Lands.....            | 800               | 190                                       | 210                     | —                       | —                       |
| Sundry Loans.....           | 7,350             | 748                                       | 815                     | —                       | —                       |
| Miscell. Receipts.....      | 24,000            | 10,635                                    | 9,638                   | 706                     | 690                     |
| Total Ord. Rev.             | 310,180           | 402,331                                   | 419,915                 | 30,280                  | 29,017                  |
| SELF-BALANCING              |                   |                                           |                         |                         |                         |
| P.O. & Brdcastg.            | 112,370           | 18,250                                    | 19,600                  | 1,350                   | 3,200                   |
| Total.....                  | 321,410           | 420,581                                   | 439,515                 | 31,630                  | 32,217                  |

| Expenditure                    | Estimate, 1944-45 | Issues out of the Exchequer to meet payments (£ thousands) |                         |                         |                         |
|--------------------------------|-------------------|------------------------------------------------------------|-------------------------|-------------------------|-------------------------|
|                                |                   | April 1 to June 5, 1943                                    | April 1 to June 3, 1944 | Week ended June 5, 1943 | Week ended June 3, 1944 |
| ORDINARY EXPENDITURE           |                   |                                                            |                         |                         |                         |
| Int. & Man. of Nat. Debt.....  | 420,000           | 88,711                                                     | 89,888                  | 29,644                  | 26,717                  |
| Payments to N. Ireland.....    | 9,000             | 1,341                                                      | 996                     | 335                     | —                       |
| Other Cons. Fund Services..... | 7,000             | 277                                                        | 348                     | —                       | 9                       |
| Total.....                     | 436,000           | 90,329                                                     | 91,232                  | 29,979                  | 26,726                  |
| Supply Services.....           | 550,139           | 980,643                                                    | 921,321                 | 107,600                 | 94,820                  |
| Total.....                     | 593,739           | 1,070,973                                                  | 1,012,553               | 137,579                 | 121,546                 |
| SELF-BALANCING                 |                   |                                                            |                         |                         |                         |
| P.O. & Brdcastg.               | 112,370           | 18,250                                                     | 19,600                  | 1,350                   | 3,200                   |
| Total.....                     | 604,979           | 1,089,223                                                  | 1,032,153               | 138,929                 | 124,746                 |

A change has been made in the method of showing an excess of Post Office Expenditure over Post Office Revenue. Such excess is now included as ordinary expenditure (under "Total Supply Services") instead of being shown, as up to July 24 inclusive, as a deduction from ordinary revenue.

After decreasing Exchequer balances by £286,741 to £2,590,094, the other operations for the week (no longer shown separately) raised the gross National Debt by £92,193,626 to £20,186 million.

### NET ISSUES (£ thousands)

P.O. and Telegraph..... 120

### NET RECEIPTS (£ thousands)

Tithe Act (1936)..... 330

## FLOATING DEBT

(£ millions)

| Date    | Tender  | Tap    | Ways and Means Advances |                 | Treasury Deposits by Banks | Total Floating Debt |
|---------|---------|--------|-------------------------|-----------------|----------------------------|---------------------|
|         |         |        | Public Depts.           | Bank of England |                            |                     |
| 1943    |         |        |                         |                 |                            |                     |
| June 5  | 1080-0  |        |                         |                 | Not available              |                     |
| 1944    |         |        |                         |                 |                            |                     |
| Mar. 4  | 1170-0  |        |                         |                 | " "                        |                     |
| " 11    | 1170-0  |        |                         |                 | " "                        |                     |
| " 18    | 1170-0  |        |                         |                 | " "                        |                     |
| " 25    | 1170-0  |        |                         |                 | " "                        |                     |
| " 31    | 3,149-1 |        | 394-5                   | "               | 1389-5                     | 4933-1              |
| April 6 | 1170-0  |        |                         |                 | Not available              |                     |
| " 14    | 1170-0  |        |                         |                 | " "                        |                     |
| " 21    | 1180-0  |        |                         |                 | " "                        |                     |
| " 28    | 1200-0  | 2018-3 | 410-4                   | "               | 1431-0                     | 5059-7              |
| May 5   | 1220-0  |        |                         |                 | Not available              |                     |
| " 12    | 1240-0  |        |                         |                 | " "                        |                     |
| " 19    | 1260-0  |        |                         |                 | " "                        |                     |
| " 26    | 1280-0  | 2184-9 | 374-9                   | "               | 1419-5                     | 5259-3              |
| June 2  | 1300-0  |        |                         |                 | Not available              |                     |

## TREASURY BILLS

(£ millions)

| Date of Tender | Amount  |             |          | Average Rate of Allotment % | Per Cent. Allotted at Min. Rate |
|----------------|---------|-------------|----------|-----------------------------|---------------------------------|
|                | Offered | Applied for | Allotted |                             |                                 |
| 1943           |         |             |          |                             |                                 |
| June 4         | 90-0    | 154-5       | 90-0     | s. d. 20 0-80               | 46                              |
| 1944           |         |             |          |                             |                                 |
| Mar. 3         | 90-0    | 201-7       | 90-0     | 19 11-86                    | 23                              |
| " 10           | 90-0    | 190-1       | 90-0     | 20 10-34                    | 31                              |
| " 17           | 90-0    | 177-2       | 90-0     | 20 11-84                    | 31                              |
| " 24           | 90-0    | 176-9       | 90-0     | 20 0-36                     | 36                              |
| " 31           | 90-0    | 180-5       | 90-0     | 20 2-20                     | 25                              |
| April 6        | 90-0    | 211-8       | 90-0     | 20 2-74                     | 27                              |
| " 14           | 100-0   | 209-1       | 100-0    | 20 2-58                     | 30                              |
| " 21           | 110-0   | 216-8       | 110-0    | 20 2-63                     | 35                              |
| " 28           | 110-0   | 208-3       | 110-0    | 20 0-25                     | 37                              |
| May 5          | 110-0   | 209-1       | 110-0    | 19 11-81                    | 32                              |
| " 12           | 110-0   | 198-2       | 110-0    | 20 0-32                     | 41                              |
| " 19           | 110-0   | 202-4       | 110-0    | 20 0-35                     | 40                              |
| " 26           | 110-0   | 195-7       | 110-0    | 20 0-98                     | 46                              |
| June 2         | 110-0   | 216-1       | 110-0    | 19 11-89                    | 28                              |

On June 2nd applications at £99 14s. 11d. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday, and Friday of following week were accepted as to about 28 per cent. of the amount applied for, and applications at higher prices in full. Applications at £99 15s. for bills to be paid for on Saturday of following week were accepted in full. £110 million of Treasury Bills are being offered on June 9. For the week ending June 10 the banks will be asked for Treasury deposits to the maximum amount of £80 million.

## NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BOND SUBSCRIPTIONS

| Week ended | N.S.C. | 3% Defence Bonds | 3% Savings Bonds | 2½% War Bonds 1952-54 |
|------------|--------|------------------|------------------|-----------------------|
| Mar. 28    | 5,565  | 1,776            | 22,288           | 52,832                |
| April 4    | 8,588  | 3,689            | 20,704           | 45,595                |
| " 11       | 4,208  | 1,548            | 4,327            | 10,209                |
| " 18       | 4,593  | 1,613            | 6,903            | 13,566                |
| " 25       | 5,275  | 5,302            | 7,520            | 15,559                |
| May 2      | 6,023  | 3,918            | 14,936           | 30,377                |
| " 9        | 7,491  | 6,139            | 22,509           | 20,613                |
| " 16       | 9,138  | 6,249            | 16,931           | 23,294                |
| " 23       | 9,724  | 6,057            | 15,919           | 18,144                |
| " 30       | 7,669  | 5,043            | 11,743           | 12,166                |
| June 6     | ...    | ...              | 11,415           | 12,750                |



**COMPANY RESULTS (May 22, 1944, to June 6, 1944)**

| Company                            | Year<br>Ended | Total<br>Profit | Deprecia-<br>tion, etc. | Net<br>Profit<br>after Deb.<br>Interest | Available<br>for Dis-<br>tribution | Appropriation |              |        |                     |                            | Preceding Year  |               |              |
|------------------------------------|---------------|-----------------|-------------------------|-----------------------------------------|------------------------------------|---------------|--------------|--------|---------------------|----------------------------|-----------------|---------------|--------------|
|                                    |               |                 |                         |                                         |                                    | Prof.<br>Div. | Ord.<br>Div. | Rate   | To Free<br>Reserves | + or -<br>Carry<br>Forward | Total<br>Profit | Net<br>Profit | Ord.<br>Div. |
| Breweries, &c.                     |               |                 |                         |                                         |                                    |               |              |        |                     |                            |                 |               |              |
| Antton Brewery Co.                 | Dec. 31       | 477,953         |                         | 102,323                                 | 315,083                            | 69,000        | 35,000       | 10     | —                   | 1,677                      | 411,442         | 90,032        | 7 1/2        |
| Burton's Blackburn Brewery         | Mar. 31       | 333,363         | 11,000                  | 23,976                                  | 35,022                             | 14,000        | 10,000       | 5      | —                   | 27                         | 275,337         | 22,133        | 4            |
| aylor, Walker & Co.                | Dec. 31       | 475,043         | ...                     | 113,732                                 | 246,487                            | ...           | 97,237       | 7 1/2  | —                   | 16,495                     | 304,232         | 76,428        | 5            |
| Coal, Iron and Steel               |               |                 |                         |                                         |                                    |               |              |        |                     |                            |                 |               |              |
| Bairds & Scottish Steel            | Dec. 31       | 89,908          | ...                     | 87,407                                  | 158,154                            | 31,500        | 50,400       | 6      | —                   | 5,507                      | 81,231          | 78,731        | 5            |
| Peacock & Co.                      | Dec. 31       | 23,774          | 15,000                  | 40,853                                  | 98,965                             | 33,000        | ...          | ...    | —                   | 7,853                      | 70,915          | 38,008        | 15           |
| Newtown Chambers & Co.             | Dec. 31       | 233,952         | ...                     | 69,435                                  | 173,437                            | 11,022        | 34,947       | 15     | —                   | 23,466                     | 205,726         | 48,848        | 5            |
| North British Locomotive           | Dec. 31       | 203,891         | ...                     | 83,892                                  | 134,037                            | 18,750        | 31,250       | 5      | 25,000              | 8,892                      | 228,349         | 78,349        | 3            |
| Ransomes & Loper                   | Dec. 31       | 165,927         | 19,607                  | 23,535                                  | 27,018                             | 450           | 15,900       | 6 1/2  | 7,500               | 315                        | 198,798         | 23,716        | 6 1/2        |
| Ransomes, Sims & Jefferies         | Dec. 31       | 115,064         | ...                     | 54,989                                  | 110,348                            | 5,500         | 18,750       | 7 1/2  | 27,240              | 3,499                      | 107,735         | 44,985        | 10           |
| United Collieries                  | Dec. 31       | 39,530          | ...                     | 1,746                                   | 28,582                             | ...           | ...          | ...    | —                   | 1,746                      | 23,326          | 15,831        | Nil          |
| Wilson's & Clyde Coal              | Feb. 29       | 55,118          | 20,000                  | 10,955                                  | 43,750                             | 1,750         | 13,500       | 4      | —                   | 4,295                      | 69,691          | 15,715        | 4            |
| Financial, Land, &c.               |               |                 |                         |                                         |                                    |               |              |        |                     |                            |                 |               |              |
| Broff Chemicals Holdings           | Dec. 31       | 22,678          | ...                     | 19,530                                  | 20,011                             | 6,875         | 12,500       | 10     | —                   | 155                        | 22,372          | 19,857        | 10           |
| ill (Philip) Investment Trust      | Mar. 31       | 451,827         | ...                     | 256,038                                 | 447,584                            | 31,250        | 53,125       | 10     | —                   | 171,663                    | 379,926         | 189,313       | 10           |
| ewis (John) Properties             | Jan. 31       | 152,966         | ...                     | 29,432                                  | 37,955                             | 29,250        | ...          | ...    | —                   | 182                        | 152,104         | 30,029        | Nil          |
| latt Brothers (Holdings)           | Mar. 31       | 113,223         | ...                     | 97,373                                  | 112,995                            | 49,469        | 34,338       | 10     | 12,000              | 1,566                      | 106,307         | 89,932        | 10           |
| Primitive Holdings                 | April 30      | 54,324          | ...                     | 50,108                                  | 161,377                            | 6,950         | 47,727       | 4      | —                   | 4,569                      | 54,347          | 50,097        | 4            |
| Gas                                |               |                 |                         |                                         |                                    |               |              |        |                     |                            |                 |               |              |
| Imperial Continental Gas           | Mar. 31       | 131,944         | ...                     | 53,511                                  | 285,197                            | ...           | ...          | ...    | 50,000              | 3,511                      | 131,020         | 51,677        | Nil          |
| Hotels, Restaurants, &c.           |               |                 |                         |                                         |                                    |               |              |        |                     |                            |                 |               |              |
| Hotels Limited                     | Dec. 31       | 679,692         | ...                     | 41,041                                  | Dr. 51,528                         | ...           | ...          | ...    | —                   | 41,041                     | 623,416         | 38,200        | Nil          |
| Valdorf Hotel Co.                  | Jan. 31       | 67,590          | ...                     | 31,408                                  | 38,099                             | 15,000        | 3,750        | 5      | —                   | 12,658                     | 59,332          | 17,179        | Nil          |
| Motor, Aviation, &c.               |               |                 |                         |                                         |                                    |               |              |        |                     |                            |                 |               |              |
| Curry's Limited                    | Jan. 31       | 102,885         | ...                     | 26,699                                  | 46,536                             | 7,500         | 17,500       | 10     | Dr. 15,238          | 17,037                     | 102,932         | 25,119        | 10           |
| Romac Industries                   | Sept. 30      | 22,611          | ...                     | 6,556                                   | 7,233                              | 4,900         | 1,600        | 10     | —                   | 156                        | 44,752          | 9,065         | 10           |
| S. Cars                            | July 31       | 154,416         | 15,945                  | 20,084                                  | 28,439                             | 6,500         | 12,000       | 10     | 5,000               | 3,416                      | 101,819         | 16,972        | 10           |
| Oil                                |               |                 |                         |                                         |                                    |               |              |        |                     |                            |                 |               |              |
| Anglo-Ecuadorian Oilfields         | June 30       | 255,625         | ...                     | 152,499                                 | 262,461                            | ...           | 56,250       | 7 1/2  | 92,264              | 3,985                      | 245,539         | 134,374       | 5            |
| Rubber                             |               |                 |                         |                                         |                                    |               |              |        |                     |                            |                 |               |              |
| iting Rubber Estates               | Mar. 31       | 1,050           | ...                     | Dr. 556                                 | Dr. 2,180                          | ...           | ...          | ...    | —                   | 556                        | Dr. 976         | Dr. 647       | Nil          |
| hevriot Rubber                     | Dec. 31       | 2,489           | ...                     | 812                                     | 41,929                             | ...           | ...          | ...    | —                   | 812                        | 1,620           | 741           | Nil          |
| Juny Rubber Estates                | Dec. 31       | 254             | ...                     | Dr. 904                                 | 1,967                              | ...           | ...          | ...    | —                   | 904                        | Dr. 1,792       | 308           | Nil          |
| onsolidated Malay Estates          | Dec. 31       | 1,077           | ...                     | 500                                     | 14,772                             | ...           | ...          | ...    | —                   | 500                        | 993             | 308           | Nil          |
| olconda Malay Rubber               | Dec. 31       | 552             | ...                     | Dr. 955                                 | 64                                 | ...           | ...          | ...    | —                   | 955                        | 526             | Dr. 1,496     | Nil          |
| lewood Tin & Rubber                | Dec. 31       | 746             | ...                     | Dr. 806                                 | 2,687                              | ...           | ...          | ...    | —                   | 806                        | 463             | Dr. 2,685     | Nil          |
| ewangana Rubber                    | Dec. 31       | 24,650          | ...                     | 16,898                                  | 17,821                             | ...           | 16,800       | 7      | —                   | 98                         | 32,090          | 12,193        | 5            |
| asin (Malacca) Rubber              | Dec. 31       | 6,811           | ...                     | 4,146                                   | 9,125                              | ...           | ...          | ...    | —                   | 4,146                      | 1,736           | Dr. 1,494     | Nil          |
| ugra Land & Carey                  | Nov. 30       | 2,026           | ...                     | Dr. 1,181                               | 2,677                              | ...           | ...          | ...    | —                   | 1,181                      | 724             | Dr. 9,055     | Nil          |
| imanis Rubber                      | Dec. 31       | 1,195           | ...                     | 156                                     | 12,926                             | ...           | ...          | ...    | —                   | 156                        | 547             | Dr. 277       | Nil          |
| ombok (F.M.S.) Rubber              | Dec. 31       | Dr. 548         | ...                     | Dr. 548                                 | 5,587                              | ...           | ...          | ...    | —                   | 419                        | 2,012           | Dr. 343       | Nil          |
| rubong (Malacca) Rubber            | Sept. 30      | 54              | ...                     | Dr. 419                                 | 1,383                              | ...           | ...          | ...    | —                   | 419                        | 1,258           | 378           | Nil          |
| abu (F.M.S.) Rubber                | Dec. 31       | 2,109           | ...                     | 645                                     | 51,304                             | ...           | ...          | ...    | —                   | 645                        | 1,987           | Dr. 1,985     | Nil          |
| anadron Rubber Estates             | Dec. 31       | 2,690           | ...                     | Dr. 1,915                               | 6,948                              | ...           | ...          | ...    | —                   | 1,915                      | 1,258           | Dr. 2,884     | Nil          |
| edbury Rubber Estates              | Dec. 31       | 85              | ...                     | Dr. 1,610                               | 4,211                              | ...           | ...          | ...    | —                   | 1,610                      | 410             | Dr. 3,377     | Nil          |
| endu Rubber                        | Dec. 31       | 253             | ...                     | Dr. 454                                 | Dr. 2,064                          | ...           | ...          | ...    | —                   | 454                        | 811             | Dr. 2,796     | Nil          |
| endaris (Sumatra) Rubber           | Dec. 31       | 2,232           | ...                     | Dr. 2,580                               | 40,156                             | ...           | ...          | ...    | —                   | 2,580                      | 5,698           | Dr. 5,698     | Nil          |
| angoon Para Rubber                 | Dec. 31       | 166             | ...                     | Dr. 209                                 | 943                                | ...           | ...          | ...    | —                   | 209                        | 501             | Dr. 5,811     | Nil          |
| embia Rubber                       | Sept. 30      | 206             | ...                     | Dr. 1,445                               | Dr. 1,929                          | ...           | ...          | ...    | —                   | 1,445                      | 362             | Dr. 1,122     | Nil          |
| empah Rubber Estates               | Nov. 30       | 329             | ...                     | Dr. 444                                 | Dr. 1,105                          | ...           | ...          | ...    | —                   | 900                        | 197             | Dr. 1,065     | Nil          |
| empah (Java) Rubber                | Mar. 31       | 139             | ...                     | Dr. 900                                 | Dr. 4,120                          | ...           | ...          | ...    | —                   | 900                        | 168             | Dr. 522       | Nil          |
| unnan Rubber                       | Dec. 31       | 290             | ...                     | Dr. 245                                 | 3,949                              | ...           | ...          | ...    | —                   | 245                        | 168             | Dr. 522       | Nil          |
| Shipping                           |               |                 |                         |                                         |                                    |               |              |        |                     |                            |                 |               |              |
| oulder Brothers & Co.              | Dec. 31       | 78,462          | ...                     | 56,827                                  | 90,979                             | 5,500         | 40,000       | 5 1/2  | —                   | 11,327                     | 49,046          | 34,886        | 4 1/2        |
| acobs (John I.)                    | Dec. 31       | 72,303          | 6,400                   | 53,903                                  | 117,890                            | 3,569         | 18,000       | 15     | 30,000              | 2,334                      | 80,571          | 57,454        | 15           |
| Shops and Stores                   |               |                 |                         |                                         |                                    |               |              |        |                     |                            |                 |               |              |
| lundell (John) Limited             | Jan. 31       | 56,259          | 2,661                   | 21,582                                  | 45,225                             | 8,625         | 13,125       | 7 1/2  | —                   | 168                        | 88,646          | 34,791        | 7 1/2        |
| ewies Limited                      | Feb. 29       | 107,463         | ...                     | 37,183                                  | 63,534                             | 2,877         | 13,558       | 12 1/2 | 20,000              | 1,748                      | 88,327          | 33,332        | 10           |
| ewis (John) & Co.                  | Jan. 31       | 500,782         | ...                     | 165,477                                 | 232,472                            | 103,255       | 18,000       | 4      | —                   | 44,022                     | 461,285         | 116,294       | Nil          |
| Laypote Dairy Co.                  | Jan. 1        | 291,046         | 15,755                  | 105,041                                 | 399,556                            | 53,750        | 32,375       | 3      | 10,000              | 8,816                      | 368,196         | 99,195        | 4            |
| ubricants & Provincial Stores      | Jan. 31       | 109,974         | ...                     | 58,922                                  | 59,716                             | 53,133        | ...          | ...    | —                   | 5,789                      | 107,925         | 14,127        | Nil          |
| Tramway and Omnibus                |               |                 |                         |                                         |                                    |               |              |        |                     |                            |                 |               |              |
| aidstone & District Motor Services | Mar. 31       | 575,187         | 65,379                  | 71,046                                  | 108,398                            | 6,500         | 42,187       | 11 1/2 | 20,000              | 2,359                      | 582,529         | 70,682        | 11 1/2       |
| ed & White United Transport        | Dec. 31       | 142,184         | ...                     | 64,639                                  | 220,727                            | 10,215        | 27,128       | 11     | —                   | 27,296                     | 139,594         | 63,083        | 11           |
| Trusts                             |               |                 |                         |                                         |                                    |               |              |        |                     |                            |                 |               |              |
| frican City Properties Trust       | Dec. 31       | 162,238         | 1,632                   | 32,733                                  | 71,279                             | 5,219         | 30,616       | 16     | —                   | 3,102                      | 157,315         | 35,762        | 16           |
| ingo-American Debenture Corp.      | Mar. 31       | 138,348         | ...                     | 22,483                                  | 139,969                            | 14,822        | 27,900       | 12     | 35,000              | 28,834                     | 135,103         | 47,262        | 12           |
| nglish-Combined Investors Trust    | Mar. 31       | 188,888         | ...                     | 22,483                                  | 58,636                             | 15,750        | 5,363        | 2 1/2  | —                   | 1,400                      | 81,889          | 20,455        | 5            |
| Canadian & Foreign Investment      | Mar. 31       | 27,309          | ...                     | 10,689                                  | 44,468                             | 3,076         | 5,433        | 5      | —                   | 2,150                      | 26,558          | 10,691        | 5            |
| rt Scottish American Trust         | May 1         | 76,297          | ...                     | 26,246                                  | 36,776                             | 5,080         | 15,933       | 20     | 4,000               | 233                        | 77,799          | 25,659        | 20           |
| oreign, Amer. & Gen. Investments   | April 5       | 184,378         | ...                     | 84,086                                  | 136,938                            | 43,750        | 30,625       | 3 1/2  | 10,000              | 289                        | 177,876         | 78,818        | 3 1/2        |
| ome & Foreign Investment           | Mar. 31       | 74,959          | ...                     | 20,223                                  | 54,880                             | 11,812        | 6,300        | 4      | 2,500               | 9                          | 93,989          | 20,096        | 4            |
| land & General Investment          | April 30      | 28,285          | ...                     | 14,610                                  | 30,633                             | 6,078         | 7,342        | 9      | —                   | 1,190                      | 26,626          | 12,948        | 9            |
| ondon Trust Co.                    | Mar. 31       | 76,899          | ...                     | 46,029                                  | 103,936                            | 16,170        | 30,620       | 12     | —                   | 239                        | 75,447          | 44,549        | 12           |
| over Investment Corporation        | Mar. 31       | 42,577          | ...                     | 22,435                                  | 68,430                             | ...           | ...          | ...    | —                   | 4,384                      | 41,995          | 22,517        | Nil          |
| over Plate Trust, Loan, &c.        | Dec. 31       | 279,488         | ...                     | 100,644                                 | 224,044                            | 38,594        | 56,937       | 14 & 4 | —                   | 5,113                      | 307,732         | 94,845        | 14 & 4       |
| W. Andrew Trust                    | April 15      | 57,407          | ...                     | 14,068                                  | 58,777                             | 12,094        | ...          | ...    | —                   | 1,974                      | 55,380          | 13,318        | Nil          |
| cond Guardian Trust                | May 5         | 43,043          | ...                     | 19,975                                  | 36,103                             | 12,916        | 5,167        | 2      | —                   | 1,892                      | 40,903          | 18,021        | 2            |
| ird Scottish National Trust        | Mar. 31       | 70,001          | ...                     | 17,649                                  | 51,557                             | 11,812        | 3,937        | 2 1/2  | —                   | 1,900                      | 67,688          | 13,883        | 2 1/2        |
| est London & Provincial Electric   | Mar. 31       | 17,407          | ...                     | 11,883                                  | 15,894                             | 4,960         | 6,138        | 6      | 1,000               | 215                        | 15,442          | 10,553        | 5 1/2        |
| Waterworks                         |               |                 |                         |                                         |                                    |               |              |        |                     |                            |                 |               |              |
| ons. Water Works Co. of Rosario    | Dec. 31       | 126,658         | ...                     | 30,241                                  | 153,077                            | 8,400         | 20,000       | 4      | —                   | 1,841                      | 134,271         | 29,673        | 4            |
| onte Video Waterworks              | Dec. 31       | 241,665         | ...                     | 100,356                                 | 340,846                            | ...           | 97,500       | 6      | —                   | 2,856                      | 256,464         | 110,588       | 6            |
| ickman-Smith & Uxbridge Water      | Mar. 31       | 207,119         | ...                     | 33,690                                  | 74,714                             | 4,580         | 19,898       | 10 & 7 | 10,000              | 788                        | 202,569         | 32,938        | 10 & 7       |
| Other Companies                    |               |                 |                         |                                         |                                    |               |              |        |                     |                            |                 |               |              |
| ollinaris & Presta                 | Dec. 31       | 27,605          | ...                     | Dr. 24,169                              | Dr. 200,764                        | ...           | ...          | ...    | —                   | 24,169                     | 16,636          | Dr. 34,192    | Nil          |
| associated Biscuit Manufacturers   | Mar. 31       | 60,063          | ...                     | 60,032                                  | 96,456                             | 19,500        | 42,003       | 6      | —                   | 1,471                      | 45,747          | 47,724        | 4            |
| associated Newspapers              | Mar. 31       | 629,405         | ...                     | 515,405                                 | 926,441                            | 25,000        | 595,067      | 20 & 7 | —                   | 104,652                    | 573,124         | 444,846       | Nil          |
| associated Portland Cement         | Dec. 31       | 1,662,395       | 401,840                 | 546,741                                 | 766,271                            | 137,000       | 400,000      | 10     | —                   | 9,241                      | 1,642,392       | 499,382       | 9            |
| rtion Portland Cement              | Dec. 31       | 942,211         | 251,263                 | 453,169                                 | 679,919                            | 100,800       | 350,000      | 17 1/2 | —                   | 2,909                      | 942,244         | 402,276       | 15           |
| rtion (Joseph) & Sons              | April 15      | 40,684          | 5,111                   | 29,046                                  | 53,931                             | 12,500        | 8,500        | 7 & 10 | 5,000               | 3,046                      | 39,054          | 26,699        | 7 & 10       |
| rtion (Joseph) & Sons              | Dec. 31       | 238,463         | ...                     | 208,463                                 | 272,282                            | ...           | 200,000      | 40     | —                   | 8,463                      | 220,389         | 170,389       | 40           |
| nton Stadium Limited               | Dec. 31       | 102,614         | ...                     | 45,272                                  | 77,175                             | ...           | 44,197       | 20     | —                   | 1,075                      | 97,339          | 44,495        | 17 1/2       |
| nton Cotton Mills                  | Dec. 31       | 427,094         | 56,754                  | 73,293                                  | 84,987                             | 73,125        | ...          | ...    | —                   | 168                        | 389,524         | 73,057        | 17 1/2       |
| nton Plantations                   | Dec. 31       | 810             | ...                     | Dr. 582                                 | Dr. 772                            | ...           | ...          | ...    | —                   | 582                        | ...             | Dr. 180       | Nil          |
| nton Rubber Co.                    | Dec. 31       | 3,417,203       | 407,070                 | 580,081                                 | 1,207,667                          | 200,000       | 363,398      | 8      | —                   | 16,763                     | 3,067,366       | 545,352       | 8            |
| ntell Rolling Mills                | Dec. 31       | 113,921         | 45,055                  | 25,174                                  | 137,058                            | ...           | 11,030       | 5      | —                   | 11,174                     | 128,154         | 24,062        | 24           |
| erguson (Alexander) & Co.          | Dec. 31       | 12,648          | 4,500                   | 8,148                                   | 23,676                             | ...           | 6,300        | 9 1/2  | —                   | 98                         | 11,868          | 7,368         | 8 1/2        |
| enefield & Kennedy                 | Mar. 31       | 127,581         | ...                     | 56,871                                  | 97,171                             | 8,250         | 40,625       | 20     | 5,000               | 1,996                      | 130,434         | 53,149        | 20           |
| enfield & Kennedy                  | Dec. 31, 42   | 41,454          | 8,258                   | 6,836                                   | Dr. 12,421                         | ...           | ...          | ...    | —                   | 6,836                      | 9,172           | Dr. 22,958    | Nil          |
| enfield Engineering Co.            | Dec. 31, 42   | 81,142          | 16,010                  | 13,624                                  | 27,812                             | 3,000         | 3,800        | 5      | 7,000               | 124                        | 91,363          | 14,333        | 15           |
| enson & Nicholson                  | Dec. 31       | 98,677          | 9,554                   | 31,984                                  | 39,122                             | 17,445        | 7,413        | 25     | —                   | 126                        | 87,148          | 24,747        | 25           |
| ewall Engineering                  | Dec. 31       | 32,045          | ...                     | 11,481                                  | 26,919                             | 2,065         | 8,875        |        |                     |                            |                 |               |              |

**CENTRAL BANK OF ARGENTINA**  
Million paper pesos

|                               | April<br>15,<br>1943 | Mar.<br>15,<br>1944 | Mar.<br>31,<br>1944 | April<br>15,<br>1944 |
|-------------------------------|----------------------|---------------------|---------------------|----------------------|
| <b>ASSETS</b>                 |                      |                     |                     |                      |
| Gold at home.....             | 1,075                | 1,131               | 1,258               | 1,343                |
| Other gold and for. exch..... | 1,370                | 2,323               | 2,123               | 2,134                |
| Non. int. Govt. bonds.....    | 115                  | 100                 | 100                 | 100                  |
| Treasury bonds.....           | 392                  | 786                 | 786                 | 786                  |
| <b>LIABILITIES</b>            |                      |                     |                     |                      |
| Notes in circulation.....     | 1,612                | 1,976               | 1,986               | 1,989                |
| Deposits: Government.....     | 487                  | 490                 | 515                 | 546                  |
| Banks.....                    | 734                  | 1,356               | 1,367               | 1,389                |
| Certs. of participation.....  | 25                   | 294                 | 288                 | 243                  |
| Reserve ratio.....            | 81.8%                | 85.2%               | 85.0%               | 84.0%                |

**CENTRAL BANK OF IRELAND**  
Million £'s

|                           | May<br>6,<br>1944 | May<br>13,<br>1944 | May<br>20,<br>1944 | May<br>27,<br>1944 |
|---------------------------|-------------------|--------------------|--------------------|--------------------|
| <b>ASSETS</b>             |                   |                    |                    |                    |
| Gold.....                 | 2-65              | 2-65               | 2-65               | 2-65               |
| British Govt. secs.....   | 23-89             | 24-13              | 24-13              | 24-13              |
| Sterling balances.....    | 1-77              | 1-49               | 1-42               | 1-27               |
| <b>LIABILITIES</b>        |                   |                    |                    |                    |
| Notes in circulation..... | 28-44             | 28-38              | 28-30              | 28-17              |

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

|                            | April<br>19,<br>1943 | Mar.<br>27,<br>1944 | April<br>3,<br>1944 | April<br>10,<br>1944 |
|----------------------------|----------------------|---------------------|---------------------|----------------------|
| <b>ASSETS</b>              |                      |                     |                     |                      |
| Gold and stg. exch.....    | 24-04                | 30-56               | 30-78               | 32-44                |
| Advances to State.....     | 38-32                | 44-23               | 37-44               | 37-67                |
| Investments.....           | 10-29                | 11-96               | 11-74               | 11-77                |
| <b>LIABILITIES</b>         |                      |                     |                     |                      |
| Bank notes.....            | 31-45                | 36-29               | 36-60               | 36-55                |
| Demand liab.: State.....   | 14-98                | 18-09               | 12-55               | 13-54                |
| Banks and others.....      | 25-71                | 31-80               | 30-08               | 30-16                |
| Reserve to sight liab..... | 33-33                | 35-50               | 38-84               | 40-12                |

## UNITED STATES: MONTHLY STATISTICS

|                                               | Unit of Measurement | Monthly Average         |        |                    |        |        |        | 1943   |        |        |        |        | 1944   |        |        |        |        |
|-----------------------------------------------|---------------------|-------------------------|--------|--------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
|                                               |                     | 1929                    | 1932   | 1939               | 1940   | 1941   | 1942   | 1943   | Jan.   | Feb.   | Mar.   | Apr.   | Dec.   | Jan.   | Feb.   | Mar.   | Apr.   |
| Population June, 1940 : 131,954,000 : Area:   |                     | 3,026,789 sq. miles :   |        | 7,839,432 sq. kms. |        |        |        |        |        |        |        |        |        |        |        |        |        |
| 1. Industrial production, adj. F.R.B. . . . . |                     | 1935-39=100             | 110    | 58                 | 108    | 122    | 155    | ...    | 227    | 232    | 235    | 237    | 241    | 242    | 243    | 242    | ...    |
| 2. " " " " " " " " " " " " " " " "            |                     | "                       | 110    | 58                 | 109    | 125    | 162    | 199    | 239    | 223    | 229    | 232    | 235    | 239    | 238    | 240    | 239    |
| 3. Manufactures, dur. adj. F.R.B. . . . .     |                     | "                       | 132    | 41                 | 109    | 139    | 201    | 279    | 361    | 336    | 344    | 351    | 356    | 367    | 366    | 368    | 366    |
| 4. " " " " " " " " " " " " " " " "            |                     | "                       | 93     | 70                 | 109    | 115    | 142    | 158    | 176    | 171    | 174    | 174    | 175    | 173    | 174    | 175    | 175    |
| 5. Minerals, adj. F.R.B. . . . .              |                     | "                       | 107    | 67                 | 106    | 117    | 125    | 129    | 132    | 125    | 131    | 133    | 131    | 137    | 139    | 142    | 139    |
| Building contracts awarded:—                  |                     |                         |        |                    |        |        |        |        |        |        |        |        |        |        |        |        |        |
| 6. Total, adj. F.R.B. . . . .                 |                     | 1923-25=100             | 117    | 28                 | 72     | 81     | 122    | 166    | 68     | 145    | 102    | 85     | 63     | 61     | 56     | 43     | 39     |
| 7. Residential, adj. F.R.B. . . . .           |                     | "                       | 87     | 13                 | 60     | 72     | 89     | 82     | 40     | 79     | 56     | 42     | 33     | 35     | 30     | 19     | 16     |
| 8. Other, adj. F.R.B. . . . .                 |                     | "                       | 142    | 40                 | 81     | 89     | 149    | 235    | 92     | 198    | 140    | 119    | 87     | 81     | 77     | 63     | 58     |
| 9. Freight-car loadings, adj. F.R.B. . . . .  |                     | 1935-39=100             | 152    | 78                 | 101    | 109    | 130    | 138    | 137    | 135    | 139    | 138    | 136    | 144    | 145    | 148    | 140    |
| 10. Dept. store sales, adj. F.R.B. . . . .    |                     | 1923-25=100             | 111    | 69                 | 90     | 94     | 110    | 124    | 138    | 143    | 167    | 136    | 128    | 131    | 152    | 151    | 154    |
| Employment:—                                  |                     |                         |        |                    |        |        |        |        |        |        |        |        |        |        |        |        |        |
| 11. Non-agricultural, adj. F.R.B. . . . .     |                     | '000                    | ...    | ...                | 29,757 | 30,992 | 34,409 | 35,986 | ...    | 38,678 | 38,766 | 38,615 | 38,472 | 38,136 | 37,829 | 37,657 | 37,340 |
| 12. " " " " " " " " " " " " " " " "           |                     | "                       | ...    | ...                | ...    | ...    | ...    | 36,976 | ...    | 37,862 | 37,958 | 38,115 | 38,356 | 38,478 | 37,229 | 37,047 | 36,946 |
| 13. " " " " " " " " " " " " " " " "           |                     | adj. F.R.B.             | 106-0  | 77-6               | 100-0  | 104-2  | 118-6  | 124-2  | 128-5  | 130-0  | 130-3  | 129-8  | 128-2  | 127-1  | 128-5  | 128-5  | 125-   |
| 14. Factory, adj. F.R.B. . . . .              |                     | "                       | ...    | ...                | ...    | ...    | ...    | ...    | ...    | 165-8  | 167-4  | 168-1  | 168-4  | 169-0  | 167-3  | 164-0  | ...    |
| 15. " " " " " " " " " " " " " " " "           |                     | "                       | ...    | ...                | ...    | ...    | ...    | ...    | ...    | 164-8  | 166-4  | 167-6  | 167-7  | 169-3  | 166-4  | 163-6  | ...    |
| 16. " " " " " " " " " " " " " " " "           |                     | unadj. F.R.B.           | 106-1  | 66-4               | 100-0  | 107-5  | 132-1  | 152-3  | 168-7  | 290-9  | 297-5  | 304-5  | 309-7  | 328-5  | 327-2  | 327-6  | ...    |
| 17. " " " " " " " " " " " " " " " "           |                     | payrolls, unadj. F.R.B. | 119-8  | 50-7               | 100-0  | 114-5  | 167-5  | 242-3  | 316-4  | ...    | 44-2   | 44-5   | 44-7   | 45-0   | 44-9   | 45-1   | 45-4   |
| 18. Average hours, B.L.S. . . . .             |                     | Number                  | ...    | ...                | ...    | ...    | ...    | ...    | ...    | 91-9   | 92-4   | 93-4   | 94-4   | 99-5   | 100-1  | 100-3  | ...    |
| 19. hourly earnings, B.L.S. . . . .           |                     | Cents                   | ...    | ...                | ...    | ...    | ...    | ...    | ...    | 120-7  | 121-0  | 122-8  | 124-1  | 124-4  | 124-1  | 123-7  | 123-8  |
| 20. Cost of living, F.R.B. . . . .            |                     | 1935-39=100             | 122-5  | 97-6               | 99-4   | 100-2  | 105-2  | 116-5  | 123-6  | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...    |
| Wholesale prices:—                            |                     |                         |        |                    |        |        |        |        |        |        |        |        |        |        |        |        |        |
| 21. Farm products, B.L.S. . . . .             |                     | 1926=100                | 104-9  | 42-8               | 65-3   | 67-7   | 82-4   | 105-9  | 122-6  | 117-0  | 119-0  | 122-8  | 123-9  | 121-8  | 121-8  | 122-5  | 123-6  |
| 22. Foodst. B.L.S. . . . .                    |                     | "                       | 99-9   | 61-0               | 70-4   | 71-3   | 82-7   | 96-9   | 106-6  | 105-2  | 105-8  | 107-4  | 108-4  | 105-6  | 104-4  | 104-5  | 104-6  |
| 23. Other commodities, B.L.S. . . . .         |                     | "                       | 91-6   | 70-2               | 81-3   | 83-0   | 89-0   | 95-5   | 96-9   | 96-9   | 96-2   | 96-5   | 96-6   | 97-6   | 97-8   | 98-0   | 98-1   |
| 24. Wh'sale com'dity prices, unadj., F.R.B.   |                     | "                       | 95-3   | 64-8               | 77-1   | 78-6   | 87-3   | 103-1  | 103-1  | 101-9  | 102-5  | 103-4  | 103-7  | 103-2  | 103-3  | 103-6  | 103-9  |
| Bank Debts                                    |                     |                         |        |                    |        |        |        |        |        |        |        |        |        |        |        |        |        |
| 25. All reporting centres . . . . .           |                     | Million \$              | 81,878 | ...                | 35,328 | 37,185 | 44,783 | 53,481 | 66,078 | 57,972 | 54,872 | 55,782 | 73,661 | 76,499 | 79,888 | ...    | ...    |
| 26. New York City . . . . .                   |                     | "                       | 10,257 | ...                | 14,265 | 14,299 | 14,810 | 18,905 | 24,897 | 21,437 | 21,112 | 24,062 | 29,338 | 29,936 | 27,031 | ...    | ...    |
| 27. Gold stock . . . . .                      |                     | "                       | 3,996  | ...                | 3,952  | 17,644 | 21,995 | 22,737 | 22,726 | 22,683 | 22,644 | 22,576 | 22,473 | 21,938 | 21,918 | ...    | ...    |
| 28. Money in circulation . . . . .            |                     | "                       | 4,476  | 5,328              | 7,598  | 8,732  | 11,160 | 15,410 | ...    | 15,590 | 16,088 | 16,250 | 17,114 | 20,449 | 20,529 | ...    | ...    |
| 29. Member Bank Res. Balances . . . . .       |                     | "                       | 2,358  | 2,114              | 10,466 | 13,331 | ...    | ...    | ...    | 13,630 | 13,067 | 12,519 | 12,204 | 12,886 | 13,002 | ...    | ...    |
| 30. Excess Reserves . . . . .                 |                     | "                       | 43     | 256                | 4,469  | 6,376  | ...    | ...    | ...    | 2,387  | 1,925  | 1,758  | 12,315 | 1,236  | 1,023  | ...    | ...    |
| 31. Capital issues, C.F. Chronicle . . . . .  |                     | 1939=100                | 595    | 99                 | 186    | 163    | 238    | 89     | 51     | 7      | 58     | 90     | 36     | 33     | 103    | ...    | ...    |
| 32. 354 Indus. securities, Stand. Statistics  |                     | "                       | ...    | ...                | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...    | ...    |
| 33. Yield on Govt. bonds . . . . .            |                     | %                       | 3-60   | 3-66               | 2-36   | 2-21   | 1-95   | 2-02   | 1-91   | 2-06   | 2-05   | 2-08   | 2-02   | 1-86   | 1-85   | ...    | ...    |
| 34. Income payments, adj. . . . .             |                     | 1935-39=100             | 122-9  | 70-6               | 105-5  | 113-8  | 127-3  | 171-9  | 211-4  | 196-5  | 200-6  | 204-4  | 207-3  | 224-8  | 227-5  | 230-9  | 229-5  |
| 35. Treasury receipts . . . . .               |                     | Million \$              | 4,032  | 2,076              | 5,595  | 7,606  | 8,169  | 13,668 | 23,385 | 824    | 1,190  | 5,207  | 1,555  | 5,737  | 2,779  | 2,754  | 6,576  |
| 36. " expend., national defence . . . . .     |                     | "                       | ...    | ...                | ...    | ...    | ...    | ...    | ...    | 5,947  | 5,770  | 7,644  | 6,974  | 6,718  | 7,138  | 7,518  | 7,726  |
| 37. " " " " " " " " " " " " " " " "           |                     | "                       | ...    | ...                | ...    | ...    | ...    | ...    | ...    | 6,301  | 26,011 | 72,109 | ...    | ...    | ...    | ...    | ...    |
| 38. " " " " " " " " " " " " " " " "           |                     | "                       | ...    | ...                | ...    | ...    | ...    | ...    | ...    | 12,711 | 32,397 | 78,179 | ...    | ...    | ...    | ...    | ...    |
| 39. " " " " " " " " " " " " " " " "           |                     | "                       | ...    | ...                | ...    | ...    | ...    | ...    | ...    | 6,372  | 6,119  | 7,354  | 7,466  | 6,752  | 7,570  | 7,862  | 8,255  |

(Continued from page 796)

Egypt. Piastres (97½) 97½. India. Rupee (18d. per rupee) 17½-18½ d.  
 Belgian Congo. Francs 176½. China. National \$3-3½. Iran. Rl. 128-130.  
 Special Accounts are in force for Chile, Peru, Bolivia and Paraguay, for which  
 no rate of exchange is quoted in London. Rate for payment into Argentine special  
 account: 16-23 pesos.

**Forward Rates.**—Forward rates for one month have remained unchanged as follows: **United States.**  $\frac{1}{2}$  cent pm.-par. **Canada.**  $\frac{1}{2}$  cent pm.-par. **Switzerland.** 3 cents pm.-par. **Sweden.** 3 ore pm.-par.

## NEW YORK EXCHANGE RATES

[illegible]

|                    |              |       |
|--------------------|--------------|-------|
| Buying Rate 29.78. | † Free Rate. | § Bid |
|--------------------|--------------|-------|

## INVESTMENT ACTUARIES' INVESTMENT INDEX

| Group and Number<br>of Securities | Price Indices<br>(Dec. 31, 1928=100) |                     |                      |                    | Average Yields<br>(Per Cent.) |                      |                    |
|-----------------------------------|--------------------------------------|---------------------|----------------------|--------------------|-------------------------------|----------------------|--------------------|
|                                   | May<br>25,<br>1943                   | Nov.<br>30,<br>1943 | April<br>25,<br>1944 | May<br>30,<br>1944 | May<br>25,<br>1943            | April<br>25,<br>1944 | May<br>30,<br>1944 |
|                                   |                                      |                     |                      |                    |                               |                      |                    |
| 21½ Consols (1).....              | 143.6                                | 142.2               | 140.3                | 141.3              | 3.11                          | 3.18                 | 3.16               |
| Horn Consols (4).....             | 142.8                                | 141.7               | 141.7                | 141.9              | 3.26                          | 3.29                 | 3.28               |
| Ind. Debts. All (43).....         | 121.3                                | 121.2               | 122.3                | 122.5              | 3.91                          | 3.86                 | 3.85               |
| Ind. Pref. All (101).....         | 112.0                                | 111.1               | 113.5                | 114.2              | 4.33                          | 4.27                 | 4.25               |
| Building Mats. (6).....           | 90.4                                 | 93.0                | 95.3                 | 100.2              | 3.61                          | 3.17                 | 3.07               |
| Coal (8).....                     | 101.7                                | 96.0                | 97.3                 | 101.8              | 5.26                          | 6.16                 | 5.98               |
| Electrical Man. (13).....         | 150.5                                | 153.8               | 159.7                | 164.1              | 4.12                          | 4.00                 | 3.89               |
| Motors (7).....                   | 44.8                                 | 47.5                | 50.0                 | 53.2               | 4.24                          | 4.20                 | 3.98               |
| Total Productive (90).....        | 77.7                                 | 77.3                | 80.0                 | 82.0               | 4.49                          | 4.65                 | 4.50               |
| Stores and Catering (17).....     | 66.8                                 | 71.7                | 74.2                 | 77.6               | 3.48                          | 3.43                 | 3.40               |
| Total Miscellaneous (40).....     | 82.7                                 | 83.1                | 87.7                 | 89.4               | 4.24                          | 4.04                 | 3.97               |
| <b>Industrials—</b>               |                                      |                     |                      |                    |                               |                      |                    |
| (All Classes) (158).....          | <b>75.1</b>                          | <b>78.8</b>         | <b>79.7</b>          | <b>82.5</b>        | <b>4.35</b>                   | <b>4.40</b>          | <b>4.28</b>        |

(c) £10,571 distributed in dividends

† Free of Income Tax.

(Continued from page 798)

## Stock Exchanges: London

"FINANCIAL NEWS" INDICES

| 1944       | Total<br>Bargains<br>in S.E.<br>List | Corres.<br>Day<br>1943 | Security Indices   |                   | Yields          |                |
|------------|--------------------------------------|------------------------|--------------------|-------------------|-----------------|----------------|
|            |                                      |                        | 30 Ord.<br>shares* | 20 Fixed<br>Int.† | Ord.<br>Consols | Ord.<br>Shares |
| June 1.... | 6,198                                | 4,210                  | 109.8              | 134.7             | 3.15            | 3.82           |
| " 2....    | 6,301                                | 4,166                  | 110.9              | 134.7             | 3.15            | 3.79           |
| " 5....    | 8,282                                | 5,179                  | 111.1              | 134.6             | 3.15            | 3.78           |
| " 6....    | 6,318                                | 4,184                  | 111.1              | 134.7             | 3.15            | 3.78           |
| " 7....    | 5,815                                | 4,331                  | 111.1              | 134.6             | 3.15            | 3.78           |

\* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1944: highest, 111.1 (June 5); lowest, 103.0 (Feb. 28). 20 Fixed Int., 1944: highest, 138.4 (Feb. 23); lowest, 134.0 (Jan. 3).

## New York

STANDARD STATISTICS INDICES

DAILY AVERAGE OF 50 COMMON STOCKS

| 1944       | Average | Transactions | 1944       | Average | Transactions |
|------------|---------|--------------|------------|---------|--------------|
| May 26.... | 120.3   | 835,000      | May 30.... | Closed  | Closed       |
| " 27....   | 120.7   | 415,000      | " 31....   | 121.1   | 1,185,000    |
| " 28....   | 120.9   | 812,000      | June 1.... | 121.9   | 1,195,000    |

1944: High, 121.2 (Mar. 18). Low, 113.8 (Feb. 8) \* Two-hour session.

(WEEKLY AVERAGES) (1935-36=100)

|                     | 1944              |                  | May<br>17,<br>1944 | May<br>24,<br>1944 | May<br>31,<br>1944 |
|---------------------|-------------------|------------------|--------------------|--------------------|--------------------|
|                     | Low<br>Mar.<br>15 | High<br>May<br>3 |                    |                    |                    |
| 37 Industrials..... | 95.1 (a)          | 101.0            | 98.5               | 99.7               | 101.0              |
| 32 Rails.....       | 88.9 (a)          | 101.3            | 98.6               | 100.7              | 101.3              |
| 40 Utilities.....   | 85.0              | 89.2             | 87.7               | 88.0               | 89.2               |
| 419 Stocks.....     | 93.6 (a)          | 99.1             | 96.8               | 97.9               | 99.1               |
| Av. yield %.....    | 4.84 (b)          | 4.60             | 4.90               | 4.90               | 4.84               |

\* Common Stocks. (a) Feb. 9. (b) May 3.

## Capital Issues

| Week ending<br>June 10, 1944                         | Nominal<br>Capital<br>£  | Con-<br>versions<br>£    | New<br>Money<br>£ |
|------------------------------------------------------|--------------------------|--------------------------|-------------------|
| Particulars of Government issues appear on page 797. |                          |                          |                   |
| Year†                                                | Including<br>Conversions | Excluding<br>Conversions |                   |
| 1944.....                                            | 736,456,030              | 725,337,549              |                   |
| 1943.....                                            | 864,753,534              | 849,406,450              |                   |

| Year†     | Destination* |                        |                      | Nature of Borrowing* |           |           |
|-----------|--------------|------------------------|----------------------|----------------------|-----------|-----------|
|           | U.K.         | Brit. Emp.<br>ex. U.K. | Foreign<br>Countries | Deb.                 | Pref.     | Ord.      |
| 1944..... | 725,026,828  | 330,721                | Nil                  | 721,662,989          | 2,015,289 | 1,717,330 |
| 1943..... | 847,392,088  | 1,375,685              | 638,677              | 842,191,623          | 659,837   | 6,554,991 |

\* Conversions excluded. † Includes Government issues to May 30, 1944, only. Above figures include all new capital in which permission to deal has been granted.

THE CHARTERED BANK OF INDIA  
AUSTRALIA AND CHINA

(Incorporated by Royal Charter 1853)

CAPITAL (PAID UP) - £3,000,000

RESERVE FUND - £3,000,000

Branches and Agencies throughout INDIA and the EAST  
AFFILIATED BANK IN INDIA

THE ALLAHABAD BANK LTD., with 15 Branches & Sub-Agencies  
The Bank offers a complete Banking Service and provides  
exceptional facilities for financing every description of trade with  
the East.  
Deposits for Fixed Periods or repayable at call or at short notice  
are received at rates which may be ascertained on application.  
The bank also undertakes Trusteeships and Executorships.

Head Office: 38, BISHOPSGATE, LONDON, E.C.2

West End Branch:

28, CHARLES JI STREET, HAYMARKET, S.W.1

Manchester Branch: 52, MOSLEY STREET

New York Agency: 65, BROADWAY, NEW YORK CITY

LLOYDS BANK  
LIMITED

## EXECUTORS AND TRUSTEES

The appointment of individuals as Executors and Trustees  
imposes on them heavy burdens and duties which they  
are not always in a position to fulfil. Especially is this  
the case in wartime, when life is so uncertain and so  
many difficulties arise in the administration of estates.

When the Bank is appointed, continuity is assured and  
a Testator can rely on his estate having the benefit of  
skilled and experienced management in connection with  
his investments and with the many other matters incidental  
to its administration.

The services of the Bank's Executor and Trustee  
Department are available to customers and non-customers  
of the Bank. A pamphlet giving terms and particulars  
will be sent free of charge on application to any Branch.

Head Office: 71 Lombard Street, London, E.C.3

## REFUGE ASSURANCE COMPANY LTD.

Chief Office: OXFORD STREET, MANCHESTER, 1

ANNUAL INCOME EXCEEDS - £14,500,000

ASSETS EXCEED - £85,000,000

CLAIMS PAID EXCEED - £155,000,000

(1943 Accounts)

MIDLAND ELECTRIC CORPORATION FOR POWER  
DISTRIBUTION LIMITED

NOTICE IS HEREBY GIVEN that the TRANSFER BOOKS of  
the 3½ per cent. FIRST MORTGAGE DEBENTURE STOCK  
1965-73 of the Company will be CLOSED from 16th-30th June,  
1944, both dates inclusive, for the preparation of Interest War-  
rants. Warrants will be posted on 29th June, 1944.

By Order of the Board,

F. W. CATER, Secretary.

Toll End Road, Tipton, Staffs. 25th May, 1944.

IMPERIAL CHEMICAL INDUSTRIES LIMITED have a vacancy  
for an Economic Statistician at their Head Office in London.  
Candidates should have had five to ten years' practical experience  
and possess an Honours B.Sc. (Econ.) degree with statistics as  
special subject, or equivalent degree. Write stating qualifications  
and experience to Central Staff Department, I.C.I. Limited,  
Welwyn Garden City, Herts.

AGGREGATE ASSETS  
at 31st March, 1943  
£67,128,395

Established over 80 years

**BANK of  
NEW ZEALAND**  
Incorporated with limited liability in New Zealand

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

Head Office, WELLINGTON, N.Z.  
H.R.H. Chalmers, General Manager.

London Office:  
4 Queen Victoria St. E.C.4  
John Forbes, Manager.

## THE CUNARD STEAM SHIP COMPANY, LIMITED

FIVE PER CENT. CUMULATIVE PREFERENCE STOCK  
SIX PER CENT. SECOND CUMULATIVE PREFERENCE STOCK

NOTICE IS HEREBY GIVEN that the Transfer Registers  
in respect of the above Stocks will be closed from 14th to  
20th June, 1944, both dates inclusive, for the purpose of pre-  
paring Warrants in respect of Dividends for the half-year  
ending 30th June, 1944, to be paid on 1st July, 1944.

By Order of the Board,

H. J. FLEWITT, Secretary.

Offices: Cunard Building, Liverpool. 8th June, 1944.

Printed in Great Britain by ST. CLEMENTS PRESS, LTD., Portugal St., Kingsway, London, W.C.2. Published weekly by THE ECONOMIST NEWSPAPER, LTD.,  
at Brettenham House, Lancaster Place, Strand, London, W.C.2.—Saturday, June 10, 1944.

THE  
ECONOMIST

ESTABLISHED 1843

Vol. CXLVI No. 5260

REGISTERED AS  
A NEWSPAPER

JUNE 17, 1944

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

The Government of France - 801

Balanced Budgets ? - - - 802

The Bombay Plan - - - 804

NOTES OF THE WEEK - - - 807

Hitler's Dilemma; Exit Badoglio; Enter Bonomi;  
Legislative Lull; Your MP; African Event;  
Revising Montreux?; Dispossessed Farmers; The  
Right of Appeal; Dives and Lazarus; Food Pur-  
chase Plans; Lend-Lease to Russia; Industrial  
Location; Germany Speaks; Shorter Note.

AMERICAN SURVEY - - - 811

The Sugar Beet Industry; Snail's Pace; Farmers'  
Favourite; Revolting Democrats; Insurance is  
Commerce; Shorter Notes.

West Indian Regionalism - 806

The Gas Industry - - - 815

Engineering Wages - - - 816

## THE BUSINESS WORLD

BUSINESS NOTES - - - 818

Currency in France; Post-War Equities; Playing for  
Safety; Wheat Supplies; Production Census;  
Market Research; India's Sterling; Paratroops of  
Industry; AEU and Technical Progress; Chain  
Store Prosperity; John Lewis' Good Profits;  
Clothing Shops Statistics; Coupon Releases and  
Expenditure; Monopoly by Electrical Contractors?  
More Bills for the Banks; Merchant Banking Deal;  
Outlook for Silver; Corporate Profits in USA;  
Correction; Shorter Note; Company Result.

COMPANY MEETINGS - - - 824

RECORDS AND STATISTICS - - - 828

THE ECONOMIST, BRETTEHAM HOUSE, LANCASTER PLACE, STRAND, LONDON, W.C.2. TELE.: TEMPLE BAR 3316. ANNUAL SUBSCRIPTION £3.

## The Government of France

GENERAL DE GAULLE has visited France and  
received a warm welcome in Bayeux. His visit may  
be taken to symbolise a slight improvement in the rela-  
tions between Britain, the United States and the Algiers  
Committee. The statements made by President Roosevelt  
and Mr Churchill also register a slight clearing of the  
fog which surrounds the problem of the American-printed  
French currency. It says not too much for Allied co-  
ordination that Mr Churchill, questioned in the Commons,  
clearly had very little idea what Mr Roosevelt had said  
or what he had meant by it, but it is possible to deduce  
from the two statements that the American and British  
Governments accept responsibility for the new currency  
and are to take some precautions to counteract its infla-  
tionary tendencies.

Yet, even admitting these minor clarifications, the  
general situation remains ominous and confused. No agree-  
ment has been reached on the civilian administration of  
France. With Bayeux and Carentan in Allied hands, there  
is still no French authority with whom the British and  
Americans will deal, and although talks are going on in  
London to cover the dangerous gap, the United States  
Government for some incomprehensible reason refuses  
to allow an accredited representative to take part in them.  
During question time on Wednesday, Mr Churchill  
deplored further debate at this moment. He could not,  
however, reassure the House, which obviously shares the  
country's conviction that the political preparations for

the invasion have been as inept as the military planning  
was brilliant.

The French situation is being so incredibly mishandled  
that one is at a loss to understand the reasons. It is gener-  
ally agreed that Mr Roosevelt is primarily responsible for  
the policy of snubbing General de Gaulle and ignoring the  
French Committee. One can dismiss the story that his  
reason is pique at a supposed or real discourtesy on the  
part of the General. Mr Roosevelt is too great a man to  
allow his attitude to be determined by such considerations.  
Is it that he believes some other alternative government to  
exist? There have been a number of well-documented  
accounts of a group of Frenchmen gathered round General  
Noguès at Lisbon and of American contacts with them.  
These Frenchmen are out of sympathy with collaboration,  
but as nervous as Vichy of Jacobinism and communism  
and "anarchy." Here again, it is difficult to believe that  
the President seriously considers setting up in France a  
neo-Vichy régime. Even a conservative figure as reputable  
as General Giraud was unable to impose his authority,  
although his experiment was made in North Africa, which  
has few of the radical tendencies of metropolitan France.

The most plausible explanation, and the one which most  
commands respect in this country, is that the President  
fears the dictatorial tendencies of General de Gaulle's  
régime, and is determined to let nothing stand in the way  
of the French people's freedom to choose their own future  
government. The reasons for distrusting certain aspects of



General de Gaulle's policy need not be reviewed again. They are disturbing, and the behaviour of the General in the last week has not given much reassurance. The provocation has been great, it is true, but so has the military tension and the sense of crisis. At a time when thousands of British and American soldiers were being killed on the beaches and fields in Normandy, General de Gaulle has apparently been preoccupied with one thing only, the status of his administration. He is right to be concerned, but one cannot but admit that the manner of his concern suggests an unpleasant readiness to make political capital out of a military situation which might well have proved more risky and uncertain than it actually was. He has earned by his behaviour the stern hostility of many of the Allied military leaders, whereas their support would have been invaluable in persuading Mr Roosevelt and Mr Churchill to hasten negotiations and modify their intransigent point of view.

General de Gaulle has not earned respect or quelled suspicions by his handling of this crisis. Must it then be conceded that the President is right and that the present equivocal policy can be justified as a serious attempt to prevent the setting up of an authoritarian régime in France? The answer is, surely, that, even allowing for the worst the President can suspect, the present American attitude is calculated to bring about exactly those dangers which it is designed to prevent. Neither Mr Roosevelt nor Mr Churchill has ever said why he hesitates to accept Algiers as a Provisional Government. In these circumstances General de Gaulle can perfectly legitimately suggest that their attitude to him is an attack on French sovereignty and that they will not negotiate with him because they wish to see British and American forces control France. In France's mood of exasperated pride, the mere suggestion is enough to turn the tide of popularity against the Allied armies once they are established on French soil. The enemy is well aware of this weak chink in the Allies' armour. On the first day of the invasion, Laval broadcast a message to France, in which he said:

As a Frenchman and as the Head of the Government, I felt great sadness this morning when I read the proclamation of an American General. He addressed himself to you and claims the right to give you orders. He does not know and he misunderstands French temperament. Frenchmen receive orders only from the French Government.

In the mood excited by such hints and suggestions, the French people will come to regard General de Gaulle and the Algiers Committee as martyrs in the cause of French freedom, and it is precisely in an emotional atmosphere of this kind that the *mystique* of dictatorship can flourish best.

Thus, even if all the fears and suspicions were true, the

present line of policy is certain to secure the opposite of the safeguards it seeks. And the fears are grossly exaggerated. The National Committee has given every kind of guarantee that it will respect Republican ways, and all the evidence from France suggests a strongly libertarian spirit among the resisters. The majority of the people are "gaulliste," in the sense of "anti-Vichy." The General is the symbol of endurance and liberation. There are no alternative leaders, and it is not only in America that "you cannot beat somebody with nobody." The only wise course for Allied statesmanship is to complete without delay the negotiations for the civil administration of France.

It would be disastrous if agreement were to be delayed until General de Gaulle had visited the President—a visit which, it appears, cannot take place until July, by which time large sectors of France will be under Allied control. Is there anything that the British Government can do? Clearly, a new policy could not be put into operation without consent; there is no British Army or American Army in France, but only a combined Army. But perhaps the principles of an agreement could be drawn up in London and initialled, subject to the President's agreement, which in those circumstances he could hardly refuse. Clearly, the British Government would be justified in asserting its view and carrying its action a long way towards finality. No accusation of breaking the principles of the alliance could properly be made, since every opportunity has been given for agreement. It is a well-established principle of legal contract that, where the consent of one party is needed, it should not be unreasonably withheld. Consent is now being unreasonably withheld—and in a matter which concerns the future security and good neighbourliness of Great Britain far more intimately than those of the United States.

Together with the agreement on civil authority there should go a revised settlement of the currency question. And in all negotiations and settlements, now and during the next months, the British and Americans need to learn to handle French problems with a less crassly heavy hand. Readier friendship would not tie the hands of the American and British leaders. On the contrary, once they had fully recognised the French Committee as the competent authority, they could be far more vigilant over the manner in which it exercises its power. At present any criticism of General de Gaulle can be twisted to mean an insult to the French people, and the Americans and the British get the worst of both worlds. In the end they will have to recognise some civil authority. The only possible choice is the Algiers Committee. By delaying the decision, they are helping to make the Committee itself a less sane and suitable administrative body. There is only one way out of the deadlock—recognition and negotiation. Every day lost in taking it, is a day lost for the Entente.

## Balanced Budgets?

THE weakest part of the White Paper on Employment Policy is the section devoted to "Central Finance." The other sections of the document are, in the main, drafted with what, for an official document, is a refreshing absence of ambiguity; there are not likely to be many misunderstandings about the directions that policy should take, even though the White Paper does not proceed very far down any of the roads to which it points. But in the financial section all is ambiguity. The first of the six paragraphs of the section opens with the statement that "none of the main proposals contained in this Paper involves deliberate planning for a deficit in the National Budget in years of sub-normal trade activity"—partly because the burden of fluctuating revenue and expenditure will be largely borne by the social insurance fund and by the capital revenue and expenditures of local authorities. The second paragraph, however, qualifies this by saying that if local authorities undertake additional capital expenditure "for reasons of employment policy" they

will have to be assisted. But, says the third paragraph, the growth of public indebtedness needs to be watched. "Whatever problems may arise from the growth of productive or semi-productive debt," it would be pleasant to think that a steady reduction in the deadweight war debt could be made. Paragraph four, moving a little further round the circle, says that the policy of increasing one form of debt and reducing another "does not mean a rigid policy of balancing the Budget each year regardless of the state of trade." (This can be reconciled with the opening sentence of the section only by supposing that deficits in bad years are to be achieved by accident and not deliberately—a strange policy for a programme of planned management.) But, the document hastens to add, lest it should be accused of heresy, it "certainly does not contemplate any departure from the principle that the Budget must be balanced over a longer period." Up to this point, then, the meaning would appear to be that the Budget must be balanced over a longer period, but

that it can be unbalanced in any particular year, provided it is done accidentally.

But the fifth paragraph immediately throws doubt on this doctrine. If only it were possible to rely on a rising national income, this paragraph says, the total debt could be allowed to increase "by quite appreciable amounts" (a magnificent phrase). Unfortunately, nobody can tell whether the growth in technical productivity will offset the decline in the birth rate. And the sixth paragraph settles the whole matter by promising that the Government will bear equally in mind what would generally be regarded as two contradictory policies—namely, "the need to maintain the national income" and "the need for a policy of budgetary equilibrium."

It would be wrong to be too severe on the Treasury for thus wrestling with its conscience in public. It is a very good thing that the Treasury has a conscience; it is its duty to adhere, even with some blindness, to the faith that is in it. One of the glories of the British system of government is that it does not often get into financial difficulties. The list of monarchs and republics, kings and cabinets who have led their lofty causes to irreparable ruin through inadequate attention to the lowly logic of the account book is too long and too conclusive to encourage any departure from prudence to-day. One of the many respects in which Governments are in a less fortunate position than high heaven is that they cannot reject the lure of nicely calculated less and more.

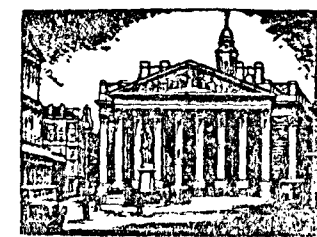
Moreover, it is not as if there were some nice, simple, clear-cut doctrine that the Treasury could be chidden for not enunciating with all clarity and precision. There are, to be sure, two simple statements that could be made about budgetary policy. One would be that receipts and outgoings should be balanced every year. The other would be that the size and frequency of the Government's deficits are of no concern, and that pounds, shillings and pence are mere "meaningless symbols." But the trouble about these statements, as with most simple doctrines, is that neither of them is acceptable. Budgets can, indeed, be balanced; but not if there is a war to be fought or a slump to be cured. And all the rules of sound finance can be allowed to go hang—provided that the authors of such a policy are also prepared to go hang when the consequences become visible. Somewhere on the slope between these two unacceptable extremes a lodgement for sound policy must be found. The Government's attempt to find one in paragraphs 74 to 79 of the White Paper is not very successful. The greater is the desirability that the attempts should be continued.

Perhaps the matter can be best approached by stages. First, what can be said of the Budget for a single year? Clearly, it cannot be expected to balance in every year. What happens in a year of depression is that the community's effective demand for goods and services is less than the output of which the labour force is capable. Every practicable step should be taken to induce the

public (meaning by that word every individual and institution other than the Exchequer itself) to increase its effective demand. But the process of inducing costs money. And even when it is carried to an extreme there is probably still a gap which can only be filled by the Government. If the Government is not prepared deliberately to unbalance the Budget when need arises, it cannot expect to be able to offset fluctuations in the public's expenditure or to prevent a slump. There are signs in the White Paper that the Government hopes to create a sufficient elasticity in the total finances of the state while still preserving the fiction that the Budget (called, in one place, the Revenue Budget) is always balanced. Thus the tax that is selected for fluctuation in accordance with the state of employment is social insurance contributions. It is a good tax for the purpose of quickly influencing consumers' expenditure, though not so good as the rate of "pay-as-you-earn" income tax would be. The wording of the White Paper suggests very strongly that the chief reason for choosing insurance contributions is that they do not enter into the Budget. Similarly, there is a suggestion that the state can assist local authorities to increase their expenditure, without unbalancing its own Budget, by the device of giving guarantees. Something of the same order of thought is also often to be found behind the suggestion of a double Budget. The White Paper does not mention this proposal, though the phrase of "the Revenue Budget" which is used in one paragraph may be thought to reflect it. The double Budget has a very great deal to be said for it—but not if it is to be an obstacle to clear thinking, or if, in setting apart some forms of expenditure which need not be balanced by revenue every year, it should impose purely formal limits on freedom of action. These devices are rather unworthy and possibly dangerous. It would be better to leave the illusory shelter of subterfuge, to admit that the Budget can and should be unbalanced, quite deliberately, in years when a deficiency of effective demand threatens, and to leave it to the Chancellor of the Exchequer of the day to choose the method of unbalancing which, in the circumstances then prevailing, is likely to be of greatest effect. It would be foolish to prescribe limits, which, if laid down beforehand, cannot be other than formal and without relation to the needs.

The second stage is to ask whether the Budget should be balanced over a longer period—say, over the eight years which can be taken as covering the average length of a trade cycle. That within an eight-year cycle some years should show a deficit and others a surplus can readily be accepted. But does this mean a balance? Can the surpluses be expected to be as large in the aggregate as the deficits? The White Paper, on the whole, seems to think so. Indeed, there is a hint, in the reference to deferred tax credits, that deficits should only be incurred to the extent that surpluses have already piled up. If deliberate tax reductions are permissible, there is no point in talking about rebates.

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It would, of course, be an advantage to avoid a steady rise in the National Debt if it can be done. And perhaps it can be done. It may be that sufficient boldness in the anti-depression policy, developed at an early enough stage, will so quickly rally the natural forces of recovery that the deficits will be small and the subsequent surpluses large. It may be that a policy of spending for prosperity will lead to a reduction in the National Debt, while the opposite policy of economy in bad years would, by intensifying depressions, lead to a larger deficit. These possibilities are not conceded in any grudging spirit. They may be of the order of paradoxes which turn out to be the greatest truths. If so, no special budgetary problem of employment policy exists. But equally they may not be true—or not true enough to solve the problem. There are two powerful reasons for suggesting that the deficits may turn out to be larger than the surpluses. The first is the political reason. Eight years is a long time, and an electorate which will, in any event, have to bear heavy taxation, would be hardly human if it did not exert pressure for tax remissions in the good years, however large the preceding deficits. The second reason is economic. It may be that an advanced industrial community such as ours, has a persistent bias towards under-investment and a deficiency of effective demand, and that to keep on the even keel of full employment requires more injection of deficit-spending in the bad years than can be recouped by the extraction of funds in good years. If this is so, then the consequences should be squarely faced. On a vote of the electorate it will always be decided that it is better to have a steady rise in the National Debt than a steady volume of avoidable unemployment. The decision may or may not be unfortunate, but it will certainly be given.

But if the possibility must be faced of a budget that is not balanced even in the long run, is there any reasonable and enforceable limit that can be set to the rise in the National Debt? As a matter of pure disembodied theory, the economist would answer that debt which is incurred in order to maintain the volume of effective demand and to prevent the price level from falling cannot, by definition, be inflationary, and that the interest upon it, being a transfer payment, imposes no burden on the national income. But, as the White Paper points out, Governments cannot deal with disembodied theories. The spending may be overdone, and taxes levied to effect transfer payments are just as unpopular as any others. The White Paper itself, in one of the antiphonic sentences that are more concerned with income-maintenance than with budget-balancing, suggests the answer that the net annual interest burden of the National Debt, even if it is allowed to rise, should not be allowed to become a rising

proportion of the National Income. This looks like the first hard rock of principle in the shifting sands. So long as the community does not find itself compelled to raise in taxes and pay out in interest a rising proportion of its income, it is not losing control of its finances.

But before this principle is accepted as the new orthodoxy, its implications must be examined. When worked out, it leaves a substantial margin for deficit-financing. With cheap money and high taxation, the net cost of the National Debt is low—probably not more than about 1½ per cent per annum in post-war conditions. If, therefore, over an eight-year cycle, a deficit of as much as £2,000 million were incurred—say, £500 million a year for four years—the net addition to the burden of interest would only be some £33 million for the whole eight-year period, or a long-term rate of increase of about £4 million a year—that is, by between 1 and 2 per cent of the present net burden. If the national income were rising at the rate of only 1½ per cent per annum, the principle would be easily observed. It is true that, with a fall in population in sight, a steady rise in the national income can no longer be relied upon. But it is also true that, for comparison with the national debt, it is the money total of the national income, not its real content, that matters. If the real national income were stable (that is, if the rise in the productivity of the individual worker exactly offset the fall in the total number of workers), a steady price rise of only 1½ per cent per annum would be enough to preserve financial equilibrium without being enough to be perceptible to those who lived through it or alarming to those, either at home or overseas, who have claims in sterling. Indeed, monetary history would seem to suggest that, in all ages save the nineteenth century, mankind has needed a steady and gentle fall in the value of money to rescue it from the mortmain of the debt it creates as it goes along. The sums that would be required to maintain purchasing power are small relatively to the magnitudes of war finance or to the present total of the national debt. There is no inherent reason to believe that the national income cannot be increased at an equal rate.

This principle of a stable ratio between the net interest burden of the national debt and the national income may, therefore, possibly provide the lodgement for prudent finance, the foundation for the new orthodoxy, for which this article has been searching. It would set a limit, transgression of which should rightly be regarded as a danger signal. But at the same time it would almost certainly not pit "sound finance" against the attainment of stable and adequate employment. Perhaps this is what the Treasury meant to say. If so, it might be invited to take an early opportunity of saying so more clearly.

## The Bombay Plan

FEW, if any, privately prepared documents on the problems of India have ever created such an impression as the Bombay industrialists' recent well-timed "Plan of Economic Development"; and the publication of the Plan in this country as a Penguin Special is a commendable piece of enterprise. Indians are nowadays deeply conscious of their poverty and deeply anxious about the economic possibilities of the future. The war has had a double effect. On the one hand, it has expanded Indian industrial output in many directions, secured a steady overseas sale for much Indian produce at stable prices and enlarged Indian bank balances abroad. On the other hand, it has confronted wartime India with a sharp contrast between rising money incomes and a severely restricted stock of consumers goods. Last year's famine in Bengal and elsewhere, the effects of which still persist, was a very clear pointer to pressing economic requirements; and both the Government of India and the political parties have followed the Bombay Plan with planning of their own. It is not without significance that the new Planning Member of the Viceroy's Executive Council should be Sir Ardesahir Dalal, once a member of

the Indian Civil Service, recently in charge of the Tata Iron and Steel Co., and one of the eight signatories of the industrialists' proposals.

It is not the purpose of this article to recite again the political implications and repercussions of the Bombay Plan. The important question about the Plan is whether it is practicable. It is perhaps worthwhile, however, to point out that the authors of the Plan have taken for granted, almost light-heartedly, that the political and social conditions for over-all economic planning by the state can and will exist in India after the war. The economic problem is thus set in isolation, and the crucial and fascinating problem of the necessary conditions of planning, of the kind of community and the kind of state required, is left undiscussed. To this statement, one reservation must be made: the authors of the Plan, while following Soviet precedent in many of the general outlines of their scheme, explicitly repudiate any intention of resorting to the extremes of regimentation and forced saving which, with consequent hardships, have accompanied the Russian experiment.

In one sense this Plan is not a plan at all. It is a state-

ment of aims rather than a working model of economic development, and it deliberately refrains, for the most part, from referring to "such essential matters as the organisation, methods and techniques required." It is, however, made plain at several points that the process envisaged will require the most rigorous control by the Government over individual liberty and private enterprise; and that (though this is not stated outright) there will have to be controls over the exchanges, prices and the money market, priorities in the allocation of imports and in the use of skilled labour and, in the Indian context, very high taxation. The important point for the economist to fix attention upon is not the political feasibility of these proposals, which must be doubted, but rather the question of where the resources are to come from to make this Fifteen Year Plan possible and how, as a symbol and measure of real resources, the money needed is to be raised. Here the Plan seems to contemplate resort to inflation on a large scale. In part this is because of the methods of financing which are proposed, with their emphasis upon "created money." In part it is because of what appears to be a serious underestimation of the costs involved (which are calculated in terms of 1931-39 values), of some actual omissions in the reckoning of recurrent expenditures, and of some defects in the reasoning by which the major item is arrived at.

Briefly, the process of argument is as follows: The aim is to double the national income per head in fifteen years after the beginning of the Plan, which may take another three or five years to get under way. Since the population of India is likely to continue to increase by some five millions a year, this will require a trebling of the total national income. This, it is proposed, should be done by more than doubling the net output of agriculture and by increasing the income from industry and from services six-fold and three-fold, respectively. The expansion will be financed, it is suggested, as to one quarter by external means and as to three quarters by internal means. The use of external sterling balances will account for one tenth of the total investment required; "created money" will account for one third, and domestic savings for two-fifths.

Two points emerge from this summary account. The first is that the arithmetical objectives which are set out are almost entirely "notional." That is to say, they are not based upon any research into the degree of expansion in agriculture, industry or the service occupations which is in fact practicable. An increase in the national income of all-India (including the states as well as the provinces) from £1,650 million to £4,950 million at pre-war prices is simply postulated. In other words, the practicability of the Plan is not discussed in even remotely precise terms. It is true that the figures used are described explicitly as "illustrative" rather than "absolute." But the fact that these figures afford no real quantitative guide to the scale or pace of possible development tends to reduce the Plan to a mere agenda for further study. Its authors admit that it does not represent a programme capable of being implemented. But they do claim that it defines the economic and financial "possibilities," which is actually not true. This is no more than a statement of aims in the provision of food, clothing, shelter, health and education, with suggestions, made on no sure grounds, as to the kind of expansion in industry, agriculture, the service occupations and communications that would be required to "finance" those aims, in both real and money terms.

The aims stated are no doubt admirable and eminently to be desired: a minimum diet; housing accommodation of 100 square feet per person; proper sanitation and water supply; a dispensary in every village; hospitals and maternity clinics in every town; primary schools for every child; high schools for one child in every five; and an adequate system of adult, technical, university and scientific education. These or similar objectives must be the target of all plans for India. Almost exactly the same aims are set out in the "People's Plan" produced by the Indian Federation of Labour. (The People's Plan, incidentally, proposes to finance them initially from "the income resulting from the nationalisation of land; in-

heritance tax and the mobilisation through Government borrowing of the accumulated wealth which at present remains out of the process of production" and, thereafter, from the increased income derived from the "rationalisation and modernisation of agriculture.") But the official plan for the economic development of India will have to improve considerably upon the method of "finance by affirmation" which is common to the proposals of both the Bombay industrialists and the Federation of Labour.

The second point that emerges from a summary of the Plan relates to the credibility of the figures, even as illustrations. The beginning and end of the calculation is the statement that capital investment of 10,000 crores of rupees, or £7,500 million, would be enough to treble the national income. The figure is arithmetically doubtful, since it excludes (except in the first year) the recurring items, which are treated for the remainder of the period as "working capital" and therefore largely self-financing. This is a very odd procedure. A recurring item is not a revolving fund; in fact, it is almost the opposite. Of the total of recurring items of nearly £900 million, at least a third (that expended on public health, education and, to some extent, housing) cannot possibly be regarded as "working capital," except in the very broadest sense, and is certainly not self-financing. On the contrary, these "recurring items" would impose a very heavy annual charge upon the public finances and the taxable capacity of India.

But even if this omission could be set aside, it would still be difficult to accept the figure of 10,000 crores of rupees. Everything in the Plan turns upon its being approximately correct. If it is too small, then there would have to be a much greater reliance upon internal sources of finance—that is, either upon a large increase in savings, which could hardly be produced voluntarily in India and would create great hardship if exacted compulsorily, or, more probably, upon creation of money, which already bulks disturbingly large in the original calculation. Yet the most obvious point about this crucial figure is that it is wholly arbitrary. The possible increase in national income is obtained by the simple device of multiplying the national income of 1931-32 (with an allowance for the Indian states) by three. The total of investment required to bring this about is obtained by no less cavalier assumptions about the relation between investment and output. It is taken for granted without proof or evidence that new investment in capital equipment, including land and buildings, will produce additional net industrial output in the ratio of 2.4:1—that is, that the capital investment of £2,400,000 will produce an annual output of £1,000,000. In spite of the fact that, on the Plan's own showing, industrial investment in India would have to be largely in the heavy industries, the authors of the Plan have chosen to assume a ratio of investment to output much more favourable than the examples they themselves quote. It is assumed similarly, quite without demonstration, that a capital expenditure of £930 million on agriculture over the fifteen years will increase net agricultural income from £874.5 million to £2,500 million. It is taken for granted, too, that the physical and human means of development—the imports, the machinery, the skilled labour, the managerial ability and the organisational aptitude—will be available, at every point of the Plan, in the right quantities and at the right time. The figure thus arrived at is then divided among industry, agriculture, communications, education, health, housing and miscellaneous items in a similarly arbitrary way.

All this might not seem to matter in a purely illustrative statement of aims, if it did not lead inevitably to the impression that the sums stated do bear at least some relation to the money which India will have to find to put its house in order in the next generation. But, as already emphasised, the figures have no basis in fact; they merely represent, on the one hand, a very rough costing of the reforms that the authors of the Plan would like to see carried out if they were practicable; and, on the other, a wholly arbitrary assumption of the amount of capital investment necessary to enable India to meet those costs. Moreover, even if the basis of calculation could be roughly



accepted, there are the two serious errors already referred to: the underestimation by a large margin of the extra burden upon the annual budget; and the omission to take into account a probable increase in prices, compared with the pre-war base period, of between 50 and 100 per cent.

It can be said, of course, that higher post-war prices will increase the figures on both sides of the account—both the total of investment required and the value of output achieved. This is true, but in one very material way—namely, the financing of the Plan—the picture would be radically altered by a higher price level. It is not only likely that the total capital cost, even on the assumptions given, would be nearer £15,000 million than £7,500 million. It is also almost certain that the funds available from outside sources, such as sterling balances, would not be increased in proportion to the rise in prices, so that the amount that has to be obtained from internal sources—that is, from savings, and in particular from “created money”—would have to fill the greater part of the very large gap in the arithmetic. It is probably reasonable to suggest that, instead of “created money” representing, as suggested, 3,400 crores out of a 15-year total of 10,000, this source might be called upon to supply something between 8,000 and 10,000 crores out of a total of 20,000 crores, or going on for 50 per cent. Certainly this proportion of 50 per cent. could be expected in the final stage of the Plan, when a large part of the external sources—sterling securities, hoarded wealth and foreign borrowings—would have already been drawn upon.

This point can be quite simply stated in another way. The only justification for relying upon “created money” to the extent envisaged would be the expectation that the output of goods and services could be expected to expand correspondingly and *pari passu*. In fact, the rates of expansion in output quite arbitrarily set out in the Plan are almost certainly too high. It is the view of many

experts, for instance, that the increase of 130 per cent contemplated in agricultural production is perhaps four times too high. This view may be on the pessimistic side; but generally it is fair to say that, since the need for created money would almost certainly have to be larger than allowed for in the Plan, and the additional production achieved would almost certainly be smaller, a serious price inflation would almost certainly be the result.

It would be unjust to finish this very cursory examination on an entirely critical note. Obviously, the social and economic aims set out in the Plan, which will receive general approval, were worth stating. Few experts, for instance, will quarrel with the policy proposed for agriculture: co-operative farming; the liquidation of rural debt; the remedying of soil erosion; and the improvement of yields by more irrigation, better rotation, better seeds, more fertilisers and improved tools. The proposed large increase in road and rail mileage will be equally approved—as a necessary objective. There will be general acceptance also of the emphasis laid upon the development of power resources and upon the holding of a balance in development between basic industries and the production of consumption goods, in order to avoid the “heavy cost” of planning “in terms of human suffering.” All these items are, in general terms, identical in both the Bombay Plan and the People’s Plan. But without a precise calculation of ways and means, the best-laid plans must lead to grave disappointments and dangerous frustration. It is a truth as well as a truism that the coat must, in one way or another, be cut according to the cloth. No effort should be spared during the next generation to achieve the aims set out in the Bombay Plan. They must have priority before all other considerations. But it will take much harder thought, much more laborious effort and, it is to be feared, a much longer space of time to reach the goal.

## West Indian Regionalism

THERE has been much discussion lately of colonial regionalism. Thrown off as an afterthought by the Colonial Secretary in replying to a parliamentary debate a year ago, his acceptance of the principle fell on fertile and well-prepared ground. But it is not certain whether, say, Colonel Stanley, General Smuts and the Joint East African Board mean the same thing when they advocate it. To some people, it merely means the grouping of adjacent territories under one administration—a tidying up process. To others, it is something functional—the *ad hoc* planning and execution of projects by an agency such as the Middle-Eastern Supply Centre. To others, it means dealing with problems common to several areas by joint action of the Governments concerned. To others, again, it means international co-operation in colonial affairs. It is all too rarely considered is the participation of the colonial peoples in regionalism. It tends to be regarded as an instrument for their government or an instrument for their betterment, but not as an instrument which would help them to govern and better themselves.

There has now appeared, however, a description of regionalism in practice in which the people of the region have themselves participated. The Anglo-American Caribbean Commission is, on the surface, an example of co-operation between two nations with adjoining colonial possessions. It was established

for the purpose of encouraging and strengthening social and economic co-operation between the United States of America and its possessions and bases in the area . . . and the United Kingdom and the British colonies in the same area.

But neither the two sovereign Governments nor the Commission itself took this limited view of its purpose. In its first Report it was stated that the two Governments had agreed

that the democratic approach to the solution of the Carib-

bean problems must envisage arrangements for conferences and consultation with local representatives of the territories and colonies.

These arrangements took the form of “a regular system of West Indian Conferences” to which each territory should send two delegates. The Conference was to be a standing body—not composed of the same representatives, but with “a definite continuity of existence”—and it would meet when the occasion should arise and suitable subjects come up for consideration.

The first session of the Conference was held in March, and a report of the proceedings has now appeared as a White Paper (Colonial No. 187). On the agenda for discussion were means for raising the nutritional level by local food production and the expansion of fisheries; the reabsorption into civil life of persons engaged in war employment; the planning of public works for the improvement of agriculture, education, housing and public health; health protection and quarantine; industrial development; and the possibilities for expansion of the Caribbean Research Council. These items were first discussed in public meetings of the whole Conference; they were then referred to committees for detailed consideration, and the reports of these committees are reproduced in the White Paper.

From the point of view of the West Indies, the Conference was an undoubted success. The recommendations of the various committees show a deep understanding on the part of the delegates of the needs of the Caribbean area and an earnest desire for co-operation in fulfilling them. For instance, one of the worst defects of living conditions in the West Indies is overcrowding. The committee on the planning of public works recommended that Governments should be given power to zone land for specific uses and to plan its development accordingly, and to acquire land in the public interest at fair and economic

values. It further recommended that regional planning boards should be appointed in the various islands or groups of small islands, and that their work should be helped by a Caribbean Planning Commission, to form part of the Anglo-American Caribbean Commission, which would promote the exchange of experience and ideas and also assist in the allocation of available materials. Minimum standards of space and equipment should be established throughout the Caribbean and applied to all new projects. All Governments in the Caribbean area should collaborate in immediate steps to complete topographical contoured surveys, the lack of which is at present a serious barrier to comprehensive planning in the British colonies. In view of the shortage of technical personnel throughout the Caribbean area, the Governments should arrange to pool and exchange available personnel where possible. Finally, the committee recommended that a sectional committee of the Caribbean Research Council should be set up to undertake research in building and engineering, and in particular the possibility of standardising building units in various materials and of prefabricating such units in the Caribbean area at suitable distribution centres. The recommendations of this committee are, it should be emphasised, only one instance of the absence of insularity and the sense of a wider—a Caribbean—interest which marked the proceedings of the whole Conference.

But the Conference scored more than a local success. It is also an object lesson in colonial regionalism. In the first place, there is the international factor. The parent body, the Anglo-American Caribbean Commission, is, as its name suggests, composed of representatives of the United Kingdom and the United States. But the possibility of associating other Powers with its work has always been envisaged. To the Commission itself, representatives from the Netherlands and Canada are attached as observers. The Caribbean Research Council, which is an advisory body to the Commission, has a representative from the Netherlands. The Conference itself was attended by delegates from the British and American territories

only, but the official communiqué announcing that it was to be convened stated that it would “be free to invite participation of other countries on occasions.”

More important, however, is the fact that it was democratic. The method of selecting the delegates cannot be regarded as entirely satisfactory, and some means of popular selection should be found when the Conference is firmly established. Nevertheless, it was not just another case of sovereign Powers meeting to discuss matters of common interest to their territories, nor of colonial Governments meeting for the same reason. The chief merit of the representation at the Conference is that one of the two delegates from each of the colonies was an unofficial one. It was thus a quite genuine instance of the people themselves participating in plans for their own betterment. And, as the Report of the Conference shows, they proved themselves capable of it.

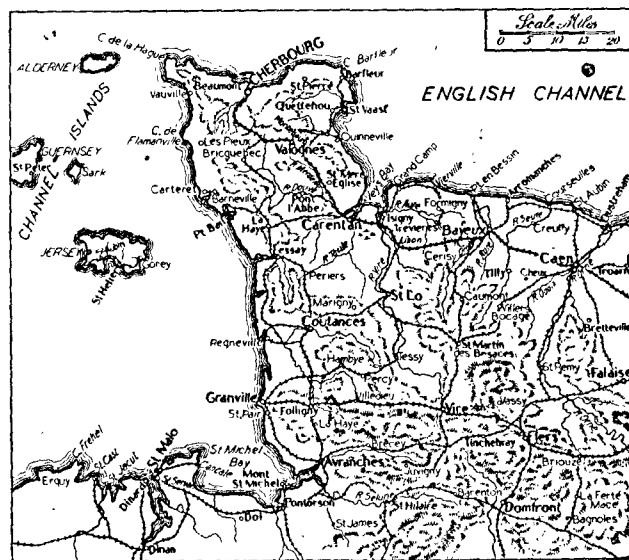
When, therefore, a move is made for colonial regionalism, it should first be asked what sort of regionalism the promoters have in mind. The present Secretary of State has always held out the Caribbean Commission as the model to be followed elsewhere. But it is not so certain that when General Smuts asks for the High Commission territories to be transferred to the Union of South Africa, or when European settlers plead for closer union between the East African colonies, or when Southern Rhodesians demand amalgamation of the Rhodesias and Nyasaland, they also have in mind a similar democratic process. It is quite true that the delegates to the West Indian Conference had no powers. Like its parent body, the Conference is only advisory, and action on its recommendations still lies with the colonial Governments and the sovereign Powers. But the British and American Governments, in their announcement of the Conference, mentioned the possibility of powers being entrusted to it by the participating Governments; and the hope has been officially expressed that it “would attain a really influential position.” The account of the first meeting of this West Indian Parliament shows that this hope is likely to be achieved.

## NOTES OF THE WEEK

### Hitler's Dilemma

The main Allied achievement in Normandy in the first week of the invasion was the fusion of the many footholds gained on the coast into one bridgehead, sixty miles wide and about twenty miles deep, in the centre of the penetration. The enemy's efforts to contain the extension of the bridgehead has developed only gradually. At first it was made in great strength on the left Allied flank around Caen. It was relatively weak both in the centre, where the Allies had succeeded in clearing the network of roads radiating into all directions from Bayeux, and on the right flank, where the Americans had taken the road centre of Carentan and, advancing to Montebourg, threatened Valognes, the most important road junction in the Cherbourg perimeter. The beginning of the second week of the fighting saw the enemy's determined and partly successful attempt to contain and to push back the right flank of the bridgehead in the Cherbourg Peninsula. The next days will show whether the enemy will continue to press on the flanks of the bridgehead or whether he will now concentrate on stemming the Allied advance in the centre. The real question at this point is whether Rundstedt is capable of a concentration of forces that would give him local superiority before General Eisenhower has completed the building up of his striking force inside the beachhead. This depends on the size and character of the reserves which he is prepared to throw in the battle of Normandy and on the speed with which he can move them from the rear to the front. That the enemy's mobility in shifting reserves has been decisively reduced is already beyond doubt. It is a fact that General Eisenhower's lines of communication in the Channel have been incomparably safer than Rundstedt's lines of communication inland. This seemingly paradoxical situation has been entirely due to General Eisenhower's overwhelming superiority in the air. The German commander might, at least in theory, offset the slowness of his concentration by its

mass. But this he can only do at the risk of engaging in the battle of Normandy forces that sound strategy would advise him to keep in readiness against new Allied landings on other sectors of the Atlantic (or Mediterranean) coast.



If Rundstedt now saves his forces for future battle, then the result is that he allows his reserves to be paralysed by the mere threat of new landings, and so gives General Eisenhower enough time to extend and consolidate his bridgehead in Normandy into a solid jumping-off

ground for a major offensive. If, however, he disregards the rules of prudence, and engages a high proportion of his reserves in the fighting now, then, whatever temporary success he scores in Normandy, he facilitates General Eisenhower's task of making new landings elsewhere. The dilemma is not only Rundstedt's. It is Hitler's also. It confronts the German High Command not only along the Atlantic Wall but all over the Continent. Everywhere the thunder hangs over Hitler's head. Nowhere does he know when and where the bolts will fall. Everywhere his forces are numerically inferior to those of his opponents and shaken in their confidence; and everywhere the danger stares him in the face that the many protracted retreats of his armies may merge into one final rout. In Italy General Alexander is approaching Orvieto and may soon be half-way from Rome to Florence. Mackensen's 14th Army has been routed in the retreat. In the east the Russians have struck against Finland, taken Terioki and advanced towards Viipuri. The Soviet High Command apparently hopes to press the Finns to their knees in a short lightning campaign. It would hardly engage its forces in a slow operation at a time when it is making ready for the decisive blows on the White Russian, Polish and Roumanian sectors of the Eastern front.

### Exit Badoglio

Shortly after the liberation of Rome King Victor Emmanuel, without abdicating, gave up his royal functions and appointed the Crown Prince Umberto to be Lieutenant of the Realm. The withdrawal of Victor Emmanuel was foreshadowed in the agreement of last April, on the basis of which the leaders of the six Italian parties joined the government of Marshal Badoglio. What was really unexpected was the resignation of Badoglio himself. It seemed that he had secured the goodwill and the co-operation of the anti-Fascist leaders. But anti-Fascist and anti-militarist feeling has apparently been much stronger in Rome than it was in Naples; and the Marshal could not withstand it. A conference of leaders of the anti-Fascist parties decided unanimously on his removal. The role of the Communists in this incident has still to be explained. It was they who previously persuaded the democratic parties to support the Marshal. The initiative to withdraw support came from Count Sforza's Party of Action, a somewhat nebulous but most energetic group of politicians, which includes in its ranks liberal Radicals and ex-Socialists and has shown itself more intransigent towards the dynasty and Marshal Badoglio than either the Socialists or the Communists. Probably, the Party of Action was able to carry the day so easily because its uncompromising hostility to the Marshal was in tune with the mood of the rank and file of the other parties. The Badoglio experiment is now closed; and some lessons may be drawn from it. There was an undoubted advantage for the Allies in having the armistice terms accepted and loyally carried out by the King and by a prominent soldier. To parley with them in the first instance was a military and political necessity, but the experiment seems to have been prolonged until it provoked an irresistible reaction. It was clearly an illusion to believe that Italy would accept the Marshal as a bridge between a fascist past and a democratic future.

### Enter Bonomi

It is comparatively easy to say at this stage what post-Fascist Italy will not accept. It is much harder to say what it will accept. In the eyes of the Italian people, Marshal Badoglio was a relic of the Fascist past. His successor, Ivanoe Bonomi, combines the rôles of a herald of the new era and a survivor of the pre-Fascist past, whose chief, though not only, attraction is its remoteness. He was one of the foremost spokesmen of the reformist tendency in Italian Socialism long before the first world war. In the critical years after the last war he was Minister of Defence in one of Giolitti's Governments and Prime Minister on the eve of Mussolini's march on Rome in 1922. At present he is not only Prime Minister, but also Minister of Foreign Affairs and Minister of the Interior. His inner council consists of leaders of all parties, most of them able and sincere anti-Fascists as well as Bonomi's contemporaries. They, too, belong to the pre-Fascist rather than to the post-Fascist era. Will these men, who once proved incapable of preventing the decline of democratic Italy, now be able to secure its second birth? Certainly they will need the aid of younger leaders who have worked out new ideas and

conceptions about their country's future in the hard school of the anti-Fascist underground. Unfortunately, those leaders of the younger generation have not yet appeared on the stage. They may, perhaps, still be making ready in the industrial north, which so often served in the past as the hot-bed for political movements and programmes. Only after the liberation of Milan and Turin and Genoa will it be possible to say with certainty who, if they exist, are the real claimants to the political succession to Mussolini. The only fact that seems well established already is that the popular desire to make a clean sweep of the legacy of the past twenty years goes deep and expresses itself in radical forms. This is reflected in the decision of the new Government not to take the oath of allegiance to the dynasty. Prince Umberto, the Lieutenant of the Realm, has not assumed his office under the brightest of auguries.

### Legislative Lull

There are presumably two reasons why no announcement has yet been made, since Parliament reassembled after Whitsuntide, about the Bills and White Papers which were promised, and eagerly awaited, before MPs and peers dispersed. They are the present concentration of attention upon the invasion of France and, rather more casuistically, the time needed to digest the White Paper on Employment Policy. The former reason for a pause in reconstruction will quickly lessen though the fight goes on. The bombed cities of Britain, for whom a Reconstruction Bill was all but ready a month ago, must prepare to go about their business of rebuilding even while France is being freed. The latter reason, insofar as it suggests that the reform of social insurance or the planning of land-use is dependent upon a successful policy of high employment, is deliberately misleading. Indeed the argument could quite plausibly be reversed. A comprehensive and uniform system of social security might powerfully assist the mobility of labour that high employment requires, while the guidance of industrial location that is promised in the Employment White Paper is scarcely possible without the long-delayed decisions on land-planning. The real question is whether the Government is itself prepared, even now, to publish its uncommonly well considered views on these matters. It is still being said that the chief obstacle in the case of both social security and the control of land, with compensation, is cost. Certainly in the case of land, the longer the decision about 1939 values is put off—the Uthwatt proposal to peg land prices at this level was made as a matter of urgency two years ago—the harder it will be to fix any datum line without considerable apparent injustice to some interest, public or private.

### Your MP

Brooding over the political scene, behind the deep sense of nation-wide responsibility caused by the invasion of France, is the certainty among the professional politicians that the next General Election is not far off. The practical signs of this conviction are most evident on the Conservative side, where an immense amount of hard work and hard thought is being applied to the refurbishing of the party machine and party programme (largely provided by Mr Churchill's Coalition agenda) to fit the needs of electoral conflict. The Conservative Central Office has taken on specialists on particular topics and is seeking for a new figure of front-rank importance to direct its activities. Both the party and its enclave of Tory reformers are reconstructing and expediting their research work for propaganda purposes. All this is in itself good news for voters, even though it throws into somewhat sad contrast the apparent floundering of the Labour Party, which has been too much engrossed by its several fissures to set about the task of preparing to be an alternative Government with any real will. On the other hand, the pointers that have been given to the direction of Conservative policy, both centrally and among the Reformers, are by no means so encouraging. Two things seem to have been determined, apart from the election value of Mr Churchill, as the planks of the platform. One is the ceaseless fight against almost all forms of public control, guidance or planning, which is reflected in that naïve sheet, *The Recorder*, now exposed for sale in some quantity on the London streets. The other is the resolve—gallantly led and inspired by Captain Hogg and by certain advocates of Sir Samuel Hoare, whose return to high office they devoutly and doggedly seek—to vindicate

the so-called "men of Munich." This is a project which tends to take the form of an intensive and widespread campaign of bitter charges against the Left-wing writers who have spent a good deal of time, with impunity, in recent years in drawing up their now over-drawn bill of indictment against the "guilty men." This second line of approach to the new Toryism must appear to any outside and non-partisan observer to be sterile in the extreme. It is not only at least three years too late. It also does no justice at all to the common sense of electors, who will look for policies and leadership, not for excuses or for the somewhat ominous repudiation by a party which steadily had a majority in the critical years before the war of the responsibility which belonged to it and to it alone. That the strident recriminations of the Left, which have gone on for far too long, are also becoming both distasteful and irrelevant (the latest example is the very prejudiced "Your MP," which caused a storm in the Commons last week) is no reason at all for diverting the energies of the Conservative Party bodily into this miserable *cul de sac*—unless it is that the Right does not wish, by having a policy, to embarrass the Left, which has none.

### African Event

An important and welcome move has been made in Kenya. For the last half century or so there have been two views in Africa about the representation of Africans on legislative or consultative bodies. One has asked for direct representation of African by Africans. The other, strongly represented in the Union of South Africa, in Kenya and in Northern Rhodesia, has steadfastly maintained that representation must be indirect by nominated Europeans—on the ground that Africans are not capable of participating personally in public affairs. The appointment of a single African to the legislative council of Kenya is therefore a dramatic, if not very considerable, breach in an old and entrenched attitude. The one Kenya African may not count for much in an assembly which may number nearly 40 in all, but he is a symbol. The wish of Kenya settlers, which has been often and frankly stated, to exclude Africans is no longer fully accepted; and the question at once arises whether what is good for Kenya ought not also to be good for Northern Rhodesia. The case of Northern Rhodesia is particularly apt. Representative Africans from the native councils in that territory recently met for the first time in a newly-formed regional council. They expressed their opinions freely; they showed both judgment and good sense in their discussions of public policy; and, more specifically, they resolved in favour of increased and direct representation on the legislative council of Northern Rhodesia, on which they are at present represented by one European. Now that Kenya has shown the way there is surely no obvious reason, apart from prejudice, why this modest request should be refused.

### Revising Montreux?

The British and Russian Governments recently made representations to the Turks about the passage of German ships through the Straits. Under the Montreux Convention, which still governs the Straits, merchant vessels have the right of innocent passage in peace or war. The rights of warships are more complicated. In time of peace, the Black Sea Powers can send any number of warships out (provided they go singly), while other Powers may only send in a limited number. In wartime, the decision of the transit of warships rests with the Turks. If they are belligerents, they can decide absolutely. If they are neutral, they can refuse the passage of all warships except those which are being used to fulfil obligations under the League Covenant. The British and Russian complaint is that German light military craft, disguised as merchantmen, have been escaping through the Dardanelles, only to resume military activities when they reach the Aegean. Mr Eden reported to the House on Wednesday that the Government considered the Turkish reply very unsatisfactory and the matter would be pursued further. The incident thus raises the question whether the Montreux Convention needs revision. It is not simply a question of re-defining the naval categories to include the small military craft which have since 1936 come to play such an important part in naval warfare. There is the larger question whether the Convention in its present form best suits the interests of the international community. There are two alternatives—Turkish control or an agreed inter-

national arrangement, following perhaps the new pattern of joint bases which the British and Americans have developed. If the solution of continued national Turkish control is accepted, then a Montreux Convention modified to cover the death of the old League and the birth of a new international organisation, would probably be the solution. If, however, the Allies were to decide that they cannot realistically accept the likelihood of their mutual aid having perpetually to pass through a neutral Turkish filter, the problem of re-negotiation would be much more severe. Would the Turks oppose internationalisation? The obvious answer is that they would reject it unconditionally as an affront to sovereignty. Yet there are certain conditions under which such an arrangement might serve Turkey's interests better than independent sovereignty. Throughout this war Turkey's chief objection to joining the war was Allied unpreparedness and the danger to which this exposed the Turks. If a joint base were established on the Bosphorus, Turkey would be less likely to have to fear the domination of any one Power and would not have to depend again on the narrow margin which separated the Allies from utter defeat and the Turks from slavery at the time of El Alamein and Stalingrad. This is, perhaps, too long-term a policy of interdependence to appeal to Turkish statesmen, who are likely to be more concerned with the short-term diminution of national independence.

### Dispossessed Farmers

Anxiety is felt about the right of the Minister of Agriculture, conferred upon him under an Order in Council, to dispossess farmers on the advice of the County War Agricultural Committees. Mr Williams assured Parliament last week that the committees only suggested this step after trying every means of persuasion, and that actual responsibility for evicting was not theirs but the Minister's, who investigated every case through his land commissioners. Mr Williams argued ingeniously that the farmer who could put his case to a committee, most of whose members were themselves practical farmers, was being tried by his peers. The fact remains that the farmer's fate is decided exclusively by agents of the Minister of Agriculture, and in this particular case a great deal is at stake for the farmer—his home as well as his job. It is doubtful whether the War Agricultural Committees, constituted on a rather casual basis to meet an emergency, are in any case suitable bodies to exercise such a drastic influence. They are necessarily not always free from local bias, and they vary greatly in efficiency between districts. Clearly, they need to be made more representative and more uniformly efficient, especially if, as is likely, they are to be continued in some form after the war.

### The Right of Appeal

Quite apart from the powers of the War Agricultural Committees, the farmer feels himself threatened by "dictatorship." The right of appeal against wartime eviction has been refused him; and there is a distinct threat, in more than one way and on grounds of wartime emergency, to his freedom to enter or remain in his trade, a threat which clearly calls for the utmost vigilance in Parliament. In Tuesday's debate on the Food and Drugs (Milk and Dairies Bill), Mr Hudson again resisted the demand that the farmer should be free to appeal to an independent tribunal if his registration as a milk producer was cancelled. Such disqualification may, of course, put him completely out of business and is not far short of eviction. The wartime powers of eviction have had justification in con-

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ditions of siege which make efficiency, and speedy efficiency, all-important. It is true that, in peacetime as well, some control to ensure the efficiency of agriculture will probably need to continue. This would be the price of public aid. It is all the more important that the farmer should be protected against abuses of power. The only certain safeguard lies in the right of appeal to an independent tribunal, and it is hard to see why this should not cover equally wartime evictions, with necessary precautions for ensuring speedy decisions. On the dairying issue, the strong opposition of MPs forced Mr Hudson back from his original demand to be the ultimate arbiter of satisfactory standards of clean milk production. After a long and heated debate, in which the demand for right of appeal to the county court was defeated in a division—from which many members abstained—by 178 to 76, the strong feeling of the House was partially met by the Minister. Mr Hudson finally proposed that a farmer denied or deprived of his registration could appeal to a tribunal consisting of the regional veterinary inspector, and a representative each of the Milk Marketing Board and the National Farmers' Union; if the decision of the tribunal were unanimous the Minister would be bound by its ruling. It is doubtful if this is going far enough. The tribunal would at all events be better constituted if it contained an independent chairman instead of two representatives of the producers.

### Dives and Lazarus

One of the chief reasons put forward in recent months for the continuation of food rationing in this country, even after the armistice, was the need for feeding Europe—a Europe whose nutritional level is plainly, though not uniformly, well below our own. To this appeal to their sense of generosity the people had reacted well. The principle was accepted that some at least of what we had and others had not should be sent in the wake of the liberating armies. It was an earnest of that genuine unity among the nations which lay behind a formal military alliance. Now, it appears, "it would be absurd for this country to send foodstuffs." It is, of course, obvious from the facts that the lion's share of whatever foodstuffs may be sent to relieve Europe will have to come from across the Atlantic; and it may be that Colonel Llewellyn's somewhat surprising statement, made in the Commons debate on the Ministry of Food, was only loosely phrased with this in mind. But the impression left by the remark that it would not be right or reasonable to cut down our already reduced standard of living in order that provision should be made for Europe has not been entirely a happy one. To place the whole responsibility entirely on the best-nourished members of the United Nations will not be possible. Indeed it would be as inexcusable as if Dives were to tell Lazarus to go a-begging next door from a still richer neighbour. It has been shown—for example, by the survey of comparative levels of food consumption in Canada, the United States and Britain (*The Economist*, April 29th, p. 567)—that the United States is better able to allocate supplies to Europe. Undoubtedly, the major part of the supplies must come from North American resources. But an appreciable part of our own present wartime diet comes from North America; and one of the obvious ways in which the gap in European supplies will (rightly or wrongly) be filled, is by the diversion to Europe of some of the imported food coming to this country. The impression should not be given that some sacrifice, largely invisible though it may be, will not have to be made by us in this way; and other commodities may be needed, for a time, direct from Britain. Certainly, the Minister's statement calls for further explanation.

### Food Purchase Plans

In the debate on the Ministry of Food, Colonel Llewellyn declared that, come what may, existing ration scales (except in milk) can be maintained for the rest of the year. For at least the next four years guaranteed markets will be provided for home producers of milk and meat at prices not lower than the present ones; and long-term contracts with overseas producers are being negotiated. Australia and New Zealand have agreed to send their surpluses of meat and dairy products up to June, 1948, to the Ministry of Food, which will act on behalf of the United Nations Combined Food Board. Canada has been offered a bacon contract up to 1947, which will provide for deliveries totalling 1,850 million lbs. Canada is also to send 125 million lbs. of cheese in each of the two years

to March 31, 1946. The whole exportable sugar production of the Dominions and Colonies until the end of 1946 is to be bought by the Ministry. For some months, the Ministry has turned its attention to introducing variety into the nation's diet. Ham has appeared again, lemons from Sicily, oranges from Palestine, South Africa and Spain, dates from Irak, raisins from Cyprus, and 32,000 tons of dried fruit from Turkey. The national loaf has been improved by leaving out oats, rye and barley. Although the Minister declared that he wished to abolish milk rationing as soon as possible after the war, he did not warn the public that it will probably take more than four years for milk producers to add 360 million gallons to yearly output. This is the additional quantity of milk required to abolish rationing if the National Milk Scheme, with its priority consumers, is to be continued. The benefits derived from the scheme are too great for it to be sacrificed to give the "ordinary consumer" a larger allocation of milk, if milk rationing has to remain for some years after the war.

### Lend-Lease to Russia

On June 11th the Soviet Government published an impressive and detailed list of "armaments, strategical raw materials, industrial equipment and foodstuffs" received from the United States, Great Britain and Canada from the beginning of the Russo-German war up to April 30th this year. American deliveries naturally head the list with 8½ million tons of supplies despatched to Russia, compared with 1,150,000 tons despatched from Great Britain and 450,000 tons from Canada. Interestingly, the differences are given between the quantities of goods despatched to Russia and the quantities received; and they amount to between 10 and 15 per cent, which is presumably the proportion of supplies lost on the way through enemy action. The list does not relate these losses to the various periods of delivery; but they were obviously incurred mainly during the months of intensive U-boat warfare in 1942 and 1943. The losses then must have been disturbingly high. But equally, the flow of supplies to Russia must have been going on for some time past almost unimpeded. The table below compares some of the items received from all three countries.

|                  | United States | Great Britain | Canada     |
|------------------|---------------|---------------|------------|
| Aircraft .....   | 6,430         | 5,826*        | ...        |
| Tanks .....      | 3,734         | 4,292         | 1,188      |
| Lorries .....    | 206,771       | 5,239†        | 3,410†     |
| Shells .....     | 22,400,000    | 17,000,000    | 827,000    |
| Cartridges ..... | 991,400,000   | 290,000,000   | 34,800,000 |

\* 2,442 of these were despatched from the U.S.A.  
† Armoured troop carriers included.

In the American deliveries food and clothing take an important place with 5½ million pairs of Army footwear and nearly 23 million yards of cloth. In the British deliveries industrial equipment forms a very impressive item (6,491 metal cutting lathes, 15,084 electric motors, power plant equipment of a total capacity of 374,000 kilowatts, and so on). Light metals have been delivered in great quantities from all three countries. It is interesting to note that the Soviet Government has already put the dollar sign into the list and given the value of the American Lend-Lease deliveries in money terms (American Lend-Lease supplies, unlike British, must of course be valued for the purpose of Congress appropriation). The total value of the American goods despatched is \$5,357 million, and of those received in Russia \$4,612 million. The money value of British deliveries is not specified, and in any case nearly one-third of the tonnage of British supplies has been delivered as "military aid without payment." The total value of the Canadian deliveries is given as 187,600,000 Canadian dollars, of which supplies to the value of \$116,600,000 were delivered as "part of the British undertaking." These figures tell a really striking tale of the contribution of Allied factories to Russia's victories in the field, a contribution made long before the landings in France made the military operations on the Continent merge into a single campaign.

### Industrial Location

The Government has accepted the principle of controlled industrial location as a means of ensuring—in the words of the White Paper on Employment Policy—"a balanced industrial development in areas which have in the past been unduly dependent on industries specially vulnerable to unemployment." Obviously, the efficacy of this

remedy depends on whether a sufficient volume of factories can be "steered" to transform industrially unbalanced areas into balanced areas within a limited number of years. As Mr Dalton, President of the Board of Trade, admitted during the debate on the location of industry in the House of Commons on June 7th,

Unfortunately, for good or ill, most of our industry is located already. It is only in the field of the construction of new factories, or extensions to existing factories, that the Government can influence the location of industry at all. Existing buildings, until they either fall down or become obsolescent, must remain located where they are now.

In the past the number of new factories constructed annually has been small in relation to the total number in existence. In a year of active business, such as 1937, the number of new factories and factory extensions recorded by the Board of Trade were 541 and 237 respectively, but the majority of new factories were comparatively small. True, heavy investment in capital equipment will be necessary after the war if the equipment of British industry is to be brought into line with the best practice at home and abroad. But a substantial proportion of capital expenditure will take the form of new equipment for existing factories and of partial rebuilding. Although this type of expenditure does not seem to fall into the category of projects eligible for "steering" as defined by Mr Dalton, it may be found in practice that, where modernisation involves the purchase of a complete set of new machinery or the rebuilding of the greater part of existing factories, the undertaking can occasionally be transferred to another district without adding to cost. A policy of controlled location, to be effective, should involve a careful examination, not only of projects for new factories and extensions, but also for large-scale re-equipment and partial re-building.

### Germany Speaks

The Germans have always relied on the propaganda arm and made greater and earlier use of it than any other Power. One might have expected the invasion of Europe to have been the signal for a new and active phase in the propaganda campaign. On the contrary, the German radio has never had less to say than at present. To its own people, it reports in great detail the fighting, stresses the Allied losses, declares that they are throwing in their troops at a spendthrift rate while Germany is shepherding its own reserves. No leading political figure has gone to the microphone. Even the old familiar themes—European civilisation, the Bolshevik bogey—are heard less often. There is nothing but defence, defence, defence. Similarly in foreign broadcasts, the same emptiness of content is noticeable. To the Dutch and the Belgians, the chief line is: "See what might

happen if the horrors of invasion reached your shores." To the French, through the mouthpiece of Pétain, Laval, and Henriot, the word is: "Keep quiet. Don't get into trouble. Do as you are told. Spare yourselves by avoiding the war." To the British and American forces, though here the theme is varied by half-hearted attempts to play off Britain against American and both against the Russians, the staple propaganda is atrocity stories from the front line, of thousands of Allies killed in horrible ways, with the question asked at the end "What is the use of it all?" Here, blatantly, the German propaganda machine is betraying its own mood. The anti-invasion propaganda is an open confession of bankruptcy. There is nothing left worth saying. There is nothing to be said for the German cause. They can still hold out—yes, defence for a month, for two months, three months. And then? "What is the use of it all?" This is not a propaganda that can give an Allied soldier a moment's hesitation or quell for a moment the rising excitement and fury of the subject peoples. On the whole, they have obeyed the appeal of their leaders to remain quiet until summoned to attack. But in France, in many regions, the hunt is already up. The Maquis has risen in the mountainous areas. Swiss reports speak of communications with Vichy interrupted and of the surrounding of towns by the patriots. Grenoble appears to be cut off. As the Allies advance and every city in Europe sends out its army of enraged resisters, neither words nor deeds will prevent the final German disaster. The voice is already a whisper. Before long, it will be the echo of an echo.

### Shorter Note

The following table gives the number of civilian casualties in air-raids since September, 1939:—

|                         | Killed | Injured and Detained in Hospital | Total Serious Casualties |
|-------------------------|--------|----------------------------------|--------------------------|
| Sept., 1939-Aug., 1940. | 1,494  | 1,980                            | 3,474                    |
| Sept.-Dec., 1940 .....  | 22,282 | 28,522                           | 50,804                   |
| Total, 1941 .....       | 20,863 | 21,839                           | 42,702                   |
| Total, 1942 .....       | 3,221  | 4,149                            | 7,370                    |
| Total, 1943 .....       | 2,357  | 3,462                            | 5,819                    |
| 1944—                   |        |                                  |                          |
| January .....           | 107    | 270                              | 377                      |
| February .....          | 961    | 1,712                            | 2,673                    |
| March .....             | 279    | 633                              | 912                      |
| April .....             | 146    | 228                              | 374                      |
| May .....               | 68     | 75                               | 143                      |
| Totals to date .....    | 51,778 | 62,868                           | 114,646                  |

Those killed during last month's air-raids included 26 men, 32 women, and 10 children under 16.

## AMERICAN SURVEY

### The Sugar Beet Industry

(By a Correspondent in Colorado)

THE president of a great beet-sugar processing company once remarked that of all US industries this is the most closely tied to Government, and it has been more closely tied since the war began. It is also closely integrated in its internal structure, each element dependent on the other. It is protected by the Government through the tariff and through quotas limiting the amount of foreign sugars that may be imported, and in return the Government exacts many stipulations. Physically much the greater part of its production is in the semi-arid American West, wholly dependent for growing the beet plant, which requires much moisture, upon the water stored behind huge dams.

The pattern of the industry is a familiar one throughout the West. A huge immaculate processing plant (there are about 90 of these and the total investment in the industry is estimated at about a quarter of a billion dollars) stands out on the prairie. Surrounding it are neat farms. The

farmers each contract yearly to plant so many acres of sugar-beets, with seed supplied by the company, often with mechanical assistance furnished by it, and with technical advice—the companies maintain research departments which work constantly for better ways of growing and processing. Before World War I, seed was wholly imported from Europe; now it is wholly grown in the US on huge farms maintained by the companies for that purpose alone, and many thousand pounds are currently grown for lend-lease and other export to England.

The sugar-beet farmers are general farmers also, and most of them integrate the growing of beets and other crops with the fattening of livestock in the winter, largely on the cured beet-tops, and on the pulp from which the sugar has been extracted.

Formerly, growing sugar-beets was almost wholly a matter of hand-labour, especially since the beet-seed in its natural state consists of a woolly clump containing several

germs. Therefore, after the plants came up, workers had to crawl down the row removing the surplus shoots by hand. Whole Mexican and Spanish-American families were brought by the thousands into the beet country to do this work, and the industry had a bad reputation for child labour and other exploitation of the workers. More recently, child labour has been forbidden; importation of Mexicans is under the supervision of the War Food Administration, and wages and working conditions are set on an area basis by the Secretary of Agriculture under the Sugar Act of 1937.

But more potent than any law in the increasing emancipation of the "stoop" workers—so called because they have to stoop along the rows—is the increasing mechanisation of the industry. A few years ago, Roy Bainor, of the Department of Agriculture, perfected a cracking machine which is now coming into use. It breaks the seed-balls up into single germs, which can be planted singly and so come up singly, at somewhere near the proper spacing, about ten inches apart. Unwanted plants can be scooped out by machines, or at the worst by long-handled hoes in the hands of workers who move rapidly and upright along the rows. After the war the growing of beets will be almost wholly mechanised. Harvesting machines have been devised which move along the rows, "feel" for the crown of the plant, cut the beet-top off at the right height, plough out the beet, gather both beets and tops on conveyor belts and deposit them in trucks or in rows at the side as desired. The trucks carry the beets direct to the factory, or dump them in huge piles at railway sidings to be loaded into open cars. The sweetish-sour smell of these piles of livid beets pervades the whole countryside in the autumn.

Meanwhile the factories, which operate only three months yearly, have been prepared for the fall "campaign" and additional help has been hired. The beets are washed, tumbled into slicers which cut them into thin strips, and cooked in vats. The syrup is poured into huge centrifuges that whirl the syrup into dry sugar clinging to the sides; this is scraped off, washed and sacked. By the time the factories are silent in late winter, the farmers—through their associations—are again signing uniform contracts, have learned the governmental conditions laid down for the coming year, and are deciding how many acres to plant, with the companies extremely urgent for as large an acreage as possible.

When the war cut off all Philippine sugar, and almost all the Hawaiian crop—though imports have since been resumed from Hawaii—the sugar-beet industry saw its chance to demonstrate the wisdom of the governmental policies protecting it, always under fire from critics who said it was an uneconomic industry, and that sugar should be bought from countries that produced it more cheaply.

About a million acres were planted in 1942, with a yield of nearly 2,000,000 tons of sugar. But in 1943 only about 600,000 acres were harvested, due to the lateness of the government in setting forth conditions, and to uncertainty as to the labour supply, and other factors, including the fact that the Government offered comparatively high support-prices for competing crops, such as potatoes and dry beans. This was much harder on the processing companies than on farmers, since the farmers can grow other crops, but the expensive factories are useful for only one purpose. About 25 out of the 90 in the US remained closed in 1943. For 1944, the Government has offered the most attractive support-prices in history—it will pay \$12.50 per ton for sugar-beets (against \$11.00 in 1943), then will resell the beets to the factories for \$9.50 per ton, in order that the price of sugar to consumers may remain stabilised. Also wage minimums are to be the same as in 1943, and the support prices of competing crops remain approximately at the 1943 level, so that sugar-beet growing is relatively more attractive.

Despite all these incentives—and despite a final resort by which the Government offered an extra 25 pounds of sugar, ration-free, to farmers' families for each acre of beets grown—farmers by March 1, 1944, had signified to the Department of Agriculture that they intended to plant only about the same acreage as in 1943, or 600,000 acres, betokening another short crop. However, there was still time in most of the northerly regions—Colorado, Utah, Montana, Idaho, Nebraska, etc.—for them to change their minds. In California the season was probably too far advanced.

A feature of the industry is the golden flood of cash which pours into beet-sugar regions in the autumn. Complete settlement for any year's crop is a slow process extending over nearly a year, because of the fact that part of the return to farmers, under the price-and-quota system, is

made up of the proceeds of taxes imposed on the processing companies by the Government. But the beet companies are able to pay, in the first payment during the autumn, between 80 and 90 per cent of what they owe farmers, so that in the case of one great company alone, about \$20 million in cash is poured out at once to the farmers, in a region covering not much more than 1,000 square miles.

The nearby towns hum with farmers buying, and the large cities, such as Denver and Salt Lake City, are flooded with farm families. From the mountains come millions of lambs, and thousands of cattle, for the winter-activity of the sugar-beet regions. In huge feeding-lots these are fattened on the rich tops and pulp, mixed with protein feeds, an activity that has also been recently straitened by the smaller acreages of beets. The manure goes back on the land. This integration and the multiple usefulness of the beet make it, according to the industry, one of the most useful of American farm products.

The domestic sugar industry is united against the incursion of foreign sugars, and even hostile to the importation of too much from American soil, such as Puerto Rico and Hawaii. But beet and cane advocates—considerable cane is grown in Florida and Louisiana—struggle between themselves for the patronage of the American consumers, even though united against the foreigner. Beet-sugar, as the late-comer—its processing on a large scale began about 1900, coincident with the development of huge irrigation projects in the West—has had to struggle against consumers' prejudices, and ordinarily sells to consumers for a slightly lower price. This is a matter of prejudice only, for not even the skilled chemist can say which sugar crystal came from the beet and which from cane.

In ordinary times, the market for beet-sugar is circumscribed by the limits of economical transportation, and it is the standard sugar only of the West. However, during the war it has been distributed more widely, and many a New York and other Eastern family has, perhaps unknowingly, used beet sugar for the first time.

## American Notes

### Snail's Pace

It is reported that both Mr Bernard Baruch and Mr Hancock, his chief assistant, have offered their resignations in token of their impatience with the slow progress being made in plans for the reconversion of industry. Mr Byrnes, Director of War Mobilisation, in effect passed this message on to Congress when he urged immediate formulation of legislation to deal with post-war unemployment and readjustment. The Senate committee dealing with post-war plans has pointed out that there are at least 16 aspects of demobilisation calling for Congressional action in the immediate future, but so far even the proposal to create an agency to supervise reconversion has not been put into the form of a Bill. The only field in which a start has been made is that of contract termination, admittedly the problem simplest of solution. It is not even clear whether the Administration or Congress is to have control of the programme. Mr Donald Nelson, testifying before the House Post-War committee, somewhat surprisingly insisted that private industry must take the lead in settling reconversion problems. There is no question that specific industries are well advanced in their own plans; and that they have definite preferences on the character of reconversion. There is no doubt, for instance, that they would prefer to see Congress in the saddle, as being more open to business representations and less inclined to budget for continued heavy government participation. There is also agreement in hoping for the speediest possible disappearance of wartime rationing and price control. But the lead must come from Washington before specific industrial plans can even be determined upon, let alone put into effect. The kind of abdication Mr Nelson seems to be suggesting could lead to nothing but chaos. Unfortunately this summer the thoughts, if not the steps, of Congressmen turn to their districts rather than to problems of reconversion. There may even be a lengthy recess to enable members to attend the party conventions with a free conscience.

### Farmers' Favourite

A Bill to extend the Price Control and Wage Stabilisation Act to December 31, 1945, was approved this week by the Senate. It is reckoned a defeat for the Administra-

tion, however, for included in the Bill as it now stands is Senator Bankhead's amendment directing the Office of Price Administration to raise cotton textile price ceilings with a view to raising the price of raw cotton. The Senate did, however, reject a proposal to increase crude oil prices. It is characteristic of the distorting effect of political pressures on agriculture that cotton should have been chosen for preferential treatment, for cotton is the outstanding example of a commodity whose production should be discouraged. The cotton carry-over is still so large that there are no firm prospects of restoring production in the South as it was in the days when "cotton was king." In the *Review of Economic Statistics* for February, a monograph on "The War and American Agriculture" points out that the greatest need now is to work out price schedules which will diminish production of farmers' favourites like cotton and hogs, and increase, on the other hand, the production of milk and other dairy products, soybeans, peanuts, edible beans and peas. It is the contention of the authors that parity payments should be used not only to maintain the income of the farmers, but to finance the redistribution of resources, and that these shifts in production should be begun now. War experience suggests, however, that this is easier said than done. Planting for the 1944 harvest has proved to be considerably out of line with the goals of the War Food Administration. Farmers have failed to come up to scratch in planting soybeans, peanuts, peas, beans, and potatoes; they have also refused to produce the 50 per cent sugar-beet increase that the War Food Administration hoped for. Feed grains, on the other hand, will be nearly 12 per cent above the Government goals, because of the feed shortage. In part, this is due to lack of manpower and new machines; in part to disappointment over the ability of the Government to peg prices successfully. The catastrophic drop in the wholesale price of eggs has done the War Food Administration great damage in recent months.

### Revolting Democrats

The revolt against the "New Deal" elements in the Democratic party is spreading. South Carolina and Mississippi have followed the example of Texas in laying down conditions for the Democratic National Convention and threatening that, unless these are satisfied, their delegates to the electoral college will not feel bound to vote for the official Democratic nominees. A meeting at Shreveport, Louisiana, of southern democrats from six states is said to be conferring on joint strategy. The conditions which are suggested make it plain that the South has two aims: the elimination of Vice-President Wallace, and the blocking of any move to include a racial or social equality plank in the party platform. The insistence that the party revive the requirement of a two-thirds vote for its nominees is obviously aimed at Mr Wallace. What the South is asking is a restoration of its minority veto over Democratic party procedure. The demands for an inclusion of a states' rights plank and for the elimination of any plank favouring federal control of voting qualifications arise from the Supreme Court's decision on negro participation in primaries. The Deep South is united in its determination that "white supremacy" shall not be imperilled at the polls. Georgia has ordered officials to keep Negroes from the polls, arguing that, unlike the situation in Texas, Georgia primaries are purely party concerns, unaffected by statute. South Carolina, relying on the same reasoning, in one hectic session abolished all its laws affecting primaries. This zeal may be misapplied, as in 1941 a decision in the case of *United States v. Classic* held that "where, in fact, the primary effectively controls the choice" the elector's right to have his ballot counted is protected by the Constitution. But the South may be relied upon to continue its search for an alternative proof against court rulings. Linked with this Southern drive is the resignation of Mr James Farley from the New York State Democratic Committee. The organiser of Mr Roosevelt's early victories is said to hope to lead an anti-fourth term group at the Convention, but at best this would be a forlorn crusade. No doubt, however, he will join up with the anti-New Deal elements in the Southern wing of the party. The choice of Mr Roosevelt's running-mate is said to be still undecided. Presumably Mr Wallace's popularity with liberals and labour will be coldly balanced against the advantages of choosing a conservative southerner like Mr Rayburn, or Senator Barkley, hero of

the tax-bill veto revolt. Unless the present drive fizzles out, the calculation may go against Mr Wallace, in the belief that liberals and labour have, in any case, no choice but to stand with Mr Roosevelt.

### Insurance is Commerce

By a vote of 4 to 3, the Supreme Court has ruled that insurance companies are engaged in interstate commerce, and, therefore, are subject to such federal statutes as the Sherman Anti-trust Act and the National Labour Relations Act, which guarantees employees the right of collective bargaining. This ruling upsets a precedent established 75 years ago, when it was determined that insurance business was not commerce and, therefore, was immune from Federal regulation even when it crossed state boundaries. The closeness of the decision is somewhat surprising in view of the progressive attitude of the court in recent sessions; and the fact that it was upheld by less than half the full court does not augur well for its reception. On the basis of incomplete reports, it seems that Justice Black, who wrote the majority opinion, held there is no reason why insurance companies alone should be "entitled to enter into combinations to destroy competition by coercion and intimidatory practices," a contention with which it is difficult to disagree. Nor does there seem to be any valid reason why the employees of insurance companies should not enjoy the same rights of collective bargaining as are extended to other workers. The dissenting opinion, written by Chief Justice Stone, one of the two remaining justices who were on the bench when Mr Roosevelt entered the White House (though his appointment as Chief Justice is more recent), urged that the decision would unleash a flood of litigation that would harass both the companies and the individual states for years to come. The Attorney-General has promised that there need be no conflict between state regulation and Federal prohibition of monopoly, but this has failed to assuage the "trepidation" with which the companies view the decision. The standards of regulation vary substantially between the states, and prudently exercised Federal supervision might be invaluable in bringing the backward states up to a more satisfactory level. There is, however, a bill before Congress which would maintain state regulation while permitting Congress to pass additional protective legislation, and would exempt insurance companies from the anti-trust laws. The Court's decision will increase the pressure on Congress to pass this measure, although it faces a determined opponent in Senator O'Mahoney, who has predicted that it will die in Senate committee.

### Shorter Notes

The Treasury expects corporation profits to decline this year for the first time since 1938. Renegotiation of war contracts and cost increases are held responsible for a decline of profits of \$1.1 billion to \$8.5 billion.

The Senate has restored the \$350 million cut in funds for UNRRA originally made by the House.

President Roosevelt has announced the creation of a refugee camp at Fort Ontario, in New York, to house approximately 1,000 refugees at present in Southern Italy. The camp is to be administered by the War Relocation Authority. This step is an answer to the agitation for "free ports" for refugees. It is made clear that the refugees will be expected to return to their own countries after the war, and thus no infringement of the immigration laws is involved.

### THE WORLD OVERSEAS

Because of pressure on this week's space it has been necessary to leave out "The World Overseas" Section. It will appear as usual next week.



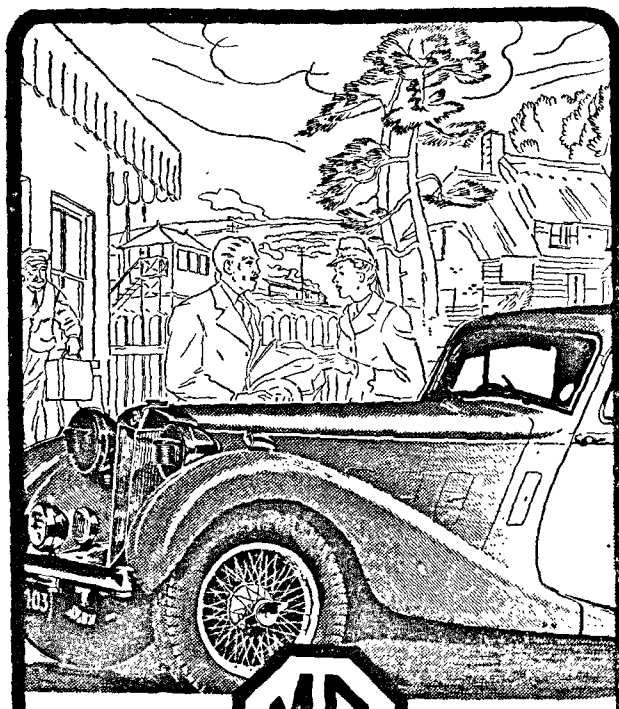
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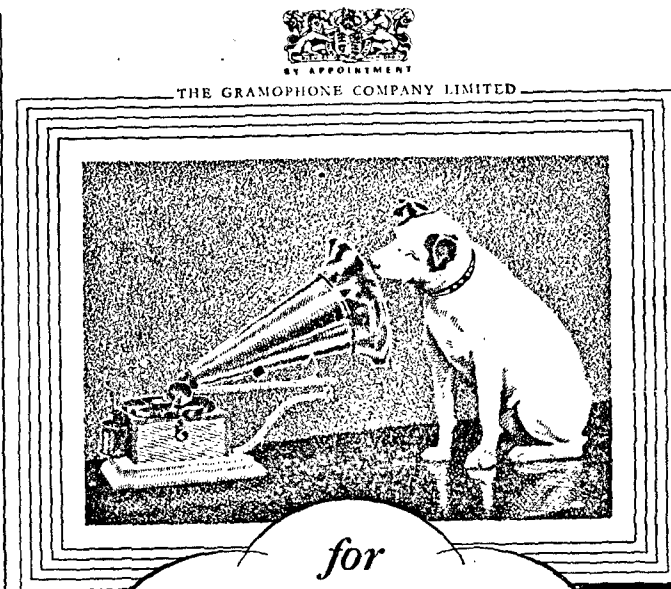
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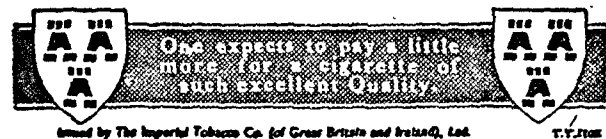
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## THE BUSINESS WORLD

### The Gas Industry

THE decision of the Ministry of Fuel and Power to appoint a committee of inquiry into the gas industry, headed by Mr Geoffrey Heyworth, chairman of Lever Brothers and Unilever, Ltd., does not mean that it has selected one branch of coal utilisation for special examination. The inquiry will form part of a comprehensive investigation into the whole complex of coal production and utilisation preparatory to the formulation of a national fuel policy. The problem of rationalising the production of coal has been under review for some time, while, on electricity, the Ministry has at its disposal the report of the McGowan Committee on the distribution of electricity, published in 1936, and the reports recently issued by the various sections of the industry. The report on the planning of the gas industry, issued last November by the British Gas Federation, contains much valuable material, but, in the absence of an official national survey of recent date, the Ministry has decided to supplement it by an independent investigation.

The terms of reference of the Committee are to "review the structure and organisation" of the gas industry and to "advise what changes have now become necessary in order to develop and cheapen gas supplies." They suggest that the committee may not specifically consider the wider problems of the relationship between gas and electricity; the inquiry is apparently to be based on the assumptions that the two industries are to be given equal opportunities for development and that the consumer is to be given freedom of choice between them. But it is reasonable to assume that the scope of the inquiry will include, not only the supply of gas from coke ovens but also the by-products of the industry, such as coke, tar and sulphate of ammonia. The quantity of coal carbonised at coke ovens before the war was nearly 20 million tons, that is, it was broadly of the same volume as that consumed by the established gas industry. The main difference between the two branches of the industry is that the chief purpose of coke ovens, as the name implies, is to produce coke for the blast furnaces of the steel industry, while that of the gas industry proper is to supply gas for the community. Consequently, the ratios in which the two branches produce gas and coke are different; though coke ovens consumed, before the war, about as much coal as gas undertakings, they produced more coke and only about two-thirds as much gas. While the gas and coke produced by coke ovens are used mainly by the steel plants of which the ovens form part, there is frequently a surplus available for outside sale. During the inter-war period the volume of coke oven gas purchased by the established gas industry grew rapidly and now probably forms about a tenth of the total volume of gas used for general purposes. Another product produced both by the gas industry and by coke ovens is tar, the chief raw material of the coal-based chemical industry. The two branches of coal carbonisation, in fact, are so closely related that they can hardly be examined in isolation from each other. Moreover the gas industry's receipts from the sale of coke and chemical by-products represents so significant a proportion of its total receipts—broadly 20 per cent before the war—that they also cannot be left out of account in any serious investigation into the economics of the industry.

The salient facts about the gas industry, of its structure and organisation, can be stated briefly. Contrary to a widespread impression, it is not a declining industry, being gradually cut out of business by electricity. While it did not expand as rapidly as the electricity supply industry during the inter-war years, it showed no signs of decadence. The output of gas by authorised undertakings in Great Britain rose from 250 billion cubic feet in 1921 to 340 billion in 1938 and nearly 400 billion in 1943.\* The reason for this expansion

is that gas has been used increasingly for purposes of heating in the home and in industry. Before the war about two-thirds of the industry's supplies were used by domestic consumers and the remainder for industrial and commercial purposes. The number of consumers in 1938—11,215,000—suggests that the proportion of households without gas supplies, mainly in rural districts, was small. Apart from the iron and steel industry, gas has been used increasingly by such industries as aircraft manufacture, the light metal trades, bakeries, and in the paint and varnish, and the printing trades. The scope for further expansion both in the home and in industry is by no means negligible, especially if the industry can secure further improvements in technique and reductions in cost. There are no indications that it is likely to be swept off the field by electricity, which supplies mainly power and light. At present, the two are largely complementary, though in future the size of the area of competition will, of course, depend on relative cost and convenience.

In electricity, municipal enterprise is larger than private; in gas, private enterprise is larger than municipal. The reason for this contrast is probably to be found largely in the historical circumstances of each industry's growth. Before the war, the gas industry comprised 669 statutory undertakings—396 owned by companies and 273 by local authorities—and 410 non-statutory undertakings. The non-statutory undertakings are generally small in size, providing, in the aggregate, less than two per cent of the gas sold in Great Britain. The share and loan capital of the gas industry is £238 million; the issued capital of statutory company undertakings is £149 million, the loans raised by municipal undertakings amount to £84 million (of which £58 million has been redeemed), and the capital of non-statutory undertakings is £5 million. The statutory undertakings vary enormously in size, from the Gas Light and Coke Company which sold more than 50 billion cubic feet of gas in the London area in 1938—nearly a sixth of the total sales in Great Britain—and the Birmingham Corporation with sales of nearly 16 billion cubic feet, to many undertakings selling less than 10 million cubic feet a year. There has been a steady process of consolidation of undertakings in contiguous areas by amalgamation, while many of the smaller undertakings have been financially linked up by the so-

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called gas corporations; at the end of 1937, 19 gas corporations controlled 310 gas companies, including 179 statutory undertakings and 131 non-statutory undertakings. Inevitably costs vary appreciably with size, conditions of supply and differences in managerial efficiency; the larger undertakings are generally more favourably placed than the small ones, though the gas corporation movement has provided opportunities for cost reductions to small concerns through improved management, bulk purchase of raw materials and access to capital at low interest rates.

There are at least two directions in which the overall efficiency of the industry can be raised, that is by further consolidation and through improvements in technique and management.

Although a good deal has already been achieved by way of technical and financial consolidation and by using coke oven gas as a source of public supply, there is still much scope—as the report of the British Gas Federation recognises—for further technical integration. Progress should be sought not by some ambitious scheme for a national gas grid which, though technically feasible, is at present uneconomic because of the high cost of transmission, but by further district amalgamations with the object of reducing the number of works and inter-linking the remainder, where practicable. In a paper submitted to the World Power Conference in 1928, Dr E. W. Smith, a well-known expert, gave some estimates on transmission costs. For a moderate quantity of gas, such as 5 million cubic feet a day, he calculated that it is cheaper to convey gas and coke distances up to five miles than to rail the coal necessary for gas making; beyond distances of five miles, however, it is cheaper to rail the coal than to convey gas and coke. The economic distance of conveying gas and coke increases with the load and is between 25 and 50 miles for a daily supply of 25 million cubic feet of gas. Even if Dr Smith's calculations should need revision in the light of technical progress since 1928, they not only provide some indication of the limits of economic transmission but also of the scope for further technical consolidation and inter-linking of gasworks. The procedure in such consolidations might be that suggested by the McGowan report for the electricity supply industry,

that is to say, the most efficient of the works, whether owned by a company or a municipality, might become the nucleus of an amalgamation; in areas where there is no obvious nucleus, the consolidation could take the form of a public board.

Again, while the established gas industry has by no means lagged behind other industries, in the matter of research—over half a million pounds have been spent annually on research and development—its continued progress depends in no small measure on an intensification of research, from the carbonisation of coal to the gas-consuming appliances and on the industry's by-products. The British Gas Federation suggests a three-fold development scheme: long-term research, whether conducted by the industry itself or carried out by its initiative and support; technical development work by manufacturers of plant and appliances in accordance with the needs of the gas industry; and the extension of applied research and technical investigation through area technical development centres. The results of organised research, needless to say, should be placed at the disposal of all members of the industry.

While the gas industry has by no means been unprogressive and has, in fact, raised its overall efficiency appreciably during the inter-war years—partly, no doubt, through the stimulus of competition from other fuels—the time has come for a speeding up of integration and technical progress on a broad front. An official investigation into the industry will provide evidence on the scope for improvement through integration and technical progress; on the basis of the technical facts ascertained, the Ministry of Fuel and Power will be in a position to create the conditions most favourable to progress and to guide the industry's development as part of a national fuel policy. There will have to be careful investigation before long of the merits of technical and financial integration of the various branches of the fuel industry—coal, gas, electricity and petroleum. But there is first need for important and difficult decisions to be taken within each branch—perhaps less difficult in gas than in any of the others. A piecemeal approach is right as a beginning—provided that it is only a beginning.

## Engineering Wages

THIS has been called an "Engineers' War," and it is therefore natural and appropriate that the National Committee of the Amalgamated Engineering Union—meeting less than a week after the invasion of Europe—should concentrate largely on the issues of war production. The AEU has been one of the most persistent prodgers of the Government to open a Second Front. Now that its wish has been granted, the union has pledged its members in the workshops to ensure that the men in the fighting forces in Europe shall be equipped with the necessary offensive weapons in the final stages of the war.

Apart from the immediate questions of the war—such matters as, production committees, transference of workers, factory health and welfare, the Essential Work Order and Regulation 1Aa bulked large on the agenda—the 1944 Conference of the AEU has defined in a far more concrete form than hitherto the lines of its approach to postwar reconstruction. The Amalgamated Engineering Union, with nearly a million members, is the second largest union in the world, and with reserves amounting to £6 million, by far

the richest. These facts, together with the key position which engineering occupies in the national economy both in peace and war, makes the AEU a force to be reckoned with in postwar organisation.

The war has brought about tremendous changes in the engineering industry. A wide range of new materials has been developed, new processes and new machines, new techniques and new scientific aids to production have been introduced, while jobs have been broken down into component parts, so that they could be performed by less skilled and diluted labour. The general tendency has been towards mass production, even of products which would normally be regarded as strictly the craftsman's province. At the same time, the growth of joint production committees—whatever their limitations may be in practice—has provided the workpeople with a new interest and experience in production matters. These wartime developments are not only having a profound—almost revolutionary—effect on the industry to-day, but many of them are bound to be carried over into the postwar period, in all probability in an intensified form.

That is one of the reasons why, looking to the future, engineers are anxious to build up their own organisation and to bring about a revision of the industry's wage structure, so as to fit in with the postwar situation. Mr Jack Tanner, President of the AEU, described it as "the most complicated and unsatisfactory wage structure of any industry." Recently, mining wages, which undoubtedly surpassed engineering wages in complexity, have been simplified and consolidated. The mining wage agreement represented an important industrial trend, even if it was perhaps hardly the "fundamental overhaul" of the wage structure recommended by Lord Porter. In the same way, the structure of engineering wages needs to be overhauled and simplified. To quote Mr Tanner again "the ordinary working engineer cannot sort out his pay packet without being a mathematician." The trouble in the industry over the National Arbitration Tribunal's wage award of March, 1943, which culminated in the Barrow strike last October, was due to the inherent complexity of engineering wages as

much as to any obscure wording of the Tribunal's award.

This complexity is due mainly to the character and history of the industry. Engineering is, after all, a comprehensive term, covering a whole range of processes and types of industry, and no simple formula is possible. The present method has developed in a haphazard, piecemeal fashion over the past 40 years, with the different districts working out their own arrangements. Additions and bonuses have been grafted on to the original basis. Since wages are the main source of controversy in any industry, and the engineers' efforts are directed towards a simplification of their wage structure, it is worth examining, as briefly as possible, the way in which it operates.

The basis is the minimum district base rate plus the national bonus, which was introduced first in 1922. There are separate minima for skilled adult males (the skilled turner or fitter is taken as the standard); for the unskilled worker or male labourer; for adult women; for juvenile boys and juvenile girls under 18. Rates vary from district to district, the highest rates being paid in London. At present the average weekly rate for an adult male labourer, including national bonus, is 74s. 6d.; the skilled man's rate is 91s. 6d. for a time worker (this is composed of the average district rate of 66s. plus 25s. 6d. national bonus), and the average piecework skilled rate is 101s. 8d., which includes the national bonus and the premium of 27½ per cent which a "skilled worker of average ability" is entitled to earn over and above the district rate. A number of national agreements in the industry provide additional remuneration for certain categories of skilled workers, such as toolmakers, inspectors, maintenance men, patternmakers.

Since 1938 there have been a number of advances in engineering wage rates. In June, 1939, an increase of 2s. a week in the national bonus was secured by agreement, and in February, 1941, a further increase of 5s. a week, also by agreement. Additions to the national bonus of 3s. 7d. a week and 5s. a week were secured as a result of arbitration in January and December, 1941. The Tribunal's award of March, 1943, transferred 20s. from the national bonus to the base rate, with an addition of 6s. per week to the national bonus for timeworkers, and raised the minimum piecework percentage from 25 per cent to 27½ per cent, to be calculated on the new consolidated base rate. Finally, in May, 1944, after hearing the unions' claim for an increase of 10s. a week on base rates for time and pieceworkers, the Tribunal awarded an increase of 4s. per week on the national bonus. The total advances in the national bonus since 1938 have therefore been 25s. 6d. for time workers and 19s. 6d. a week for pieceworkers, of which, in each case, 20s. has been transferred to the base rate. By agreement with the unions, maintenance men, inspectors, setters-up and markers-off receive 8s. a week above the skilled fitters' district rate, while patternmakers receive 10s. 9d. a week over the fitters' rate, or 12s. in London.

In all cases the standard of a 47-hour week is adopted. Actual earnings are, of course, considerably higher than these wage rates. The Ministry of Labour's survey of earnings in the principal industries for July, 1943, of this year showed that the engineering group averaged 138s. 3d. for men, the highest single group of any industry surveyed. But this can be attributed to overtime, Sunday work and extraneous wartime conditions which would not obtain in peacetime.

The Tribunal's latest award does not apply to women engaged on "work commonly performed by women" in the industry. The low rate of women's wages in engineering is one of the burning issues at the moment. There is sometimes a tendency to forget that women are engineers in peacetime as well as in wartime. Indeed, the number of women who have entered the industry since the war is probably small in comparison with those already in it. Women employed "in their own right" are paid according to the National Women's Schedule, which lays down a minimum rate of 50s. a week for timeworkers and 47s. a week for pieceworkers. A relaxation agreement between the unions and the employers in May, 1940, providing for the dilution of skilled labour, states that where a woman is doing a man's job, without additional supervision or assistance, she shall, after 32 weeks, be paid the full man's rate. There are proportionate rates, varying according to the woman's length of time in the job. In practice—and the experience of this war has been no different from that of the last war—the "rate for the job" seems still to be largely an academic concept. There is unfortunately evidence that the Agreement is not always observed. The difficulty from the employers' point of view is that so many new processes

have been introduced and skilled jobs broken down that there is no rate appropriate for the job.

In this connection the judgment on women's wages given last autumn by Lord Wark's Court of Enquiry into a dispute at a Scottish aero-engine factory set an important precedent. The Court recognised that there were a number of operations in the factory for which neither the men's rate nor the women's rate were appropriate, and it recommended that the processes should be graded and suitable rates negotiated. Thus, for the first time, women's engineering rates were separated from the low level of the National Women's Schedule.

As an interim measure, in order to close the gap between men's and women's rates, the unions which cater for women engineers—the Transport and General Workers' Union, the General and Municipal Workers' Union and the AEU, which only admitted women last year—have just presented a claim to the employers for an increase in women's rates. The employers' counter-offer was apparently not acceptable and the claim—which has not been made public—has been referred to arbitration. The unions' aim is for unskilled women to be paid the same rate as unskilled males. This is in accordance with the principle of equal pay for equal work, which has been generally accepted by the trade union movement.

As a longer term measure, the unions' aim is to establish some form of grading for the industry as a whole, whether the jobs are performed by men or by women. Negotiations for grading, opened early this year, will however take a long time.

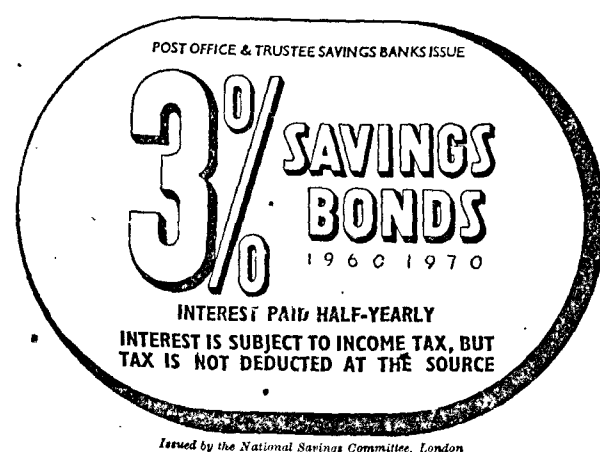
Wages are of course only one item in post-war reconstruction, but they have tended to obscure all other issues, and until some *modus vivendi* is worked out the prospects of industrial peace are not very bright. In particular, the question of women's wages is of vital importance. On the limited evidence available, it seems likely that many women who have come into industry since the war will wish to remain, and from the point of view of their suitability for the work, it is highly desirable that they should do so. But the cry of "cheap labour" will not be tolerated after this war by the unions.

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## Business Notes

### Currency in France

Little by little, official information is being given about the invasion currency arrangements. The Chancellor of the Exchequer announced in the House of Commons this week that the rate of exchange had been fixed at 200 francs to the £ and that this figure been chosen after fullest consultation with the French National Committee. Asked whether this rate applied equally to the authorised francs circulating in France and to the US military issue of French currency, Sir John Anderson answered that "this is a separate question." The Chancellor's unwillingness to be drawn on such dangerous ground by a supplementary question can be understood, but his answer, with its implied suggestion that there may be a difference in the rates of Bank of France and military francs was not calculated to clarify an already confused situation. In fact, the two types of francs are interchangeable at par, and the pay of Allied troops is being made in military francs at the rate of 200 francs to the £ and 50 francs to the dollar. The French authorities broadcast the following statement in French from London this week:

One learns that each British and American soldier has been provided with 200 francs in Bank of France notes, taken from reserves of paper money which exist abroad. Because of the small number of notes of small denominations in these reserves each British and American soldier has at the same time received a part of the sum allotted to him in military currency.

President Roosevelt, questioned this week about the arrangements made for invasion currency, said that there was no fear of Frenchmen being cheated by the issue of military notes. He stated that this currency had been issued "after consultation with representatives of the French National Committee" and that it had the backing of the United States and British Governments. According to the President, the notes had been printed in the United States and shipped to London in readiness for D day; "This had been done because there was no recognised French authority within France in a position to issue currency." President Roosevelt added that all possible measures had been taken to prevent unnecessary expenditure by the troops, and that, in particular, troops were forbidden to buy rationed goods. It is to be hoped that no one will interpret the President's references to prior "consultation with the French National Committee" as meaning that the military notes were issued with the consent of the Committee. That is most certainly not the case. As for the statement that there was no recognised French authority within France in a position to issue currency, it should be noted that the National Committee had made all the necessary arrangements for issuing Provisional Government currency and that these arrangements were ready to come into operation at a moment's notice.

### Post-War Equities

Up to the time of writing, the Second Front has developed so smoothly that there has been no opportunity, unfortunately, to test whether or no the confidence of the investing public would stand up to news of a reverse, however temporary it might prove. Instead, the uniform success on all fronts has promoted a new wave of buying which has affected all British industrial equities, but has ended more and more to be concentrated upon post-war recovery securities, whether they are the bonds of nations of Continental Europe, raw material shares or the equity capital of concerns catering for consumption trades. In a sense it was, perhaps, the turn of the last-named, since the buying caused by the budget speech and the White Paper on Employment Policy had tended to favour the capital goods industries. The buying, however, has clearly been of a rather speculative character. Jobbers have in most cases listed prices to whatever point was necessary to attract buyers, mainly institutions or professional "punters," and they have consistently refused to sell short. The current level of the index of industrial equities, compiled by *The Financial News*, is 112.7, or some 14.1 per cent above the west of November last. The rise has been almost continuous throughout the period, and has recently been accentuated to an extent which almost invariably precedes

a recession. In the absence of a chart, this can be expressed by saying that the average weekly rise was 0.15 points in the first 16 weeks of the year, 0.79 in the five weeks succeeding the budget, and 1.24 points in the past 2½ weeks on the combined effects of the employment White Paper and the opening of the attack in Normandy. While some of the buying is for capital appreciation, it is a fact that the whole industrial list, not merely the leaders, is being combed repeatedly to find any security which promises a post-war return above the average. According to *The Financial News*, the yield on its selection of active equities is 3.73 per cent, or only 0.57 points above that on Old Consols. A week ago the margin was 0.63. The figure would, of course, be wider if securities with a more restricted market were included. Even so, it is very narrow and suggests that, at least under the influence of the prevailing optimism as to the duration of the war, investors have little doubt of a substantial recovery in both earnings and distributions in the near future.

### Playing for Safety

During his budget speech on April 25th, Sir John Anderson, Chancellor of the Exchequer, informed the motor industry that he was willing to reconsider the present horsepower tax on private cars and the annual tax on commercial vehicles, and invited suggestions. Short of leaving the system of taxation unchanged, the industry had the choice between two major alternatives. It could ask for the introduction of an annual licence duty on the original cost of private cars and commercial vehicles in place of the present system, or it could recommend, for private cars, the substitution of a tax on the cubic capacity of the cylinder for that on the diameter of its bore and, for goods vehicles, the re-grading of the weight tax in smaller steps. The second alternative would free designers from the handicaps imposed upon them by the present method of taxation; the first would not merely give more freedom to designers, but, in the case of private cars, it would probably assist in creating a larger home demand for cars of a bigger type that could find a readier sale on the world market. The industry has now decided to recommend the second alternative to the Chancellor, together with a plea for an all-round reduction in motor taxation. It may be that it has good reasons for believing that the future lies with the baby car; but, again, it may be that it has its eyes mainly on an assured home market for a type of car in which it need not fear American competition. It is, of course, quite possible that the heavy American car will give way to a lighter one; but it would be surprising if equally efficient and roomy cars could be produced to run on an engine of about ten horse-power. If the industry's decision has been influenced by fear of American competition in the home market, it not only admits a preference for bigger cars in this country but also inability to bring down costs to a level which would ensure the efficacy of an import duty of 43½ per cent. Again, if it is frightened by the capital expenditure required to tool up its plants for the production of bigger cars, it is shunning risk and enterprise. It is hardly for the layman to pit his opinion against that of the whole array of motor manufacturers; the future may show that their decision was right, that foreign markets will absorb baby cars by the million. But he may, perhaps, be forgiven for suspecting that one of the industries that could, with drive and vision, assist in restoring Britain's exports, is playing for safety.

### Wheat Supplies

In consequence of the blockade and the difficult shipping position, the carry-overs of the four main wheat surplus countries at the beginning of this season on August 1, 1943, showed a record total; according to the *Corn Trade News*, the combined carry-over was 1,550 million bushels, compared with the already high figure of 630 million bushels at the outbreak of war. But the enormous increase in industrial consumption is expected to reduce the carry-over to about 1,000 million bushels at the end

of the present season; it has been realised that this tendency, if continued, might lead to a serious depletion of supplies next year, when large quantities of wheat may be required by Continental countries and Russia. But the latest developments suggest that a new turning-point may soon be reached. On the wheat supply side, the US Department of Agriculture last week-end published its official June crop estimate. This exceeded all expectations; the current American winter wheat crop, harvesting of which has already started in some areas, is now put at 714 million bushels, an increase of 52 million bushels on the estimate of last month and one of 185 million bushels on last year's crop. The condition of the country's spring wheat crop, sown on a considerably increased area, too, is encouraging, and it appears that the United States may this year gather a total wheat crop of over 1,000 million bushels, against 836 million bushels a year ago. Simultaneously, Canada has extended its wheat area from 17,487,000 acres in 1943 to over 21,000,000 acres this year. Owing to the inadequate rainfall last autumn and winter, the subsoil moisture reserve of the chief Canadian wheat areas is below normal, but late last month rains have fallen and have thus assured good germination. Current reports from Argentina and Australia are encouraging. Field work there is proceeding in favourable conditions and the area under wheat will probably be considerably extended. These improved crop prospects, however, would not prevent further substantial withdrawals from stocks next season unless demand for feeding and alcohol production, especially in the United States, is reduced. During the past fortnight, however, the U.S. Government has taken steps which will tend to reduce wheat consumption other than for human purposes. Wheat in the manufacture of alcohol next year is to be replaced largely by Caribbean molasses, and wheat consumption as feed is to be drastically cut by the import of coarse grain and other feeding-stuff. Early this week the U.S. War Food Administration announced that, as a part of this plan, some 6 million bushels of Latin-American maize are to be imported during July, and that further heavy imports—made possible by the rich Argentine maize crop this season—will follow later. With prospects for the new crops approaching record figures, and with the recent enormous non-human wheat consumption subsiding, there should be adequate supplies of wheat for all essential needs, even if the military campaigns in Europe should result in the destruction of part of the European wheat crops, the harvest of which is due to begin within the next four weeks.

### Production Census

Inevitably there will be a reaction against the filling in of forms by business men after the war—a reaction that may well develop into an organised campaign against the filling in of any forms at all for the Government. This will, to a point, be both natural and reasonable. It is easy to sympathise with the growing dislike of the multitude of questionnaires with which business men have been inundated since the beginning of the war, necessary though they are; but it would be positively harmful to carry it to an extreme. The plain fact is that if the Government is to have the factual basis for a successful employment policy it will require much more information from business men than it received before the war. Among other things, the Government will require, at monthly intervals, returns of production, consumption, stocks and orders on hand, and, as is stated in the White Paper on Employment, it is intended to hold a census of production annually instead of at five-yearly intervals. An annual census of production should cause less difficulty than a five-yearly one. In any case, it does not represent a complete innovation, for partial censuses had been held regularly before the war under the Import Duties Act of 1932. But it is not enough to hold an annual census of production; it is equally important that the facts should be published as speedily as possible instead of leisurely and at long intervals. One reason for the long delay in the past has been the difficulty of maintaining an adequate and skilled staff so long as a full census was taken only every fifth year; this difficulty will disappear automatically if there is an annual census. It is of great importance that business men should realise the continuing need for a substantial volume of statistics; and it is of equal importance that Government Departments should be capable of dealing with them expeditiously and that they should make them available for publication.

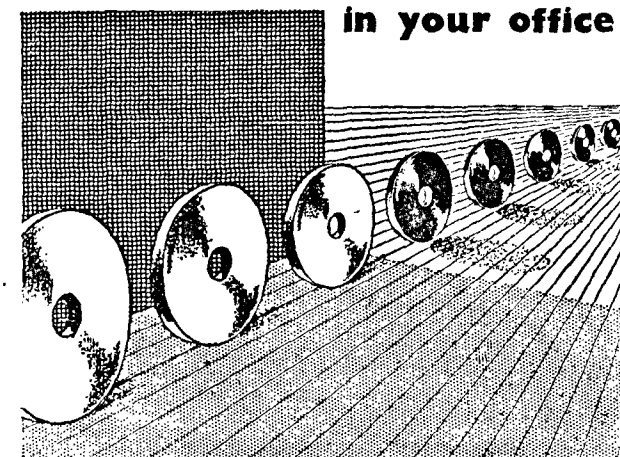
### Market Research

The campaign for an intensification of scientific and applied research after the war is bearing fruit. In his budget speech, the Chancellor of the Exchequer proposed to exempt from taxation all expenditure on research from the laboratory to the commercial production stage. Industrialists are preparing bigger research budgets or, at least, talking about the need for them. Altogether, it is now reasonably certain that British industry will pay much more attention than it did before the war to the problems of research in the sphere of production. But making both new products and old ones better and more cheaply is one thing; selling them, especially on the world market, is quite another. Other countries, too, will intensify research on production, but unless the problem of marketing research is tackled with equal boldness, British exporters may find themselves in the possession of crumbs rather than loaves. In essence the object of market research is to find out the kind of goods overseas producers would like, the form in which they like them and the price at which they are willing to buy them. The actual process of carrying out research effectively requires expenditure and effort far greater than has been devoted to it in the past, and it requires a high degree of skill. Unfortunately, the importance of market research is still by no means fully realised by British industry. The time has come for bringing this problem to the fore and for giving it as much thought as has been devoted to industrial research during the past year.

### India's Sterling

Sir Purshottamdas Thakurdas, who may be regarded as the doyen of the commercial community in India, has made some comments on the case for a renegotiation of the financial settlement between the British and Indian Governments which has recently been argued in this country. He has pointed out that the allocation of expenditure in India between the Indian and the British Governments has had "nothing to do with inflation," that inflation has been

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caused in India because "the expenditure on goods has been much too large and this has caused such scarcity of goods that it has not been possible to meet it by the usual monetary methods." Sir Purshottamdas sees in the suggestions for a renegotiation of the settlement "a veiled threat that the bigger the claim the less the chances of India converting it from a blocked into a multilaterally convertible asset." He ended his remarks by claiming that renegotiation of the settlement, unless it were made with Indian representatives fully responsible to the Government of India, "would rightly be regarded by the people of India as a unilateral decision forced on India by virtue of political dominance." All this avoids most of the issues which were discussed in *The Economist* of June 3rd and which, contrary to all that Sir Purshottamdas may say, were presented without any sinister intent or inspiration. The case for revision does not merely rest on a complete change of the conditions—caused by Japan's entry into the war—that formed the basis of the original financial settlement. It also rests on the fact that Allied purchases in India have been made at inflated prices which, owing to the control of the exchange market have not been allowed to reflect themselves in the exchange rate of the rupee. The Indian wholesale prices index calculated by Sir Theodore Gregory was 243 on June 3 last and the index for foodstuffs alone was 285—both figures being based on prices in August 1939. For Great Britain the comparable figures are 156 and 157. The accumulation of sterling assets by India has, therefore, been considerably stimulated by the rise in rupee prices. Assuming the price stabilisation policy in Great Britain to be successfully maintained after the war, that sterling will represent purchasing power over a considerably greater volume of goods than that which went to building it up. If only on this comparison of the real terms of trade between the two countries there would seem to be strong grounds not merely for a renegotiation of a settlement, but for some retrospective reconsideration of the debt to which it has given rise.

#### Paratroops of Industry

Mr H. M. Harwood, chairman of Fine Cotton Spinners, treated the shareholders to a fine display of metaphors at last week's annual meeting. Although he was rather critical of Government control in general, and although he sees in the White Paper some support for the slogan "Production for use not for profit," his main thesis appears to be a warning to fellow-members of the cotton trade that to expect any substantial assistance from outside powers is likely to lead to disappointment. It is depressing to hear that there are still many members who think they can shelter permanently behind price control, and that there are even some who think that a minimum price can be held which will give them a steady profit, whatever the demand for their product and whatever their efficiency. This he describes as a profound delusion. He is equally certain that, after the period of extreme scarcity, there is nothing to be said for the fixing of maximum prices. Further, as regards exports, he foresees grave handicaps if sales are to be directed to securing wanted currencies or political ends. It is possible to agree with most of this, but, unfortunately, it does not add up to a statement of policy. The nearest which Mr Harwood comes to that is a suggestion that business must be so conducted, and business men must be free so to conduct their affairs, that equity capital will be attracted to the industry. He describes the ordinary shareholder as "the old paratrooper of the industry," and in that he puts his finger on the spot. It is, perhaps, particularly true of the cotton trade that its prosperity has been due to the enterprise of individuals who, with a few friends, risked their savings in development of new lines. It is certainly a fact that to-day investors in general have to be made to understand that they must be prepared to take reasonable risks; that they are not, quote again from the speech, "buying a cheap ticket to some immediate El Dorado," but are undertaking a temporary abstinence in the hope of a substantial, but not extravagant, reward. Mr Harwood has no suggestions as to how this desirable result is to be achieved beyond an indication that Government control is not one of them.

#### AEU and Technical Progress

The views expressed this week at the conference of the National Committee of the Amalgamated Engineering Union

reflect a realisation of the need for flexibility in the engineering industry. The older demarcations and craft practices are beginning to be regarded as "hindrances rather than advantages," though many engineers will no doubt cling blindly to their craft traditions. This change of outlook is to be welcomed, for adherence to traditional practices is incompatible with technical progress. If the proposals for closer unity between the AEU and the other unions in the engineering industries are realised, they may well have the effect of breaking down still further the existing craft rigidities. The AEU's ultimate object is to effect a complete amalgamation of the various engineering unions, but this is a slow and delicate business. Its National Committee has decided to seek affiliation to the Confederation of Shipbuilding and Engineering Workers. The Confederation is now half a million strong, and the fear is expressed that the AEU might dominate its policy. But it is among shipbuilding workers especially that the lack of flexibility and excessive emphasis on trade demarcations have acted as a hindrance to the increase in productivity. On the general issue of post-war reconstruction, there is so far little evidence of definite plans for engineering. The Board of Trade have requested industries to formulate plans, in consultation with the appropriate trade unions, but there appear to have been as yet no joint talks between employers and the AEU's post-war reconstruction sub-committee which was set up in December, 1943. The sub-committee has so far not got beyond formulating a series of questions to the Board of Trade in order to obtain information which, in the Union's view, is essential to the formulation of post-war plans.

#### Chain Store Prosperity

The statement by the chairman, Sir Simon Marks, which accompanies the full accounts of Marks and Spencer for the year ending March 31, 1944, does not do much to explain the rise of some £100,000 in gross profits. Comparative figures for the last three years are set out on page 827. The high money turnover was achieved with a counter space of half and a staff of under half 1939 levels. The majority of the present staff are, as well, new and presumably inexperienced. Within the limits set by utility production, there have been some improvements in the quality and the design of goods. These facts may indicate a lower expense ratio and the capture of a larger share in some markets. But they are inadequate pointers. The figures are for 53 weeks, and include the profits of the Export Corporation from its inception. It may be that the accounts happen also, to include a comparatively active period of trading which is now being followed by a recession. The balance-sheet shows stock in trade at its lowest war-time level. The export business to America, developed recently, is now completely suspended. At all events the directors, despite the very high war-time earnings of 66.3 per cent. on equity, have preferred to strengthen considerably the carry forward rather than to increase the ordinary dividend. This may be explained by the need to counter more immediate difficulties as well as to prepare for post-war expansion. Nevertheless, Marks and Spencer is likely to emerge from the war with its strength undimmed. And despite recent setbacks to Woolworths and other stores, it seems likely that, on the shopping front, the multiple stores, however their positions may have changed vis-a-vis each other, will find their home market position strong as a result of the war.

#### John Lewis' Good Profits

John Lewis has had a more successful year than appeared likely, even after its good recovery in 1942-43. The accounts of the group, which exclude the earnings of the Suburban and Provincial complex, are shown in a slightly different form, gross profit being struck before, instead of after, the deduction of debenture and other charges on the profits of subsidiaries, and taxation being shown as a single item for the whole group. On this new basis the trading profit of the group for the year to January 31, 1944, after providing £19,585 in depreciation, amounts to £500,782 against £461,285. Taxation and national defence contribution, however, require little more than last year—£221,000 odd against £217,000 odd—due to past over-provision. In fact, the net profit of the parent company, at £165,147, is up by nearly £50,000. This enables arrears of preference dividend to be finally cleared, with the payment of 2½ years interest on the 7 per cent cumulative preference

stock. The profit figure includes £12,361 withdrawn from reserves; excluding this, earned for ordinary, after charging only one year's service on the preference capital, amounts to 19.8 per cent. After charging full arrears on preference dividends, it amounts to 11.0 per cent. Yet only 4 per cent has been paid, enabling the carry forward to be again strengthened handsomely, this time by £44,000. The board intends to pursue a very conservative policy over ordinary dividends for the time being. The increased profits are explained by the management as being partly due to a higher turnover and partly to lower expenses. The higher turnover is largely explained by increased purchase tax as is the fall in the rate of gross profit. Even so, the increase of over 10 per cent in the rate of money turnover which is reported is a good deal higher even than the general rise for central London over the same period.

The same factors that are helping John Lewis are working against the other end of the business, the Suburban and Provincial complex. These factors are the flow of trade back to the West End of London, and the favourable supplies of clothing when compared with house-furnishing goods. The recent removal of austerity restrictions on men's clothing was another blow to the Suburban and Provincial group. In the result the trading profit of this group, at £255,387, is lower by some £85,000. Past over-provision for taxation, however, again comes to the rescue, and the amount required from current earnings for taxation is lower by some £100,000. The holding company is able to resume full service on both classes of its preference capital, and EPT liability has now been fixed on a basis which will have a margin sufficient to cover preference dividend requirements for the future. No ordinary dividend can be considered, however, until the discrepancy between the actual and the book value assets of the group is adjusted.

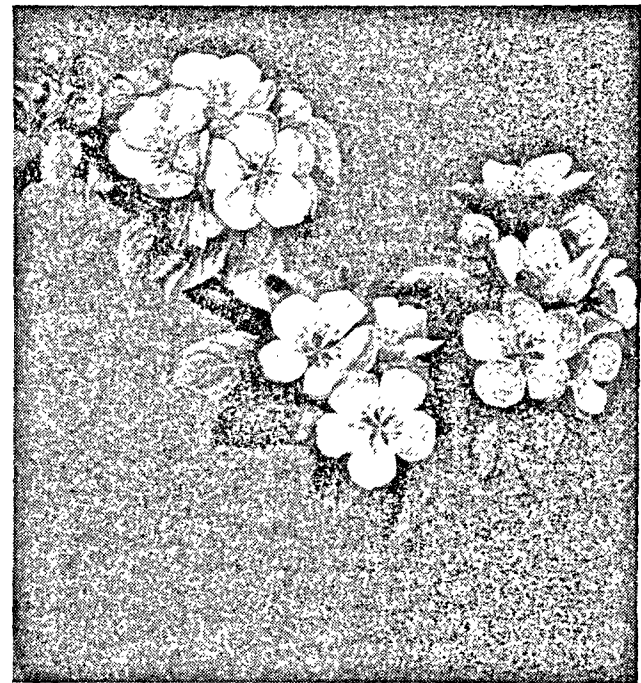
#### Clothing Shops Statistics

The Board of Trade has compiled statistics of the numbers and turnover of retail shops in the United Kingdom which sell rationed clothing. They are published in an article in the *Board of Trade Journal* for June 3rd. Applications made in May, June and July, 1942, to open coupon banking accounts are the source from which the statistics have been compiled, and in addition sample investigations were made. All but the very smallest shops, those whose coupon transactions with wholesalers involve the transfer of fewer than 50 coupons, and which are estimated to number about 10 per cent of all clothing shops, are included in the statistics covering 86,150 shops which have coupon banking accounts. The following table, compiled from the figures in the article, classifies shops according to money and coupon turnover, and indicates how far sales are concentrated in the hands of large firms:

| Turnover per annum | Approx. Weekly Coupon Turnover | Percentage of Total Shops | Approx. Percentage of Total Sales |
|--------------------|--------------------------------|---------------------------|-----------------------------------|
| Under £2,500       | Up to 300                      | 48                        | Under 10                          |
| £2,500 to £12,000  | 300 to 1,500                   | 43                        | About 25                          |
| Over £12,000       | Over 1,500                     | 9                         | „ 66½                             |

Although the "small man" is represented in large numbers in the clothing trade, his share of the total turnover is small. This does not, of course, mean that the small man has no part to play in the trade. Another interesting classification of shops is by economic type. Multiple shops, defined as firms with more than five branches, account for 8,250, or 10 per cent of the total; there were 2,460 co-operative stores, 3 per cent of the total; independent shops dealing wholly or mainly in rationed clothing amounted to 70,440, or 81 per cent of the total, and other independent shops, selling rationed goods as a sideline, represented 5,000, or 6 per cent of the total. A further breakdown of shops according to their general description has been compiled from a sample analysis. The second column in the next table shows the margins of error, which are regrettably large in some cases, notably that of department stores. On the other hand, the figures for footwear and co-operative stores compare well with the known actual numbers (11,950 footwear and 2,460 co-operative shops). Some light is thrown on the number of people served by shops of different sizes. The overall average is 521 people per shop. More people are served by each shop in the South than in the North—a reflection

## NIPPED IN THE BUD



THE British countryside can show few sights more charming than an orchard in blossom. Yet its promise may never be fulfilled. The brief but glorious period between bud-break and petal-fall is critical. Bugs as well as buds awake to life in spring and the eggs of insects hatch out as well as those of birds. Against their menace the fruit-grower must be prepared. He turns to the labours of the research chemist made available in the products of the British chemical industry. In fruit-growing, unlike warfare, defence is the best method of attack. The professional opens the battle in autumn by girdling the trunks with sticky compounds to prevent wingless moths from crawling up to lay their eggs in twig and branch. In winter, when the trees are dormant, he applies a "winter wash" to destroy insect eggs and pests hibernating in the bark. Lime wash and cresylic or caustic soda solutions were used for this purpose until, in 1921, the British chemist provided a far superior article—tar oil distillate, which is now indispensable in orchard routine. Pests which escape are met in spring by a barrage of chemical sprays. The usual method is to apply lime, sulphur or Bordeaux mixture (copper sulphate and lime) to prevent "scab," a fungus disease of apples and pears which blasts the foliage, blemishes the fruit and blisters the bark. Lead arsenate may be added as a stomach poison for beetles and caterpillars, nicotine to kill sucking insects like greenfly, and chemical wetting agents to make the spray spread evenly. The campaign closes in summer when pests meet a dusty end from derris or nicotine powders—notably the young larvae of the Codlin moth which so neatly tunnel apples to the core. Spring, summer, autumn and winter, the fruit-grower relies on the chemical industry to help him produce fruit without blemish and in full measure.





of the larger size of shops in the South. A table gives the number of shops and buying population in the Civil Defence regions. A census of distribution has never been taken in this country, and these statistics are a useful

| General Description                        | Number         |
|--------------------------------------------|----------------|
| Drapery .....                              | 35,800 ± 1,800 |
| Outfitting (men's and/or women's) .....    | 15,900 ± 1,400 |
| Footwear .....                             | 11,700 ± 1,200 |
| Tailoring (men's and/or women's) .....     | 5,500 ± 900    |
| Wool .....                                 | 2,500 ± 600    |
| Costumiers and gown shops .....            | 1,900 ± 500    |
| Variety chain stores .....                 | 1,500 ± 500    |
| Department stores .....                    | 300 ± 200      |
| Co-operative stores .....                  | 2,300 ± 600    |
| Other: wholly or mainly clothing .....     | 3,600 ± 700    |
| Other: not wholly or mainly clothing ..... | 5,200 ± 800    |
| Total .....                                | 86,200         |

guide to at least one section of the distributive trades. It will also be a valuable aid in the preparation of the full census, which, it is understood, is to be taken at the earliest opportunity after the war.

### Coupon Releases and Expenditure

The pattern of apparel sales since clothing rationing was introduced has normally been that a coupon release was followed by large sales, which lessened month by month, reaching their lowest level in the month before the next release. The normal seasonal fluctuations in the clothing trade have been smaller than the influence of coupon releases. It is interesting, therefore, to compare the sales of apparel in the last month before, and the first three months after the last two clothing coupon releases. The following table gives the index of the average value of daily sales, as reported in the April retail trade report in the *Board of Trade Journal* for June 10th.

| APPAREL INDEX (1942=100)                  |     |                                       |     |
|-------------------------------------------|-----|---------------------------------------|-----|
| Last Period<br>(from Sept. 1, 1943)       |     | Present Period<br>(from Feb. 1, 1944) |     |
| August .....                              | 73  | January .....                         | 68  |
| September .....                           | 115 | February .....                        | 107 |
| October .....                             | 100 | March .....                           | 105 |
| November .....                            | 87  | April .....                           | 112 |
| Average, first three months of period ... | 101 |                                       | 108 |

The first notable difference is the higher average coupon expenditure in the current period, which may be due to the fact that 24 coupons were released, against 20 on September 1st. The second is the difference in buying trends between the two periods. Although less was spent in February than in September, the increase over the previous month was roughly similar. By April, the third month of the current period, the normal seasonal influence appears to have reasserted itself. The figures may also indicate that as the public becomes more accustomed to rationing, the influence of coupon releases on buying will be weakened, and the planning of individual expenditure will be wiser. (The monthly retail trade table appears on page 828.)

### Monopoly by Electrical Contractors?

The desire for the "closed shop" continues to spread to different sections of traders. The Electrical Contractors' Association has in point of fact advocated compulsory registration for 25 years and has set up a voluntary register which has 1,400 members. But outside it there are some 10,000 traders, mostly small ones, whose business is the installation of electrical equipment. It has recently been suggested in a speech by Mr Penwill, the director of the Association, that the consumer ought to be given protection against the inefficiency of some of the unregistered traders. This would be secured by the qualification test which would form part of any scheme of compulsory registration. It is true that to run wiring and to provide connections for such things as wireless sets and electrical fires are comparatively simple jobs which may encourage inexperienced workers to set up business. But it seems to be forgotten that the consumer has his own check on inefficiency without any outside help. This is especially so where, as in this business, the trader's reputation is local and usually well known and there is plenty of competition.

Another argument is that defective wiring is a danger to safety. Unfortunately for this plea, a great deal of wiring is done by householders themselves. Because of this fact it would be difficult to make defective wiring a criminal offence, nor is there evidence that traders are often guilty of it. A practical safeguard, suggested in a recent report of the Institution of Electrical Engineers, would lie in the general adoption by supply undertakings of the practice, which many already follow, of inspecting consumers' installations. On the main issue, the present conditions of open competition and of hardly earned reputations are better guarantees of efficiency, and much better guarantees of cheapness, than would be a closed trade guild. In choosing this method of getting safe installations, the consumer would, as so often, lose much more on the swings than he would gain on the roundabouts. Left to himself, he certainly would not choose it—nor would the average contractor.

### More Bills for the Banks

The effects of the Salute the Soldier savings campaign continue to affect the banking figures. The clearing banks' statements for May show a further rise of £8,987,000 in investments and an accompanying decline of £4,500,000 in Treasury Deposit Receipts. These are comparatively small movements and the former brings further evidence of the comparatively modest extent to which the banks are swelling the savings total by their own direct contributions. The main feature of last month's banking figures is the concurrent increases in bills discounted and short loans. These rose by £25,500,000 and £8,401,000, respectively, and are a measure of the increased flow of Treasury bills into the banking system. A substantial part of the increase in bills issued through the weekly tender is finding its way to the banks. A smaller part, on the evidence of the May returns, remains with discount market houses and provides the collateral for increased short loan accommodation from the banks. Advances at £755,633,000 show very little change on the previous month's total. The reaction from the seasonal peak in this item has been small. From a figure of £723,962,000 last November, advances rose to £772,245,000 in March, and the incidence of this rise suggested that the customary seasonal explanation of "tax loans" was appropriate in accounting for the movement. This argument was further supported by the drop to £754,297,000 in April, but the subsequent recovery to £755,633,000 in May suggests that a more permanent influence may have been at work in the previous months' recovery in this item.

### Merchant Banking Deal

It was announced this week that the merchant banking firm of Matheson and Company had acquired from the British Overseas Bank the entire capital of Huth Produce Sales, Ltd, and Huth Coffee Sales, Ltd. These two companies had been acquired by the BOB in 1936 with the business of Frederick Huth and Company. Since then these two subsidiaries have provided the produce department of the BOB, the first acting as importers of general produce, including vegetable seeds, wool, gum, hides and skins, and the second as importers, exporters and dealers in green coffee of all growths. This produce business has, inevitably, suffered a serious decline during the war. The position of the BOB does not provide the best jumping off ground for the redevelopment of these merchanting activities after the war. The bank was caught in 1939 with substantial frozen commitments in Germany and other areas later to become enemy—or enemy-occupied—territory. The latest balance sheet showed that on October 31, 1943, assets of £3,805,854 included £2,048,237 in enemy or occupied territory. The report for the last financial year showed a debit balance of £374,269 carried forward. The produce side of the business is being transferred to a firm which will bring to it a more genuine merchanting tradition than it can have found in the BOB.

### Outlook for Silver

Silver to-day has two strings to its economic bow—industrial and monetary. The rapid growth in the industrial use of the metal since 1939 is in marked contrast to the comparative stability of consumption in peace. It is used,

among other things, in chemical equipment, solders and brazing alloys, electrical apparatus, powder metallurgy, containers for special food and pharmaceutical products and silver-clad base metals. As the following table shows, the absorption of silver by industry in the United States increased nearly five-fold between 1939 and 1943; the figure for 1943 is equivalent to more than half the world's annual output of silver of some 270 million ounces:—

INDUSTRIAL USES OF SILVER IN THE UNITED STATES  
(In million troy ounces)

|                           | 1929 | 1939 | 1942 | 1943 |
|---------------------------|------|------|------|------|
| Bearings .....            | ...  | ...  | 10   | 25   |
| Photographic goods .....  | 8    | 13   | 20   | 20   |
| Brazing alloys .....      | ...  | ...  | *    | 20   |
| Contacts .....            | ...  | ...  | 10   | 10   |
| Dental and surgical ..... | ...  | ...  | 2    | 5    |
| Insignia .....            | ...  | ...  | 5    | 5    |
| Solder .....              | 1    | 1    | 1    | 4    |
| Chemical products .....   | 2    | 1    | 3    | 3    |
| Sterling silverware ..... | 10   | 11   | 30   | 30   |
| Silverplated ware .....   | 4    | 5    | 10   | 5    |
| Jewellery .....           | 3    | 2    | 30   | 32   |
| Unclassified .....        | 2    | 1    | ...  | ...  |
| Total .....               | 30   | 34   | 121  | 159  |

Source: *Engineering and Mining Journal*, February, 1944.  
\* Not shown separately, included under unclassified uses.  
† Estimated less than one million ounces. ‡ Not available, but known to be small. § Including silver used in the production of silverplate ware for Army and Navy.

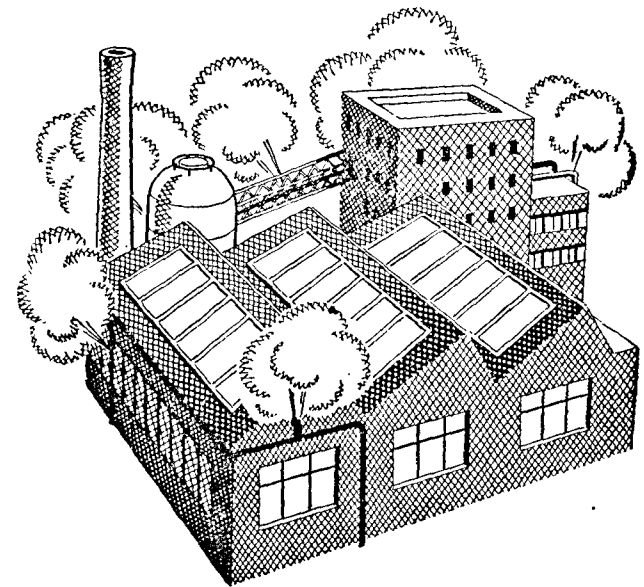
An answer to the question, "what is the post-war outlook for silver as an industrial metal?" was furnished by the US Tariff Commission's report published last September under the title "Silver in Wartime." Those uses of silver which have resulted from the scarcity of other non-ferrous metals will presumably disappear after the war as the supply of the latter for civilian consumption increases. On the other hand, some of the new uses found for the metal during the emergency will continue. There will probably be a larger use of silver for electrical purposes and in bearings than before 1939. The silverware industry, the largest pre-war consumer, will have piled up a considerable backlog of orders and will need substantially larger supplies of silver annually than the pre-war average of about 30 million ounces a year. Taking it altogether, the US post-war demand for silver for subsidiary coinage and industrial uses will, assuming a fair measure of general prosperity, probably materially exceed the pre-war demand. The output of silver in America and elsewhere will depend on the price of the metal and upon the price of the normally associated lead and copper. In the past the price of silver was greatly affected by US legislation with respect to Government purchases of domestic and foreign production. The US Tariff Commission, perhaps somewhat optimistically, believes that post-war silver demands may be such as to result in prices sufficiently attractive to sustain a large production of the metal throughout the world whatever the policy of the American Administration for the purchase of silver.

### Corporate Profits in USA

Despite the continued expansion of business in the USA, it appears, from the figures of the National City Bank of New York, that the net income of 2,625 leading corporations rose by only 4 per cent last year as against 1942. This means an appreciable fall in profit margins, and 920 manufacturing companies, reporting sales figures, achieved a net income after tax of \$1,927 million on a turnover of \$53,239 million. This is equal to 3.6 cents per dollar of sales, compared with figures of 4.3 cents, 6.5 cents and 7.5 cents for the years 1942 to 1940, respectively. No doubt most of this fall is due to higher charges and increased taxation, but the figures appear to be struck after certain reserve provisions, which may have been substantially increased. Nonetheless, it is the case that the system of fixed selling prices, coupled with higher taxation, has absorbed a very large part of the expansion in declared net income. Turning to the entirely provisional figures of all active corporations, some 469,000 in number, gross income has risen by 11.1 per cent to a computed figure of \$250,000 million and net income after tax at half that rate to \$8,550 million. The estimated return on the net worth of the corporations rose from 6.8 per cent to the 1941 level of 6.9, which compares with an average of 2.2 per cent for the preceding eleven years, but with 7.2 and 7.5 per cent in the two boom years

(Continued on page 827)

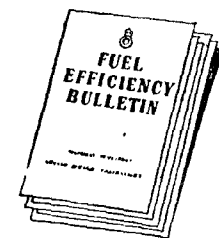
## END THOSE SKYLINE SCANDALS



There are *still* quick savings of coal to be made without impairing factory production—but *only* a concerted drive by management really brings results. In order to safeguard next winter's coal supplies, search your plant to eliminate *every* possibility of fuel waste—but *do it now*.

Start with those spouts of steam clouding the factory skyline. Track each one to its source. This steam *can* and *must* be put to useful work. Whether exhaust steam from engines and pumps, vapour from process plant or 'flash' steam from trap discharges, remember that in every lb. of steam blowing to waste there is only a trifle less heat than in the steam leaving your boiler at 100 lb. or 200 lb. pressure. Remember that steam escaping is fuel wasted.

YOUR FUEL EFFICIENCY BULLETINS WILL TELL YOU HOW. The Bulletins you need are Nos. 22, 25 and 28. They show you how to make the best use of exhaust steam, flash steam and process vapour. Look them up straight away. If you've mislaid them send TODAY to your Regional Fuel Office for further copies.



ISSUED BY THE MINISTRY OF FUEL & POWER

## COMPANY MEETINGS

SMITH'S POTATO CRISPS  
(1929) LIMITEDSIR HERBERT MORGAN'S  
SPEECH

The fifteenth ordinary general meeting of Smith's Potato Crisps (1929), Limited, was held, on the 14th instant, in London, Sir Herbert E. Morgan, K.B.E. (the chairman), presiding.

The chairman, in the course of his speech, said: The net profit for the year, after provision for taxation, amounts to £84,148, as against £83,761 last year. We propose to pay a final dividend of 20 per cent. with a cash bonus of 5 per cent., both subject to income-tax (making 32½ per cent. for the year). The results prove that in spite of our special problems and difficulties there is no lessening in the efficiency with which the business is conducted, the strength of your company, or the popularity of Smith's Potato Crisps.

While such a large proportion of our output of Smith's Potato Crisps are on national service—that is, being provided for His Majesty's Forces as well as thousands of canteens, both civil and military—we have still done our best to supply the general public.

During these days of limited staffs, curtailment of heating facilities for cooking, and pressure on the time of the housewife, our commodity has increased its hold on the people. For more than a generation now our Crisps have been the stand-by of innumerable families, and in recent years of rationing, because our 2d. packets provide a perfectly prepared and nourishing meal, they have become more than ever a necessity.

## RECONSTRUCTION PLANS

You are all aware of the almost innumerable plans for the reconstruction of practically everything and everybody that are finding expression to-day. I hope that in these plans certain reforms in our licensing laws will be effected enabling licensed houses—who have always been such a valued source of distribution to us—to render even greater service to the public.

The licensees of the country are a body of men and women well fitted to give a full measure of co-operation in supporting legislation for continual improvement in the lives of the people. They have rendered a humane service to the whole community with whom they are in constant and sympathetic touch.

Before the war, through the enterprise of our brewers in all parts of the country, the houses built for public entertainment and refreshment led in architectural design and quality of craftsmanship, as well as in amenities for the public. In the long period of housing shortage which is generally envisaged, the provision of food and drink in these comfortable surroundings would have an added value.

## CORDIAL RELATIONS WITH DISTRIBUTORS

While manufacturers have all had problems, they are shared by wholesalers and retailers alike. It is a pleasure to acknowledge the cordial relations that exist between ourselves and the hundreds and thousands of distributors who co-operate with us. Grocers, provision stores and all purveyors of food render us a nation-wide service—they fully understand our difficulties. These groups of distributors have been a vital asset to the country in feeding the people.

With regard to the future, all we ask for to ensure continued prosperity is to be relieved of restrictions and be enabled to employ all workers necessary to fulfil demands made on us. These are some of the blessings we, as a company, look forward to in the peace which we feel sure is approaching.

The report was adopted.

UNITED KINGDOM GAS CORPORATION  
LIMITED

## SUCCESS OF GROUP WORKING

## MR BRUCE OTTLEY'S SPEECH

The ninth ordinary general meeting of the United Kingdom Gas Corporation, Limited, was held, on the 13th instant, at Shell House, Bishopsgate, London, E.C.

Mr. Bruce Ottley (chairman of the corporation) presided.

The representative of the Secretaries, Close Bros., Limited, having read the notice convening the meeting and the report of the auditors, the Chairman said: Another year of war has passed since I last had the pleasure of addressing you, and once again I am precluded from giving you more than a cursory view of the corporation's activities and present condition.

The net revenue for the year amounts to £119,000, as against £115,000 in the previous year. It should be borne in mind that no effort has been made to extend the sale of gas, but, on the contrary every effort has been made to encourage economy in its use in every direction.

There has been expended £136,206 in service to our subsidiary companies; of this amount, £96,877 represents the cost of wages and materials for work carried out in the maintenance of works by our constructional and repair squads.

The standard of efficiency has been well maintained, notwithstanding the circumstance that we have been called upon to continuously operate at high cost carburetted water gas plants originally provided as standby for the meeting of peak loads.

An outstanding feature of your corporation's activities during the past year has been the extension of group working, whereby subsidiary undertakings conveniently situated geographically, and of such size as to be convenient for unified operation and administration, are placed under one combined management. The corporation's first group, formed some six years ago, was the Castleford group of companies, comprising eight subsidiaries under centralised management. Uniformity has been evolved throughout with excellent results and greatly reduced price of gas.

## REDUCTION IN GAS PRICE

As an indication of the results achieved by this group, I would point out that it has been possible by reductions to standardise the price of gas throughout the area, the net result being that the average price received for all gas sold as a result of the economy of centralised control and administration, is 25 per cent. below the average price received at the time the group was formed. All units of the group have derived benefit, not only in reduction of administrative and operational costs, but in the greatly improved service to the consumer made possible by specialised staff backed up and reinforced by that of your corporation which could not be made available to an independent unit.

It should be noted that while there is a limit to the size of a group which can be economically and efficiently operated under one management, it was decided, after careful survey and investigation, to extend the Castleford group of companies, to include a further seven companies, the whole now being known as the West Riding Group of Gas Companies with headquarters based on the principal unit, the Wakefield Gaslight Co.

Group working has also been established as between the York, Harrogate, Malton and Easingwold undertakings, and other schemes are under survey.

The West Yorkshire Gas Distribution Company, which is now linked up to municipal undertakings as well as to companies controlled by your corporation, continues to expand, and has amply proved the soundness of its original conception.

It is important that planning of gas supply both as regards production and distribution should proceed in line with the planning of the great housing schemes, so that the essential gas fuel service may be available as the new houses are erected, also to meet extended industrial requirements that are likely in many areas to follow upon the change-over to peace-time production.

We welcome, therefore, the announcement by the Minister of Fuel and Power of the setting up of a committee to inquire into the gas industry, and we hope that their deliberations will result in the industry as a whole being permitted to proceed with the development of the plans for integration and co-ordination of gas supply and that we may be enabled to continue our successful development work in those areas in which we are interested.

## SERVICES IMPROVED

In spite of the difficulties of war-time, and the restrictions imposed upon us, we have been able to improve our services to the public, and they will be further improved and cheapened as and when we are permitted to continue our development.

It is beyond question that a public utility should be developed to give the cheapest and most efficient service that is possible. We have, in a comparatively short space of time, been able to build up a business edifice, the results of which indicate tremendous potentialities for the speedy co-ordination of the industry.

Appreciating, as we do, that our primary responsibility is the service we are able to render to the consumer, we would welcome Government supervision, and believe this supervision can best be operated by a measure of statutory control being applied to your corporation as well as to its subsidiaries. It will then be for our corporation to satisfy the Government that any development which it may propose is in the best interests of the public it is designed to serve.

I cannot close without reference to the excellent work of the staffs of the corporation at our headquarters and of the companies. During the year Mr Hodgkinson who has been the principal assistant to our managing director, Colonel Carr, has been appointed general manager.

The resolution was carried unanimously the dividends as proposed were approved the retiring directors were re-elected, the auditors were reappointed, and the proceedings then terminated.

SIMMS MOTOR UNITS,  
LIMITED

The twenty-fourth ordinary general meeting of Simms Motor Units, Limited, was held, on the 8th instant, in London.

Mr Tom Thornycroft, the chairman, in the course of his speech, said: I told you last year that the directors were determined to press on with all possible schemes for the improvement and efficiency and the general well-being of your whole organisation. The increase in the net profit from £95,268 to £149,910 definitely shows that our efforts have been successful. But, we are to ensure that we provide the utmost possible employment after the war and to the support of the Ministry of Labour in providing the additional technicians.

Our profits have materially increased but our low profit standard only allows us to retain a small part of these profits. The report was adopted and the proposed dividend of 10 per cent., less tax, was approved.

THE FINE COTTON SPINNERS' AND  
DOUBLERS' ASSOCIATION, LIMITED

## MR H. M. HARWOOD'S SPEECH

At the annual meeting of stockholders of the above company, held in Manchester on the 9th instant, the chairman (Mr H. M. Harwood) said, in the course of his speech:

The factor chiefly responsible for the comparatively modest results, is, of course, the labour difficulty. The explanation for this state of affairs I gave last year; the high average age of our women, and the multiplicity of their other duties. To these have now been added another year of war conditions.

As regards post-war labour conditions, the long and the short of it is that we are underworking our machinery and wasting our human resources. Anything I may say later about our prospects is contingent on this question of labour deployment being adequately dealt with.

## FINANCING RE-EQUIPMENT

I shall refer later to what seems to me the unduly optimistic estimate of human nature taken by the Government White Paper, but the willingness to examine, and the necessary discard, many of the economic practices of the past, is a great tribute to the new influences now making themselves felt amongst the priesthood of national finance.

When the war is over we shall be faced with two conditions. On the one hand, a very large amount of savings covering wide sections of the public, on the other, an unprecedented demand for money for capital investment. How are we to deflect these savings from a rush for consumer goods into the channel of capital investment?

You can, of course, do this by compulsion—by taxation—in which case your capital will be found by the State. In other words, nationalisation. This has been advocated in some quarters. It is the death-knell of political economies.

I cannot see any Government of any complexion; jumping at the cotton trade as an opportunity of practising state ownership.

## CAPITAL FOR THE COTTON TRADE

If we want capital, we must get it where we have always got it, from those who are our faith that the game is worth the candle. In other words, from that old ratrooper of industry, the ordinary shareholder. And to do that you have to persuade him that it is worth his while to forgo some immediate satisfaction for the sake of future advantage.

If there were some reason to suppose that some future Government would take the view that the holder of ordinary shares—so far from being a useful citizen, is to be looked on as an incubus, whose interests could be safely disregarded, there could be a distinct falling-off in the number of people willing to invest their money in this way. Either they would cease to invest, or they would take their money elsewhere—not a difficult thing to do in the world with its tongue hanging out.

## MISLEADING SLOGANS

There is a rather ominous slogan going the rounds, and it receives some support from the White Paper. It is to the effect that the first duty of a business is to serve the national interest. A variety of the same theme is "Production for use, not for profit," of which we hear a good deal. During war time—and that includes the immediate post-war period—this is true. It is easy to carry out. The needs of a nation in war time are well defined. The largest possible production—the lowest

possible price—and the lion's share of any resulting profit. These are the national needs, and it is right that they should be satisfied, but in normal times the interests of the state are by no means so well defined—nor are those in charge of an industry necessarily in a position to estimate those needs accurately.

I am probably out of date, but, in my opinion, a man who conducts—on whatever scale—an honest and profitable business, is serving the state much better than he would by mixing business with vague and often ill-directed philanthropy. This is particularly true when the state takes half his profit.

Altruism is, I suppose, a virtue, but it is one that should not be exercised at other people's expense. Do not let us be led astray by these amiable self-deceptions. There is one person who makes no pretensions to this form of altruism—that is, your shareholder.

The would-be investor is influenced by two things—the risk factor and the profit factor, and of the two he rates the profit factor much the higher.

The White Paper indicates an intention of minimising his risk, but it also seems to have the intention of limiting his profits.

## QUESTION OF PRICE CONTROL

This brings us to the much debated question of price control. I am afraid the trade are inclined to place too much reliance on this. Lulled into security by present conditions, they see price control as something behind which they will be able to shelter. Some even believe that a minimum price can be held, which not only protects them against loss, but gives them a steady profit, whatever the demand for their product, and whatever their efficiency.

This seems to me a profound delusion. You cannot produce prosperity by any form of price control. All you can do is to avoid disaster when it is due to temporary causes.

A Mae West is useful when you are torpedoed. You do not put it on to swim the channel. You can use a straight waistcoat to restrain a man from committing suicide in a fit of depressive mania. You do not expect him to wear it when he has recovered.

A minimum price can only be an instrument of permanent prosperity if it is associated with a guaranteed off-take. In the case of agriculture, this is recognised. I have never heard anyone suggest that there should be a guaranteed off-take of textiles.

As for maximum prices. These will undoubtedly operate to some extent during the period of transition, but in normal times they are both undesirable and impracticable. This is particularly so in the case of exports.

On the whole the less you say about price limitation the more likely you are to attract the investors' money. I have a feeling that this pre-occupation with price control is largely due to fear. Fear on the one hand of insecurity, and on the other of prosperity. Do we, perhaps, lay too much stress on security?

Does security come first in the picture of the future as seen by all these young men and women who are today living the greatest adventure in our history? I only ask the question, I do not attempt to answer it. If that is what they want above all else we should do what may be done to ensure it, but also let us be a little careful that we do not buy security at the price of stagnation. There is only one place where I think security is complete—the grave.

## PROBLEMS OF BOOMS AND SLUMPS

And, as to fear of prosperity, why do we all speak of a boom as though it were the "Black Death"? Because of the inevitable slump? It is not inevitable at all, unless you choose to call every recession of trade a slump. A man with his head screwed on is no more likely to fall off the top of a ladder than off the bottom. If he does fall, he is, of course, more likely to break his neck, but it is quite possible to come down the usual way. What happened in 1920 and 1925 is irrelevant. What happened then was that the men in charge panicked. Directly the horse started to gallop they lost their stirrups, and then fell off. That need not happen again.

The investor today takes more than the normal risk. The future is necessarily obscure. We do not know what kind of world we shall have to cater for. We do not know how far new processes and new materials may supplant our products, and we are, as always, at the mercy of the whims of fashion. On the other hand we do not know how far we shall find compensation in new uses for our products. The war record of cotton is not discouraging. If science threatens us with one hand, she beckons us with the other.

## WORLD'S INCREASED BUYING POWER

Last of all, we do not know how soon the buying power of the world will be re-established and increased. That it will be increased, and enormously, there can be no doubt. I have had figures of the relative consumption of cotton goods in India, China and Russia, and the United States of America:—

32 lbs. a year a head in U.S.A.;

8 lbs. a year a head in Russia, and

3 lbs. a year a head in India and China,

but you don't have to go to India or China, you need go no further than our own country, where the rise in the national income since 1938 is around 80 per cent. Nor is this all. We believe that as this buying power increases, it will be felt more and more in the direction of better class goods, to the making of which, this country is especially adapted.

So far as this company is concerned, our target is not only the recovery of old markets, now closed, but the discovery of new markets for new products, adapted to new purposes.

Taking the whole picture, the ground seems laid out for a period of trade expansion. But if we take the view that a rich crop is in the making, we must realise that the harvesting will not be tomorrow or the day after, and this harvest will be gathered only by those who have equipped themselves for the job.

I have spoken of encouraging the man who lends his money to industry, and I have urged the necessity of not limiting his chances from political or other reasons, but I hope that no one will think that I am thereby encouraging him to expect fantastic returns by way of swollen dividends, or otherwise. We want no new gold rush. Do not let the investor imagine that he is buying a cheap ticket to some immediate Eldorado. Those who act on that assumption are likely to find that the ticket is a week-end return.

If prosperity comes, the first claim on it must be the consolidation of our position, the extension of our research, the modernisation of our plant. There must be no "scalping." If those responsible for the conduct of business neglect this duty, the question may indeed arise whether the resources of the country can safely be left in their hands.

I have spoken at this length about the investor—and this includes the smallest of one-man businesses—because we have reached a point when it is necessary to estimate the future attitude of the community to these people. It is not a question of any particular regulations—it is a question of attitude to private enterprise as a whole, and to the profit motive, which is its sparking plug.



## DERBYSHIRE STONE, LIMITED

### LARGER PROFITS OF THE GROUP

The eighth ordinary general meeting of Derbyshire Stone, Limited, was held, on the 15th instant, in London.

Mr S. D. Clements, the chairman, in the course of his speech, said: I should like to draw your attention to the satisfactory result of the year's trading. The combined profits of the Derbyshire Stone group of companies amounted to £79,537, after providing for Excess Profits Tax, this figure comparing with profits of £73,450 for the year 1942.

### PROFIT AND DIVIDEND

Out of the profits of £79,537 we have made, as in previous years, a substantial provision for depreciation, amounting in the year under review to £19,162. This provision, together with a charge of £18,359 for income-tax of the group on the basis of the legal liability, leaves a profit for the year of £42,016. Your directors recommend that there should be paid a dividend at the rate of 10 per cent. on the ordinary shares.

I should be glad if you would now turn to the consolidated balance-sheet. Fixed assets stand at £392,452, compared with £386,258 in 1942, and the depreciation reserve has been increased to £135,812. The excess of current assets over current liabilities in the consolidated balance-sheet amounts to £85,294, by comparison with £51,663 in the previous year, an increase of £33,631, which I have no doubt you will note with satisfaction.

### SHORT AND LONG TERM PROSPECTS

I have no doubt that you will expect to have a few words from me as to our prospects, and in this connection I should like to divide my comments into two sections, relating to what I may call short-term prospects and long-term prospects. By short-term prospects I refer to the period which will elapse between the present time and the end of the war and for some little time after, until the normal activities which provide our peace-time markets begin to be developed, and during this period I fear that there must be some uncertainty as to the profits which the company will be able to earn.

As regards long-term prospects, however, your directors feel that the shareholders have every reason to look forward with confidence, for we anticipate that the extensive limestone quarrying activities of the company, with which is associated the manufacture of numerous by-products, will play a useful part in the work of post-war reconstruction in rendering efficient service to our customers, with resulting benefits to our workpeople and shareholders alike. In addition to this, we must not forget the returns we expect to secure from our basalt, slag, tar distillation, and Fluorspar interests.

Whilst on this subject of prospects, I must not omit to refer to the activities of our subsidiary company, the Hopton-Wood Stone Firms Limited, for here we are engaged on the production of Hopton-Wood stone and Hopton-Wood marble, for which we anticipate a greatly increased demand for high-class architectural and decorative work, as compared with the opportunities afforded by our pre-war markets.

Before concluding my remarks I should like to refer not only to the continued efficient and loyal service given to us by our staff, but also to those employees of the company, about 180 in number, who are serving our country in the armed forces. I know that you will join with me in wishing them all good luck and a safe and speedy return to their homes.

The report and accounts were unanimously adopted.

## EAGLE STAR INSURANCE COMPANY, LIMITED

### FURTHER PROGRESS

The annual general meeting of the Eagle Star Insurance Co., Limited, will be held, on the 22nd instant, in London.

The following is an extract from the statement of the chairman (Sir Edward M. Mountain, Bt.) circulated with the report and accounts:

In the life department, during the year, 1,743 policies were issued for £14,760,809 gross. Our mortality experience is favourable. The premium income at £1,822,166 shows an increase of £221,358, the total funds have increased to £17,345,257, and the expense ratio was reduced to 9.40 per cent.

In the fire department income at home and abroad increased and now exceeds £1,000,000, and the profit is £77,000. Home results were very good. All three accounts in the accident department have yielded good results. In the marine department the fund is considerably in excess of requirements after making full allowance for future liabilities.

In the profit and loss account the net interest income has again improved, and now exceeds the net cost of the dividend by over £16,000. In addition, fixed fees amounted to £32,717. The transfer of £30,310 from the life department represents the shareholders' portion of the quinquennial distribution of profits of the Star Fund. The shareholders' portion of the Sceptre Fund are carried to next year. The total transfer from trading departments amounts to £347,000 compared with last year's total of £268,000. The carry forward in this account has increased to £703,580.

The increasingly heavy burden of taxation is making it impossible to obtain a reasonable remuneration in many overseas countries, and we must in future look more to the home market.

## F. FRANCIS AND SONS

### INCREASED NET PROFIT

The forty-third ordinary general meeting of this Company was held, on the 8th instant, in London, Mr John Ismay (chairman of the company) presiding.

The secretary (Mr F. Skade, A.C.I.S., A.C.W.A.) having read the notice convening the meeting and the report of the auditors, The chairman said: With your permission we will take the accounts and report as read. (Agreed.)

The net profit for 1943 at £73,777 shows an increase of approximately £6,677 on the previous year, and after providing £48,000 for taxation we have an available balance of £25,777. After writing off the cost of the preference share issue made in April, 1943, amounting to £2,027, and payment of preference share dividend to December 31, 1943, we are left with a balance of £18,709 available for distribution.

Your board recommends the payment of a final dividend on the ordinary share capital of 10 per cent., less tax, making 14 per cent. for the year, being at the same rate as for the previous three years. I do not think there are any items in the accounts to which I have to draw particular attention, but you will observe from the consolidated statement that the current assets show a balance over current liabilities of £185,352.

Your directors have given a great deal of thought to the post-war position, and are confident that the change-over to a peace programme will not incur a great deal of dislocation.

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

The retiring director, Mr F. Skade, was re-elected, and the auditors, Messrs Jas. Williamson and Co., having been re-appointed, the proceedings terminated with a vote of thanks to the chairman, directors and staff.

## G. BEATON AND SON, LIMITED

### INCREASED PROFIT

The annual general meeting of G. Beaton and Son, Limited, was held, on the 13th instant, at the Waldorf Hotel, Aldwych, London, W.C., Mr Stuart C. Goodwin, J.P. (chairman of the company) presiding.

The following is the statement of the chairman which had been circulated with the report and accounts and was taken as read:

The profit for the year amounts to £12,683 compared with £11,945 last year and is arrived at after making provisions for the estimated liabilities for income tax and excess profits tax arising on the accounts under review. When the balance of £1,085 brought forward is added there is a sum of £13,768 to be dealt with, and it will be noted that the directors' recommendations for the disposal of this figure are embodied in the accounts.

Reserves and undistributed profits amount to approximately £70,000, a substantial amount in relation to the share capital, and it is interesting to note that this figure is more than represented by the excess of liquid assets over liabilities.

During the year certain formalities were completed which resulted in your company's acquiring a controlling interest in E. H. Fuel Injection, Limited. This transaction does not involve any increase in the amount of the investment, but represents the conversion of a loan into fully-paid shares.

It is not yet practicable to give more than a brief outline of the affairs of your company, nor to indicate the scope of its activities on the cessation of hostilities. Members may, however, be assured that the latter question is receiving the fullest possible consideration by your directors.

In expressing appreciation of the services rendered by the company's employees during the year, I am sure I shall be voicing the wishes of all shareholders.

The report and accounts were unanimously adopted, and the payment of a dividend of 10 per cent. and a bonus of 5 per cent. (both less tax) was approved.

The retiring director, Mr Gerald Sturt, was re-elected; and the auditors, Messrs Dixon, Wilson, Tubbs and Gillett, having been re-appointed, the proceedings terminated with a vote of thanks to the Chairman.

## VAB PRODUCTS, LIMITED

### LARGER TURNOVER AND PROFITS

The seventh ordinary general meeting of Vab Products, Limited, was held, on the 14th instant, at the Connaught Rooms, Great Queen Street, London, W.C., Mr A. H. Redfern (the chairman) presiding.

The secretary (Mr B. C. Gotele, F.C.A.) read the notice convening the meeting and the report of the auditors.

The chairman said: The net profit for the year under review as shown by the accounts was £37,921, as compared with £23,137 for the previous year, an increase of some £14,784. This increase is due mainly to the fact that the profits of British Button Industries Co., Limited, one of our subsidiary companies, which was acquired during 1942, have been included for a full year, in addition to which there has been considerable expansion in certain of our other departments.

After providing for taxation and contingencies, a dividend of 12½ per cent. for the year on the ordinary shares, also a participating dividend of 4 per cent. on the preference shares, making 10 per cent. for the year, transferring a further sum of £1,000 to preference share redemption fund and making an increased allocation

to general reserve there remains to be carried forward £4,026, as against £3,838 brought in.

### INCREASED RESERVES AND SURPLUS

There is an improvement in the current assets, particularly in the item of cash at bank and in hand, which appears at £11,147, as against £8,246 at the date of the previous balance-sheet. The provision for taxation and contingencies has been increased to £20,000, which in my opinion is a conservative figure.

I think you will agree that the results shown are very satisfactory, and that the company's position has been strengthened considerably during the period under review. There is now, in effect, a surplus made up of the preference share redemption fund, general reserve and profit and loss account carry forward of £14,706, after providing for all dividends, taxation and contingencies.

### POST-WAR PROSPECTS AND EXPANSION

Although your company is engaged to considerable extent on direct and indirect Government work, the various units are of an essentially peace-time nature, and when the time comes, which sincerely hope will not be very far distant, we should be able to revert to the manufacture and supply of the purely domestic articles, for which the company is well known. I might mention that the activities of the group include precision and general manufacturing engineering, electro and other plating, plastic moulding, patented curtain rail, buttons, lenses, reflectors, etc. Your directors, at the present time, have under consideration plans for the expansion of certain branches of our business which it is proposed to put into operation shortly. This will enlarge the scope and activities of the company,

(Continued from page 823)

1928-29. Meanwhile, the actual dividend payments continue to fall and are estimated at \$4,000 million for 1943, or \$100 million less than in 1942. The 1943 figure was exceeded in nine of the fifteen years 1928-42, inclusive. Returning to the net profits of the 2,625 leading corporations, the results are summarised below:

| NET INCOME AFTER TAXATION OF 2,625 USA CORPORATIONS |                         |            |       |                   |                       |      |
|-----------------------------------------------------|-------------------------|------------|-------|-------------------|-----------------------|------|
| No. of Coys.                                        | Division                | Net Income |       | Percentage Change | Return % on Net Worth |      |
|                                                     |                         | 1942       | 1943  |                   | 1942                  | 1943 |
| 1,321                                               | Manufacturing.....      | \$600      | \$600 | + 4               | 9.9                   | 9.9  |
| 113                                                 | Mining, etc.....        | 2,338      | 2,495 | + 6               | 7.4                   | 6.9  |
| 143                                                 | Trade.....              | 91*        | 86*   | - 6               | 9.9                   | 10.1 |
| 241                                                 | Transportation.....     | 226        | 235   | + 4               | 8.2                   | 7.7  |
| 222                                                 | Public Utilities.....   | 964        | 941   | - 2               | 6.2                   | 6.5  |
| 88                                                  | Service and Constr..... | 591        | 617   | + 4               | 11.1                  | 11.7 |
| 497                                                 | Finance.....            | 68         | 74    | +10               | 6.9                   | 7.9  |
|                                                     |                         | 448        | 517   | +15               |                       |      |
| 2,625                                               | Total.....              | 4,776      | 4,986 | 4                 | 8.5                   | 8.6  |

\* Before certain charges.

This summary conceals the most diverse trends. Taking manufacture alone, there are percentage rises in the net incomes of concerns providing aircraft and parts of 34.8 per cent, rubber products 34.7, motor and electrical equipment 14.5 and 15.6, respectively, petroleum products 16.7, distilling 18.8, and printing and publishing of no less than 62.2 per cent. Against this, there are falls of 8.6 per cent in iron and steel, 21.7 and 18.5 in lumber and furniture, respectively, 16.3 in cotton and no less than 33.2 in sugar. Without the figures of gross profit, it is not possible to say just what factors caused these movements, but they do indicate an experience which is substantially different from that of UK manufacturers.

### Correction

Professor Postan's paper on the future of engineering, discussed on page 788 of *The Economist* of June 10th, was not read to the Institution of Electrical Engineers as stated, but to the Institution of Production Engineers, on May 12th.

and I think we may look forward to the future with the greatest confidence.

In conclusion, I would like to thank the managers and employees generally for the excellent co-operation and services they have rendered to the company under war-time conditions, and also the managing director and my co-directors for their loyal support and hard work, which has contributed very largely to the present position.

The resolution for the adoption of the report and accounts was carried unanimously.

The retiring directors (Mr A. H. Redfern and Mr Ivor Lloyd, A.M.I.A.E., F.C.S., M.Inst.B.E.) were re-elected and the auditors (Messrs Layton-Bennett Billingham and Co) were reappointed.

## MILNERS SAFE COMPANY, LIMITED

### STATEMENT BY THE DEPUTY-CHAIRMAN, MAJOR G. A. FROST

The annual general meeting of the above company was held, on the 15th instant, at the registered offices of the company, 21 Hampstead Lane, N.6. The following statement was issued to the shareholders by the deputy-chairman, Major G. A. Frost.

Your chairman, Major Sir James Ritchie, is unable to make his usual statement this year owing to absence on military duties. Major Dodge is still a prisoner of war in Germany, and I am pleased to say that news of him is satisfactory. Under the circumstances I have pleasure in reporting briefly to you on the position of your company after another year's trading.

During the past year we have not been able to resume the manufacture of our normal products, but the works have continued to be employed at high pressure. I feel certain that the balance-sheet submitted

to you shows that the company is in a sound position and is well equipped to face the future with confidence. Our plant—to which several additions have been made—is maintained at an efficient standard in spite of the extra work it has been called upon to carry out.

In his statement last year the chairman pointed out that the incidence of the Excess Profits Tax was specially burdensome to this company. Our increased productive capacity, which we planned before the war, has never been applied to our normal business and consequently our E.P.T. standard does not, in my opinion, appear equitable. The year under review has felt the full weight of this tax, but nevertheless the board feel that the resources of the company justify us in maintaining last year's dividend and bonus.

We have given serious thought to our post-war activities as far as the present circumstances have permitted. The immediate full resumption of our normal business will necessarily depend upon the Government's attitude towards the lifting of controls on manufacture and supply; but as any limitations imposed on our industry in this connection will have serious repercussions both on our ability to maintain employment and to compete in export markets, we hope the Government will give the matter that sympathetic and urgent attention which it demands.

The loyalty and energy of all employees of the company have been fully maintained, and our thanks are due to them for the interest they take in all our activities. In particular, the managing directors, Mr Dyer and Mr Hitches, have been indefatigable in furthering the interests of your company under the present difficult conditions.

Finally, your managing directors join with me in sending greetings to our absent colleagues on the board and to all employees of the company who are in the Services.

## Shorter Note

The comparative costs of harvesting by the binder-thresher method, and by combine, have been worked out for a farm in Staffordshire, and reported in the *Farm Economist*, October-December, 1943. The comparison relates to similar crops and other factors were more or less equal. The average cost per acre of harvesting by binder was £3 9s., while that of harvesting by Combine-Harvester was £1 5s. 9d. There are, of course, other factors which may lead the farmer to prefer the binder method, despite the difference in costs. Principally the farmer is concerned with whether his acreage justifies the capital expenditure on a combine harvester. On the other hand, by threshing and selling the grain when ripe, the risks of loss by fire or pests or deterioration due to unskilled stacking or thatching, are eliminated.

## Company Result

### Marks and Spencer.

|                                                                                                                                               | Years to March 31, |           |           |
|-----------------------------------------------------------------------------------------------------------------------------------------------|--------------------|-----------|-----------|
|                                                                                                                                               | 1942               | 1943      | 1944      |
| Profits.....                                                                                                                                  | 2,238,833          | 2,020,970 | 1,216,771 |
| Depreciation, repairs and renewals.....                                                                                                       | 467,194            | 375,823   | 365,982   |
| Taxation.....                                                                                                                                 | 895,486            | 863,000   | 790,000   |
| Loan and debenture interest.....                                                                                                              | 186,051            | 185,180   | 184,260   |
| Directors' and trustees' fees.....                                                                                                            | 2,500              | 2,500     | 2,500     |
| Staff costs.....                                                                                                                              | 25,000             | 25,000    | 25,000    |
| Preference dividends.....                                                                                                                     | 52,500             | 52,500    | 52,500    |
| Debenture redemption reserve.....                                                                                                             | 14,700             | 14,900    | 15,700    |
| Ordinary shares:—                                                                                                                             |                    |           |           |
| Earned.....                                                                                                                                   | 585,402            | 502,067   | 690,820   |
| Paid (net).....                                                                                                                               | 369,992            | 369,992   | 369,992   |
| Earned %.....                                                                                                                                 | 55.4               | 47.5      | 65.3      |
| Paid %.....                                                                                                                                   | 35                 | 35        | 35        |
| Carry forward.....                                                                                                                            | 571,940            | 704,015   | 1,024,852 |
| Net fixed assets.....                                                                                                                         | 8,708,943          | 8,435,659 | 8,190,654 |
| Net inter-company items.....                                                                                                                  | 478,751            | 112,092   | 263,878   |
| Net liquid assets.....                                                                                                                        | 1,585,361          | 2,357,529 | 2,771,635 |
| Gross liquid assets.....                                                                                                                      | 3,841,909          | 4,233,227 | 4,798,612 |
| Stock.....                                                                                                                                    | 1,279,389          | 1,300,073 | 1,139,436 |
| Tax reserve certificates.....                                                                                                                 | 500,000            | 500,000   | 250,000   |
| Government securities.....                                                                                                                    | 902,600            | 973,600   | 1,207,600 |
| * Including credits of £36,166 relating to previous years, which cover the profits of Marks & Spencer Export Corporation since its inception. |                    |           |           |
| † Before deduction of reserve of £150,000 in each year.                                                                                       |                    |           |           |
| The ordinary shares of 5s., standing at 65s. 9d., yield £2 13s. 8d. per cent.                                                                 |                    |           |           |

# RECORDS and STATISTICS

## INDUSTRY AND TRADE

**Herring Scheme.**—A scheme to operate from June 27th to the end of August to promote maximum herring fishing has been devised by the Ministry of Food. The catch will be first offered at the maximum price of 91s. per cran to buyers on the rota. When bids are exhausted free sale to any licensed buyer for freshening, kippering, or canning, will take place down to the minimum price—78s. per cran has been proposed, but not yet fixed. The herrings which remain unsold will be allocated to pickle-curers (who salt herrings into barrels) at 55s. per cran. The main outlet for the British herring catch before the war was for these herrings, which were exported to Northern Europe. The Ministry of Food is to buy the output of the pickle-curers at 40s. per barrel, plus the cost of the fresh herrings. The stocks accumulated after the small home demand has been met will be held for European relief. Efforts are being made to increase the production of kippers for home consumption.

**"The Economist" Sensitive Index.**—There was no change in the index during the week ended June 14th. The complete index (1935=100) was 158.6; crops 135.6; and raw materials 185.5.

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

|  | Daily Average Sales |      |      | Stocks<br>(at Cost)<br>End<br>Apr. |
|--|---------------------|------|------|------------------------------------|
|  | 1944                |      |      |                                    |
|  | Feb.                | Mar. | Apr. |                                    |
|  |                     |      |      |                                    |

| (a) By Commodities     |       |       |       |       |
|------------------------|-------|-------|-------|-------|
| Non-food Merchandise   | +38.0 | +5.7  | +2.2  | +8.3  |
| Piece-goods            | +64.4 | +15.0 | +2.0  | +20.7 |
| Women's Wear           | +82.2 | +22.5 | +4.1  | +8.8  |
| Men's and Boys' Wear   | +32.0 | +0.5  | +9.4  | +2.0  |
| Boots and Shoes        | +14.9 | +8.1  | +10.5 | +7.2  |
| Furnishing Departments | +8.2  | +1.9  | +3.6  | +18.6 |
| Hardware               | +5.3  | +3.0  | +4.4  | +16.1 |
| Fancy Departments      | +16.1 | +19.8 | +13.3 | +4.1  |
| Sports and Travel      | +1.6  | +5.2  | +1.5  | +7.7  |
| Miscellaneous          | +21.7 | +7.4  | +1.0  | +14.6 |
| Non-food Merchandise   | +5.1  | +6.8  | +5.5  | +2.8  |
| Food and Perishables   | +11.6 | +17.0 | +3.5  | +13.3 |
| All Departments        |       |       |       |       |

| (b) Districts               |       |       |      |       |
|-----------------------------|-------|-------|------|-------|
| Scotland                    | +11.5 | +6.7  | +2.2 | +9.5  |
| North-East                  | +10.5 | +6.2  | +3.2 | +13.6 |
| North-West                  | +14.1 | +10.9 | +2.3 | +9.7  |
| Midland and S. Wales        | +8.5  | +4.4  | +3.9 | +15.7 |
| South England               | +9.2  | +7.2  | +5.2 | +19.8 |
| Central and West-End London | +21.7 | +10.8 | +0.3 | +12.2 |
| Suburban London             | +12.6 | +7.2  | +2.6 | +13.0 |
| Unallocated                 | +25.9 | +2.1  | +0.6 | +2.2  |

Source: Board of Trade Journal.

### INDICES OF WHOLESALE TRADE IN TEXTILES IN GREAT BRITAIN\* (1937=100)

|            | Stocks (end year and month) | Home Trade | Total |                        |
|------------|-----------------------------|------------|-------|------------------------|
|            |                             |            | Index | % Change from Year Ago |
| 1937       | 100                         | 100        | 100   | +1.0                   |
| 1938       | 94                          | 94         | 93    | +7.0                   |
| 1939       | 86                          | 105        | 103   | +10.7                  |
| 1940       | 93                          | 117        | 115   | +11.7                  |
| 1941       | 83                          | 98         | 98    | +14.8                  |
| 1942       | 95                          | 104        | 102   | +4.1                   |
| 1943       | 108                         | 96         | 93    | +8.8                   |
| 1943, Mar. | 105                         | 115        | 111   | +12.6                  |
| " Apr.     | 102                         | 101        | 98    | +6.7                   |
| 1944, Mar. | 103                         | 133        | 129   | +9.3                   |
| " Apr.     | 97                          | 103        | 100   | +2.0                   |

Indices calculated by Wholesale Textile Association in collaboration with Bank of England.  
Purchase Tax is not included; figures are therefore comparable throughout.  
\* Publication of Indices of Export Sales suspended in September, 1942.  
Source: Board of Trade Journal.

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

|                  | Mar. 31, 1937* | Aug. 30, 1939 | June 8, 1943 | May 24, 1944 | June 7, 1944 |
|------------------|----------------|---------------|--------------|--------------|--------------|
| Cereals and Meat | 93.0           | 66.9          | 110.6        | 108.8        | 108.8        |
| Other Foods      | 61.1           | 54.3          | 107.5        | 107.3        | 107.3        |
| Textiles         | 74.2           | 54.3          | 64.2         | 104.0        | 104.0        |
| Minerals         | 113.2          | 95.4          | 135.9        | 139.7        | 139.7        |
| Miscellaneous    | 87.0           | 77.6          | 127.3        | 129.0        | 129.0        |
| Complete Index   | 87.2           | 70.3          | 114.9        | 117.6        | 117.6        |
| 1913=100         | 119.9          | 90.8          | 158.0        | 161.8        | 161.8        |

\* Highest level reached during 1932-37 recovery.

## INVESTMENT

### Stock Exchanges: London

#### "FINANCIAL NEWS" INDICES

| 1944   | Total Bargains in S.E. List | Corres. Day 1943 | Security Indices |                | Yields      |             |
|--------|-----------------------------|------------------|------------------|----------------|-------------|-------------|
|        |                             |                  | 30 Ord. shares*  | 20 Fixed Int.† | Old Consols | Ord. Shares |
| June 8 | 5,742                       | 3,695            | 111.2            | 134.6          | 3.15        | 3.78        |
| " 9    | 5,887                       | 3,551            | 111.6            | 134.6          | 3.15        | 3.76        |
| " 12   | 8,357                       | (a)              | 112.1            | 134.5          | 3.15        | 3.75        |
| " 13   | 8,270                       | 4,667            | 112.3            | 134.6          | 3.15        | 3.74        |
| " 14   | 8,465                       | 3,962            | 112.7            | 134.6          | 3.16        | 3.73        |

\* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1944: highest, 112.7 (June 14); lowest, 103.0 (Feb. 28). 20 Fixed Int., 1944: highest, 138.4 (Feb. 23); lowest, 134.0 (Jan. 3). (a) Closed Whit Monday.

### New York

#### STANDARD STATISTICS INDICES DAILY AVERAGE OF 50 COMMON STOCKS

| 1944   | Average | Transactions | 1944   | Average | Transactions |
|--------|---------|--------------|--------|---------|--------------|
| June 2 | 121.5   | 121,000*     | June 6 | 121.8   | 1,789,000    |
| " 3    | 121.4   | 386,000*     | " 7    | 121.6   | 857,000      |
| " 5    | 121.5   | 859,000*     | " 8    | 121.7   | 862,000      |

1944: High, 121.8 (June 6). Low, 113.8 (Feb. 8). \* Two-hour session.  
(WEEKLY AVERAGES) (1935-36=100)

| 1944           |          |            |       |              |
|----------------|----------|------------|-------|--------------|
| Low Mar. 15    |          | High May 3 |       | June 7, 1944 |
| 37 Industrials | 95.1 (a) | 101.0      | 99.7  | 101.0        |
| 32 Rails       | 88.9 (a) | 101.3      | 100.7 | 101.3        |
| 40 Utilities   | 85.0     | 89.2       | 88.0  | 89.2         |
| 419 Stocks     | 93.6 (a) | 99.1       | 97.9  | 99.1         |
| Av. yield %    | 4.84 (b) | 4.60       | 4.90  | 4.84         |

\* Common Stocks. (a) Feb. 9. (b) May 3.

### Capital Issues

| Week ending June 17, 1944                            | Nominal Capital £ | Conversions £         | New Money £           |
|------------------------------------------------------|-------------------|-----------------------|-----------------------|
| Particulars of Government issues appear on page 829. |                   |                       |                       |
| Year†                                                |                   | Including Conversions | Excluding Conversions |
| 1944                                                 | 761,664,103       | 330,721               | 773,093,305           |
| 1943                                                 | 899,256,974       | 1,375,685             | 638,677               |

† Includes Government issues to June 6, 1944, only. Above figures include all new capital in which permission to deal has been granted.

### FINANCE AND BANKING

**THE MONEY MARKET.**—Although the banks have not been buyers of bills on a substantial scale this week, credit has been in fair supply. The banks were again called upon to pay £100,000,000 against Treasury Deposit Receipts this week, a total which equalled the current nominal maturities, but which, owing to pre-encashments, involved the finding of about £13,000,000 of new money. At last week's tender for £110,000,000 of Treasury bills, the discount market obtained a 38 per cent. allotment as compared with the previous week's 28 per cent. The task of taking up the new bills presented no difficulty, as the banks, though unwilling to buy bills freely, were ready lenders to the market. The abstention from bill purchases must be explained in terms of the approaching turn of the half year. The Bank return shows few important changes. A drop of £3,718,000 in bankers' deposits is, in the main, balanced by a rise of £2,523,000 in Public deposits. Government securities have fallen by £7,625,000, but to the extent of £3,083,000 this is balanced by a rise in Other Securities, while a contraction of £2,679,000 in the circulation is another offsetting factor.

**MONEY RATES, LONDON.**—The following rates remained unchanged between June 8th and June 15th:—

Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days, 1½%; 3 months, 1½%; 4 months, 1½-1½%; 6 months, 1½-1½%. Treasury Bills: 2 months, 1-1½%; 3 months, 1-1½%; Day-to-day money, 1-1½%. Short Loans, 1-1½%. Bank deposit rates, 1%. Discount deposit at call, 1%; at notice, 1½%.

**Exchange Rates.**—The following rates fixed by the Bank of England remained unchanged between June 8th and June 15th. (Figures in brackets are par of exchange).

United States, \$ (4.86) 4-02½-03½; mail transfers 4-02½-03½. Canada, \$ (4.86) 4-43-47; mail transfers 4-43-47. Switzerland, Francs (25-22) 17-30-40. French Empire, Francs 197½-200½. Syria, p. 8-81-85. Sweden, Krona (18-159) T.T. 16-85-95. Dutch West Indies, Florin (12-11) 7-53-62. Portugal, Escudos (110) 99-80-100-20; mail transfers 99-80-100-30. Panama, \$ (4-02) 4-02-04; mail transfers 4-02-04. Brazil, 83-64½ cr. (buying); mail transfers 83-56½. Uruguay, 7-6597 p. (buying). Fixed Rates for Payment at Bank of England for Clearing Offices. Spain, Pesetas 44-00. Turkey, Piastres 520. Italy, 71-25 lire.

(Continued on page 832)

## GOVERNMENT RETURNS

For the week ended June 10, 1944, total ordinary revenue was £34,882,000, against ordinary expenditure of £116,874,000 and issues to sinking funds of £500,000. Thus, including sinking fund allocations £1,840,027, the deficit accrued since April 1st is £676,470,000 against £737,098,000 for the corresponding period a year ago.

### ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

| Revenue         | Estimate, 1944-45 | Receipts into the Exchequer (£ thousands) |                          |                          |                          |
|-----------------|-------------------|-------------------------------------------|--------------------------|--------------------------|--------------------------|
|                 |                   | April 1 to June 12, 1943                  | April 1 to June 10, 1944 | Week ended June 12, 1943 | Week ended June 10, 1944 |
| Income Tax      | 130,000           | 123,961                                   | 122,172                  | 9,301                    | 5,066                    |
| Sur-tax         | 80,000            | 7,292                                     | 6,056                    | 380                      | 473                      |
| Estate, etc.    | 100,000           | 20,958                                    | 22,280                   | 2,010                    | 2,440                    |
| Duties          | 19,000            | 1,690                                     | 1,052                    | ...                      | ...                      |
| N.D.C.          | 500,000           | 4,181                                     | 4,463                    | 650                      | 864                      |
| E.P.T.          | 1,000             | 69,822                                    | 80,546                   | 7,300                    | 10,514                   |
| Other Ind. Rev. | ...               | 100                                       | 70                       | ...                      | ...                      |
| Total Ind. Rev. | 200,000           | 228,004                                   | 236,659                  | 19,641                   | 19,367                   |

|                            |         |         |         |        |        |
|----------------------------|---------|---------|---------|--------|--------|
| Excise                     | 564,900 | 105,404 | 111,008 | 8,597  | 12,621 |
| Excise                     | 472,900 | 84,200  | 91,900  | 2,800  | 2,615  |
| Total Customs & Excise     | 103,780 | 189,604 | 202,908 | 11,397 | 15,236 |
| Motor Duties               | 27,000  | 1,838   | 1,948   | 100    | ...    |
| P.O. (Net Receipts)        | ...     | 2,100   | 1,600   | 250    | 100    |
| Wireless Licences          | 4,850   | 600     | 640     | ...    | ...    |
| Crown Lands                | 800     | 190     | 210     | ...    | ...    |
| Receipts from Sundry Loans | 7,350   | 867     | 966     | 119    | 151    |
| Miscell. Receipts          | 24,000  | 10,927  | 9,857   | 292    | 229    |
| Total Ord. Rev.            | 310,180 | 434,130 | 454,798 | 31,799 | 34,882 |

|                                   |         |         |         |        |        |
|-----------------------------------|---------|---------|---------|--------|--------|
| SELF-BALANCING P.O. & Broadcastg. | 112,370 | 19,600  | 21,350  | 1,350  | 1,750  |
| Total                             | 321,410 | 453,730 | 476,148 | 33,149 | 36,632 |

| Expenditure               | Estimate, 1944-45 | Issues out of the Exchequer to meet payments (£ thousands) |                          |                          |                          |
|---------------------------|-------------------|------------------------------------------------------------|--------------------------|--------------------------|--------------------------|
|                           |                   | April 1 to June 12, 1943                                   | April 1 to June 10, 1944 | Week ended June 12, 1943 | Week ended June 10, 1944 |
| Ordinary Expenditure      | 420,000           | 92,541                                                     | 96,823                   | 3,830                    | 6,934                    |
| Int. & Man. of Nat. Debt  | 9,000             | 1,341                                                      | 1,328                    | ...                      | 332                      |
| Payments to N. Ireland    | 7,000             | 284                                                        | 356                      | 7                        | 8                        |
| Other Cons. Fund Services | 436,000           | 94,167                                                     | 98,506                   | 3,837                    | 7,274                    |
| Supply Services           | 550,139           | 107,543                                                    | 103,092                  | 94,600                   | 109,600                  |
| Total                     | 593,739           | 116,941                                                    | 121,947                  | 98,437                   | 116,874                  |

|                                   |         |         |         |        |         |
|-----------------------------------|---------|---------|---------|--------|---------|
| SELF-BALANCING P.O. & Broadcastg. | 112,370 | 19,600  | 21,350  | 1,350  | 1,750   |
| Total                             | 604,979 | 118,901 | 115,077 | 99,787 | 118,624 |

A change has been made in the method of showing an excess of Post Office Expenditure over Post Office Revenue. Such excess is now included as ordinary expenditure (under "Total Supply Services") instead of being shown, as up to July 24 inclusive, as a deduction from ordinary revenue.

After decreasing Exchequer balances by £73,018 to £2,517,076, the other operations for the week (no longer shown separately) raised the gross National Debt by £82,624,271 to £20,269 million.

| NET RECEIPTS (£ thousands)        |     |
|-----------------------------------|-----|
| Land Settlement (Facilities) Acts | 18  |
| NET ISSUES (£ thousands)          |     |
| P.O. and Telegraph                | 200 |
| Overseas Trade Guarantees         | 23  |
|                                   | 223 |

## BANK OF ENGLAND RETURNS

JUNE 14, 1944

### ISSUE DEPARTMENT

| Notes Issued: £      |              | Govt. Debt: £                               |              |
|----------------------|--------------|---------------------------------------------|--------------|
| In Circul.           | 1132,786,080 | Govt. Debt                                  | 11,015,100   |
| In Bankg. Department | 17,455,638   | Other Govt. Securities                      | 1138,135,190 |
|                      |              | Other Secs.                                 | 837,366      |
|                      |              | Silver Coin                                 | 12,344       |
|                      |              | Amt. of Fid. Issue                          | 1150,000,000 |
|                      |              | Gold Coin & Bullion (at 168s. per oz. fine) | 241,718      |
|                      |              |                                             | 1150,241,718 |

### BANKING DEPARTMENT

| Props' Capital: £ |            | Govt. Secs.: £       |             |
|-------------------|------------|----------------------|-------------|
| Rest.             | 14,553,000 | Govt. Secs.          | 216,867,151 |
| Public Deps.*     | 3,268,707  | Other Secs.          | 15,470,890  |
|                   | 11,521,348 | Discounts & Advances | 5,156,992   |
|                   |            | Securities           | 15,470,890  |
|                   |            | Notes                | 20,627,882  |
|                   |            | Gold & Silver Coin   | 755,630     |
|                   |            |                      | 255,886,301 |

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

### COMPARATIVE ANALYSIS

| (£ millions) |  |        |        |         |
|--------------|--|--------|--------|---------|
| 1943         |  | 1944   |        |         |
| June 16      |  | May 31 | June 8 | June 15 |

|                                 |       |        |        |        |
|---------------------------------|-------|--------|--------|--------|
| Issue Dept.:                    |       |        |        |        |
| Notes in circulation            | 949.4 | 1135.5 | 1135.5 | 1132.8 |
| Notes in banking department     | 50.8  | 14.7   | 14.8   | 17.5   |
| Government debt and securities* | 999.2 | 1149.2 | 1149.2 | 1149.2 |
| Other securities                | 0.7   | 0.8    | 0.8    | 0.8    |
| Silver Coin                     | 0.0   | 0.0    | 0.0    | 0.0    |
| Gold, valued at s. per fine oz. | 0.2   | 0.2    | 0.2    | 0.2    |
| Deposits:                       |       |        |        |        |
| Public                          | 7.2   | 15.0   | 9.0    | 11.5   |
| Bankers'                        | 157.7 | 165.1  | 171.9  | 168.2  |
| Others                          | 53.3  | 58.2   | 58.9   | 58.2   |
| Total                           | 218.2 | 238.3  | 239.8  | 237.9  |
| Banking Dept. Secs.:            |       |        |        |        |
| Government                      | 163.4 | 215.6  | 224.5  | 216.9  |
| Discounts, etc.                 | 4.2   | 1.0    | 2.2    | 5.2    |
| Other                           | 16.7  | 24.2   | 15.4   | 15.4   |
| Total                           | 184.3 | 240.8  | 242.1  | 237.5  |
| Banking depart. res.            | 51.7  | 15.4   | 15.5   | 18.2   |
| "Proportion"                    | 23.7  | 6.4    | 6.4    | 7.6    |

\* Government debt is £11,015,100; capital £14,553,000. Fiduciary issue raised from £1,100 million to £1,150 million on March 4, 1944.

### PROVINCIAL BANK



## LONDON ACTIVE SECURITY PRICES AND YIELDS

## MONTHLY STATEMENT OF BALANCES OF LONDON CLEARING BANKS

| Prices,<br>Year 1944<br>Jan. 1 to June 13 |            | Last two<br>Dividends |          | Name of Security |                               | Price,<br>June<br>6,<br>1944 | Price,<br>June<br>13,<br>1944 | Yield,<br>June<br>13,<br>1944 | 82/9<br>45/10<br>112/6 |  | 75/-<br>40/8<br>98/9 |  | 22 1/2<br>12 1/2<br>20 c |  | 12 1/2<br>45/3<br>111/3 |  | Lucas (Joseph) Ord. £1. 80/-<br>Morris Motors 5/- Ord. 45/3<br>Rolls-Royce Ord. £1. 108/8 |  | 80/-<br>45/3<br>108/8 |  | 15 0<br>15 0<br>3 13 3 |  |
|-------------------------------------------|------------|-----------------------|----------|------------------|-------------------------------|------------------------------|-------------------------------|-------------------------------|------------------------|--|----------------------|--|--------------------------|--|-------------------------|--|-------------------------------------------------------------------------------------------|--|-----------------------|--|------------------------|--|
| High                                      | Low        | (a)                   | (b)      | (c)              |                               |                              |                               |                               |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| <b>Railways</b>                           |            |                       |          |                  |                               |                              |                               |                               |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 47                                        | 34         | Nil                   | Nil      |                  | Antofagasta 5% C.Stk.Pf.      | 35 1/2                       | 35 1/2                        | Nil                           |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 14 1/2                                    | 11 1/2     | Nil c                 | Nil c    |                  | B.A. G. Sthn. Ord. £1.        | 11 1/2                       | 11 1/2                        | Nil                           |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 58 1/2                                    | 48         | 12 c                  | 12 c     |                  | San Paulo Ord. Stk.           | 54 1/2                       | 54 1/2                        | 3 13 5 1/2                    |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 5 1/2                                     | 6 1/2      | Nil c                 | Nil c    |                  | U.Havana 5% Cum. Pr.Stk.      | 81                           | 81                            | Nil                           |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 110                                       | 9 1/2      | Nil c                 | Nil c    |                  | Can. Pacific Cons. Pref. Stk. | 61 1/2                       | 61 1/2                        | 7 6 4                         |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 62 1/2                                    | 57 1/2     | 2 a                   | 2 1/2 b  |                  | Great Western Ord. Stk.       | 119 1/2                      | 119 1/2                       | 4 3 8                         |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 122                                       | 115 1/2    | 2 1/2 a               | 2 1/2 b  |                  | G.W. 5% Cons. Pref. Stk.      | 119 1/2                      | 119 1/2                       | 4 3 8                         |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 62 1/2                                    | 59 1/2     | 2 a                   | 2 1/2 b  |                  | L.N.E.R. 4% 1st Pref.         | 61 1/2                       | 62                            | 6 9 1                         |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 34 1/2                                    | 29 1/2     | 2 1/2 c               | 2 1/2 c  |                  | L.M.S. 4% Ord. Stk.           | 32                           | 32 1/2                        | 7 15 0                        |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 63 1/2                                    | 58 1/2     | 2 a                   | 2 b      |                  | L.M.S. 4% Pref. 1923.         | 61 1/2                       | 62                            | 6 10 0                        |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 72 1/2                                    | 64 1/2     | 1 1/2 a               | 2 b      |                  | London Transport C Stk.       | 72                           | 72                            | 4 9 0                         |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 26 1/2                                    | 23 1/2     | 2 c                   | 2 c      |                  | Southern Def. Stock.          | 25                           | 25 1/2                        | 7 18 5                        |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 80                                        | 75 1/2     | 2 1/2 a               | 2 1/2 b  |                  | Southern 5% Pref. Ord.        | 80                           | 79                            | 6 6 7                         |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| <b>Bank and Discount</b>                  |            |                       |          |                  |                               |                              |                               |                               |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 89/9                                      | 80/-       | 7 1/2 a               | 10 b     |                  | Alexanders £2, £1 pd.         | 88/-                         | 88/-                          | 3 19 9                        |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 7 1/2                                     | 6 1/2      | 2 1/2 a               | 3 1/2 b  |                  | Bank of Australasia £5.       | 7 1/2                        | 7 1/2                         | 4 0 3                         |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 380                                       | 365        | 6 a                   | 6 b      |                  | Bank of England Stock.        | 379 1/2                      | 379 1/2                       | 3 3 3                         |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 43 1/2                                    | 39         | 7 1/2 c               | (g)      |                  | Bank of Montreal \$100.       | 442 1/2                      | 442 1/2                       | 3 2 0 1/2                     |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 33 1/2                                    | 28/-       | 4 b                   | 3 b      |                  | Bank of New Zealand £1.       | 32/-                         | 32/-                          | 3 9 6 1/2                     |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 81 1/2                                    | 76 1/2     | 7 a                   | 7 b      |                  | Barclays Bank Bk £1           | 80/-                         | 79 1/2                        | 3 10 6                        |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 61 1/2                                    | 59 1/2     | 3 1/2 b               | 3 1/2 b  |                  | Barclays (D.C.&O.) A £1       | 59 1/2                       | 58 1/2                        | 4 13 4 1/2                    |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 63 1/2                                    | 53 1/2     | 2 1/2 a               | 2 1/2 a  |                  | Chartered of India £5         | 98                           | 98                            | 2 10 6                        |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 63 1/2                                    | 59 1/2     | 6 c                   | 6 c      |                  | D.Lord £1, fully paid.        | 95 1/2                       | 95 1/2                        | 3 18 6                        |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 95/9                                      | 89/-       | 8 a                   | 8 b      |                  | Midland £1, fully paid.       | 95 1/2                       | 95 1/2                        | 3 8 6                         |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 6 1/2                                     | 6 1/2      | 5 a                   | 5 a      |                  | Nat. Dis. £2 1/2, fully paid. | 6 1/2                        | 6 1/2                         | 3 18 6                        |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 79/-                                      | 74/-       | 7 1/2 a               | 7 1/2 b  |                  | Nat. Prov. £5, £1 paid.       | 76/-                         | 75 1/2                        | 3 19 6                        |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 497                                       | 482        | 8 1/2 b               | 8 1/2 b  |                  | Royal Bank of Scotland.       | 490                          | 490                           | 3 9 6                         |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 16 1/2                                    | 16 1/2     | 5 a                   | 9 b      |                  | Stan. of S.Africa £20, £5pd.  | 16 1/2                       | 16 1/2                        | 4 3 0                         |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 60/-                                      | 54/9       | 3 1/2 a               | 3 1/2 a  |                  | Union Discount £1.            | 59/-                         | 59 1/2                        | 3 7 0                         |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 95/-                                      | 89/-       | 9 a                   | 9 a      |                  | Westminster £4, £1 paid.      | 93/6                         | 92/6                          | 3 17 9                        |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| <b>Insurance</b>                          |            |                       |          |                  |                               |                              |                               |                               |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 28 1/2                                    | 27 1/2     | 40 a                  | 50 b     |                  | Alliance £1, fully paid.      | 27 1/2                       | 27 1/2                        | 3 5 3                         |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 14 1/2                                    | 13 1/2     | 4/6 a                 | 6/- b    |                  | Atlas £5, £1 paid.            | 14 1/2                       | 14 1/2                        | 3 12 0                        |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 118/9                                     | 103/9      | 16 a                  | 16 b     |                  | Gen. Acctd. £1, 12/6 pd.      | 115/-                        | 117/6                         | 3 8 0                         |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 31 1/2                                    | 27 1/2     | 10/10 a               | 10/- b   |                  | Lon. & Lancs. £5, £3 pd.      | 30 1/2                       | 31                            | 3 4 6                         |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 15 1/2                                    | 13 1/2     | 11/11 a               | 12/0 b   |                  | Pearl £1, fully paid.         | 15 1/2                       | 15                            | 2 10 0 1/2                    |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 17 1/2                                    | 15 1/2     | 6/- a                 | 6/- b    |                  | Phoenix £1, fully paid.       | 17                           | 17                            | 3 10 6                        |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 26 1/2                                    | 21 1/2     | 158-08c               | 159-08c  |                  | Prudential £1 A.              | 25 1/2                       | 24 1/2                        | 3 2 6 1/2                     |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 9 1/2                                     | 8 1/2      | 11 a                  | 19 b     |                  | Royal Exchange £1.            | 9 1/2                        | 9 1/2                         | 3 5 3                         |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 9 1/2                                     | 8 1/2      | 3 1/3 a               | 3 1/3 b  |                  | Royal £1, 12/6 paid.          | 9 1/2                        | 9 1/2                         | 3 6 0                         |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| <b>Investment Trusts</b>                  |            |                       |          |                  |                               |                              |                               |                               |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 230                                       | 222 1/2    | 6 b                   | 4 a      |                  | Debutene Crd. Ord. Stk.       | 227 1/2                      | 227 1/2                       | 4 7 11                        |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 238                                       | 224        | 4 a                   | 7 b      |                  | Investment Trst. Def. Stk.    | 235 1/2                      | 237 1/2                       | 4 12 1/2                      |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 213                                       | 206 1/2    | 7 b                   | 3 a      |                  | Trustees Corp. Ord. Stk.      | 212 1/2                      | 212 1/2                       | 4 14 1                        |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| <b>Breweries, &amp;c.</b>                 |            |                       |          |                  |                               |                              |                               |                               |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 92/8                                      | 165/-      | 115 b                 | 65 a     |                  | Bass Ratcliff Ord. £1.        | 181/-                        | 180/-                         | 2 4 3 1/2                     |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 88/3                                      | 87/3       | 10 b                  | 11 a     |                  | Distillers Co. Ord. £1.       | 97/3                         | 97/3                          | 3 6 9                         |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 32/6                                      | 121/3      | 18 b                  | 11 a     |                  | Guinness (Arthur) Ord. £1     | 131/-                        | 130/6                         | 4 8 9                         |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 05/3                                      | 98/6       | 15 1/2 b              | 7 a      |                  | Ind Coops &c. Ord. £1.        | 106/-                        | 106/-                         | 4 8 9                         |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 10 1/2                                    | 10 1/2     | 13 b                  | 6 a      |                  | Mitchells & Bells £1.         | 100/-                        | 100/-                         | 4 0 6                         |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 87/-                                      | 77/6       | 18 c                  | 6 a      |                  | Watney Combe Def. £1.         | 86/3                         | 86/9                          | 4 0 6                         |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| <b>Iron, Coal and Steel</b>               |            |                       |          |                  |                               |                              |                               |                               |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 51/44                                     | 48/6       | 4 a                   | 7 b      |                  | Babcock & Wilcox £1.          | 50/9                         | 51/-                          | 4 3 0                         |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 53/6                                      | 47/7 1/2   | 3 1/2 a               | 11 1/2 b |                  | Bolsover Colliery Ord. £1.    | 53/9                         | 53/-                          | 5 13 3                        |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| <b>Mines</b>                              |            |                       |          |                  |                               |                              |                               |                               |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 88/3                                      | 165/-      | 115 b                 | 65 a     |                  | Bass Ratcliff Ord. £1.        | 181/-                        | 180/-                         | 2 4 3 1/2                     |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 92/8                                      | 87/3       | 10 b                  | 11 a     |                  | Distillers Co. Ord. £1.       | 97/3                         | 97/3                          | 3 6 9                         |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 32/6                                      | 121/3      | 18 b                  | 11 a     |                  | Guinness (Arthur) Ord. £1     | 131/-                        | 130/6                         | 4 8 9                         |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 05/3                                      | 98/6       | 15 1/2 b              | 7 a      |                  | Ind Coops &c. Ord. £1.        | 106/-                        | 106/-                         | 4 8 9                         |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 10 1/2                                    | 10 1/2     | 13 b                  | 6 a      |                  | Mitchells & Bells £1.         | 100/-                        | 100/-                         | 4 0 6                         |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 87/-                                      | 77/6       | 18 c                  | 6 a      |                  | Watney Combe Def. £1.         | 86/3                         | 86/9                          | 4 0 6                         |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| <b>Shipping</b>                           |            |                       |          |                  |                               |                              |                               |                               |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 25/-                                      | 21/3       | 6 c                   | 2 1/2 a  |                  | Cunard Royal Ord. £1.         | 25/-                         | 21/3                          | 6 c                           |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 27/-                                      | 23/3       | 6 c                   | 2 c      |                  | Furness, Withly Ord. £1.      | 27/-                         | 23/3                          | 6 c                           |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 41/6                                      | 33/9       | 6 b                   | 2 c      |                  | P. & O. Def. £1.              | 41/6                         | 33/9                          | 6 b                           |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 26/3                                      | 22/-       | 6 c                   | 6 c      |                  | Royal Mail Lines Ord. £1      | 26/3                         | 22/-                          | 6 c                           |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 24/3                                      | 17/3       | 5 c                   | 5 c      |                  | Union Castle Ord. £1.         | 24/3                         | 17/3                          | 5 c                           |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| <b>Tea and Rubber</b>                     |            |                       |          |                  |                               |                              |                               |                               |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 18/6                                      | 20/-       | Nil c                 | Nil c    |                  | Anglo-Dutch of Java £1.       | 18/6                         | 20/-                          | Nil c                         |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 35/6                                      | 39/6       | 5 0                   | 0        |                  | Local Assurance £1.           | 35/6                         | 39/6                          | 5 0                           |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 21/2                                      | 2/9        | Nil c                 | Nil c    |                  | London & Asian Rbr. £1.       | 21/2                         | 2/9                           | Nil c                         |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 35/6                                      | 22/6       | Nil c                 | Nil c    |                  | Rubber Planters Trust £1.     | 35/6                         | 22/6                          | Nil c                         |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 2/1                                       | 2/3        | Nil c                 | Nil c    |                  | United Serdang Rbr. £1.       | 2/1                          | 2/3                           | Nil c                         |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 31/10                                     | 33/-       | Nil c                 | Nil c    |                  | United Sda Betong £1.         | 31/10                        | 33/-                          | Nil c                         |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| <b>Oil</b>                                |            |                       |          |                  |                               |                              |                               |                               |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 119/4 1/2                                 | 121/10 1/2 | 3 5 9                 | 9        |                  | Anglo-Iranian Ord. £1.        | 119/4 1/2                    | 121/10 1/2                    | 3 5 9                         |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 83 1/2                                    | 86/10 1/2  | 2 17 9                | 9        |                  | Burmah Oil Ord. £1.           | 83 1/2                       | 86/10 1/2                     | 2 17 9                        |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 81 1/3                                    | 82/6 1/2   | 1 4 0                 | 0        |                  | Shell Transport Ord. £1.      | 81 1/3                       | 82/6 1/2                      | 1 4 0                         |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 97/6                                      | 100/-      | 3 15 0                | 0        |                  | Trinidad Petroleum £1.        | 97/6                         | 100/-                         | 3 15 0                        |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| <b>Miscellaneous</b>                      |            |                       |          |                  |                               |                              |                               |                               |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 18/3                                      | 18/3       | 4 15 9                | 9        |                  | Assoc. Brit. Picture 5/-      | 18/3                         | 18/3                          | 4 15 9                        |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 65/9                                      | 66/3       | 3 0 0                 | 0        |                  | Assoc. P. Cement Ord. £1      | 65/9                         | 66/3                          | 3 0 0                         |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 68/9                                      | 71/3       | 2 14 0                | 0        |                  | Barker (John) Ord. £1.        | 68/9                         | 71/3                          | 2 14 0                        |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 44/3                                      | 46/6       | 2 11 9                | 9        |                  | Boots Pure Drug Ord. 5/-      | 44/3                         | 46/6                          | 2 11 9                        |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 47/6                                      | 47/3       | 4 4 3                 | 3        |                  | British Aluminium £1.         | 47/6                         | 47/3                          | 4 4 3                         |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 112/6                                     | 115/-      | 1 18 0                | 0        |                  | Brit.-Amer. Tobacco £1        | 112/6                        | 115/-                         | 1 18 0                        |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 83 1/2                                    | 81/2       | 3 12 6                | 6        |                  | British Oxygen Ord. £1.       | 83 1/2                       | 81/2                          | 3 12 6                        |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 83 1/2                                    | 81/2       | 3 12 6                | 6        |                  | Cable & Wireless £1.          | 83 1/2                       | 81/2                          | 3 12 6                        |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 150/-                                     | 152/6      | 3 18 6                | 6        |                  | Carerras A £1.                | 150/-                        | 152/6                         | 3 18 6                        |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 43/6                                      | 47/-       | 3 8 0                 | 0        |                  | Dunlop Rubber Ord. £1.        | 43/6                         | 47/-                          | 3 8 0                         |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 34/-                                      | 34/3       | 2 6 8                 | 8        |                  | Elec. & Mus. Ind. 10/-        | 34/-                         | 34/3                          | 2 6 8                         |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 20/3                                      | 20/3       | 3 0 0                 | 0        |                  | Gaumont British 10/-          | 20/3                         | 20/3                          | 3 0 0                         |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 38/-                                      | 38/-       | 3 5 9                 | 9        |                  | Gestetner (D.) 5/-            | 38/-                         | 38/-                          | 3 5 9                         |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 85/-                                      | 85/-       | 2 7 0                 | 0        |                  | Harrisons & Cros. Def. £1     | 85/-                         | 85/-                          | 2 7 0                         |                        |  |                      |  |                          |  |                         |  |                                                                                           |  |                       |  |                        |  |
| 39/10 1/2                                 | 40/6       | 3 19 0                | 0        |                  | Imperial Chemical Ord. £1     | 39/10 1/2                    | 40/6                          | 3 19 0                        |                        |  |                      |  | </                       |  |                         |  |                                                                                           |  |                       |  |                        |  |

|                | Changed       | From | To              |                | Changed       | From | To   |
|----------------|---------------|------|-----------------|----------------|---------------|------|------|
|                |               | %    | %               |                |               | %    | %    |
| Amsterdam      | June 28, '41  | 3    | 2½              | Madrid         | July 15, '35  | 5    | 4    |
| Athens         | Mar. 10, '42  | 5    | 6               | Montreal       | Feb. 8, '44   | 24   | 1½   |
| Belgrade       | Feb. 1, '35   | 6½   | 5               | Oslo           | May 12, '40   | 4½   | 3    |
| Berlin         | April 9, '40  | 4    | 3½              | Paris          | Mar. 17, '41  | 2    | 1½   |
| Brussels       | Jan. 25, '40  | 2½   | 2               | Pretoria       | June 2, '41   | 3½   | 3    |
| Bucharest      | Sept. 17, '40 | 3½   | 3               | Rio de Janeiro | May 31, '35   | 5    | 4½   |
| Budapest       | Oct. 22, '40  | 4    | 3               | Rome           | May 18, '36   | 8    | 5½   |
| Calcutta       | Nov. 28, '35  | 4    | 3½              | Sofia          | Sept. 16, '40 | 6    | 4½   |
| Chile          | June 13, '35  | 5½   | 4½ <sup>a</sup> | Stockholm      | May 29, '41   | 3½   | 3    |
| Copenhagen     | Dec. 15, '40  | 4½   | 6 <sup>b</sup>  | Zurich         | Nov. 25, '36  | 2    | 1½   |
| Helsingborg    | Dec. 3, '34   | 4½   | 4               | Tokio          | ...           | ...  | 3-29 |
| Lisbon         | Jan. 12, '44  | 3    | 2½              | Wellington     | July 20, '41  | 2    | 1½   |
| N.Y. Fed. Res. | Oct. 30, '42  | 1    | 1               | Dublin         | Oct. 26, '39  | 4    | 3    |

|                           | Close<br>June 6                 | Close<br>June 13                |                                      | Close<br>June 6                | Close<br>June 13                |                        | Close<br>June 6                | Close<br>June 13                |
|---------------------------|---------------------------------|---------------------------------|--------------------------------------|--------------------------------|---------------------------------|------------------------|--------------------------------|---------------------------------|
| <b>1. Railroads.</b>      |                                 |                                 | <b>3. Commercial and Industrial.</b> |                                |                                 |                        |                                |                                 |
| Atlantic Coast . . .      | 39 <sup>1</sup> / <sub>2</sub>  | 39 <sup>1</sup> / <sub>2</sub>  | Am. Smelting . . .                   | 37 <sup>1</sup> / <sub>2</sub> | 39 <sup>1</sup> / <sub>2</sub>  | Int. Paper . . . . .   | 16 <sup>1</sup> / <sub>2</sub> | 17 <sup>1</sup> / <sub>2</sub>  |
| Can. Pacific . . . .      | 9 <sup>1</sup> / <sub>2</sub>   | 9 <sup>1</sup> / <sub>2</sub>   | Am. Viscose . . . .                  | 44 <sup>1</sup> / <sub>2</sub> | 45 <sup>1</sup> / <sub>2</sub>  | Liggett Myers . . .    | 79 <sup>1</sup> / <sub>2</sub> | 82 <sup>1</sup> / <sub>2</sub>  |
| G. N. Pn. Pf. . . . .     | 32 <sup>1</sup> / <sub>2</sub>  | 33                              | Anacanda . . . . .                   | 25 <sup>1</sup> / <sub>2</sub> | 25 <sup>1</sup> / <sub>2</sub>  | Nat. Distillers . . .  | 35 <sup>1</sup> / <sub>2</sub> | 36                              |
| N.Y. Central . . . .      | 17 <sup>1</sup> / <sub>2</sub>  | 17 <sup>1</sup> / <sub>2</sub>  | Beth. Steel . . . . .                | 58 <sup>1</sup> / <sub>2</sub> | 60 <sup>1</sup> / <sub>2</sub>  | Nat. Steel . . . . .   | 59                             | 60 <sup>1</sup> / <sub>2</sub>  |
| Pennsylvania . . . .      | 29 <sup>1</sup> / <sub>2</sub>  | 28 <sup>1</sup> / <sub>2</sub>  | Briggs Mfg. . . . .                  | 33 <sup>1</sup> / <sub>2</sub> | 36 <sup>1</sup> / <sub>2</sub>  | Phelps Dodge . . .     | 21                             | 21 <sup>1</sup> / <sub>2</sub>  |
| Southern . . . . .        | 23 <sup>1</sup> / <sub>2</sub>  | 24 <sup>1</sup> / <sub>2</sub>  | Celanese of A. . . .                 | 33 <sup>1</sup> / <sub>2</sub> | 34 <sup>1</sup> / <sub>2</sub>  | Proct. Gamble . . .    | 56 <sup>1</sup> / <sub>2</sub> | 57                              |
|                           |                                 |                                 | Chrysler . . . . .                   | 87 <sup>1</sup> / <sub>2</sub> | 92 <sup>1</sup> / <sub>2</sub>  | Sears Roebuck . . .    | 92                             | 94 <sup>1</sup> / <sub>2</sub>  |
| <b>2. Utilities, etc.</b> |                                 |                                 | Distillers-Seag. . .                 | 33 <sup>1</sup> / <sub>2</sub> | 33 <sup>1</sup> / <sub>2</sub>  | Shell Union . . . .    | 26 <sup>1</sup> / <sub>2</sub> | 26 <sup>1</sup> / <sub>2</sub>  |
| Amer. Tel. . . . .        | 160 <sup>1</sup> / <sub>2</sub> | 160 <sup>1</sup> / <sub>2</sub> | Eastman Kdk. . . .                   | 152                            | 164 <sup>1</sup> / <sub>2</sub> | Std. Oil N. J. . . . . | 56 <sup>1</sup> / <sub>2</sub> | 57 <sup>1</sup> / <sub>2</sub>  |
| Int. Telep. . . . .       | 14 <sup>1</sup> / <sub>2</sub>  | 17 <sup>1</sup> / <sub>2</sub>  | Gen. Electric . . . .                | 36 <sup>1</sup> / <sub>2</sub> | 37 <sup>1</sup> / <sub>2</sub>  | 20th Can. Fox . . .    | 24                             | 26                              |
| Pacific Light . . . .     | 48 <sup>1</sup> / <sub>2</sub>  | 50 <sup>1</sup> / <sub>2</sub>  | Gen. Motors . . . .                  | 68 <sup>1</sup> / <sub>2</sub> | 68 <sup>1</sup> / <sub>2</sub>  | United Drug . . . .    | 14 <sup>1</sup> / <sub>2</sub> | 15 <sup>1</sup> / <sub>2</sub>  |
| People's Gas . . . .      | 58                              | 59                              | Inland Steel . . . .                 | 76 <sup>1</sup> / <sub>2</sub> | 77 <sup>1</sup> / <sub>2</sub>  | U. S. Steel . . . . .  | 52                             | 54 <sup>1</sup> / <sub>2</sub>  |
| Sth. Cal. Ed. . . . .     | 22 <sup>1</sup> / <sub>2</sub>  | 22 <sup>1</sup> / <sub>2</sub>  | Int. Harvest . . . .                 | 74                             | 76 <sup>1</sup> / <sub>2</sub>  | Westhouse E. . . .     | 99 <sup>1</sup> / <sub>2</sub> | 100 <sup>1</sup> / <sub>2</sub> |
| W. Union Tel. . . .       | 46 <sup>1</sup> / <sub>2</sub>  | 47                              | Int. Nickel . . . . .                | 26 <sup>1</sup> / <sub>2</sub> | 27 <sup>1</sup> / <sub>2</sub>  | Woolworth . . . . .    | 33 <sup>1</sup> / <sub>2</sub> | 39 <sup>1</sup> / <sub>2</sub>  |

(Continued from page 828)

**Market Rates.**—The following rates remained unchanged between June 8th and June 15th.

**Egypt.** Piastres (97½) 97½-8. **India.** Rupee (184 per rupee) 17½-18½ d. **China.** National \$3-54. **Iran.** Rl. 128-130. **Belgian Congo.** Francs 176½-1. **Peru.** Bolivia and Paraguay, for which no rate of exchange is quoted in London. **Rate for payment into Argentine special account:** 16-17 pesos.

**Forward Rates.**—Forward rates for one month have remained unchanged as follows: **United States.** ½ cent pm-par. **Canada.** ½ cent pm-par. **Switzerland.** 5 cents pm-par. **Sweden.** 3 ore pm-par.

## NEW YORK EXCHANGE RATES

| New York on    | June 7 | June 8 | June 9 | June 10 | June 12 | June 13 | June 14 |
|----------------|--------|--------|--------|---------|---------|---------|---------|
| Cables         | 402½   | 402½   | 402½   | 402½    | 402½    | 402½    | 402½    |
| London         | 90-750 | 90-810 | 90-680 | 90-680  | 90-680  | 90-625  | 90-500  |
| Montreal       | 25-50  | 25-50  | 25-50  | 25-50   | 25-50   | 25-50   | 25-50   |
| Zurich         | 24-75* | 24-75* | 24-75* | 24-75*  | 24-90*  | 24-90*  | 24-88*  |
| Buenos Aires   | 5-16   | 5-16   | 5-16   | 5-16    | 5-16    | 5-16    | 5-16    |
| Rio de Janeiro | 4-09   | 4-09   | 4-09   | 4-09    | 4-09    | 4-09    | 4-09    |
| Lisbon         | 9-25   | 9-25   | 9-25   | 9-25    | 9-25    | 9-25    | 9-25    |
| Barcelona      | 23-86  | 23-86  | 23-86  | 23-86   | 23-86   | 23-86   | 23-86   |
| Stockholm      | 23-86  | 23-86  | 23-86  | 23-86   | 23-86   | 23-86   | 23-86   |

\* Official Buying Rate 29-78. † Free Rate. § Bid.

## CLEARING BANK COMPARATIVE FIGURES

(£ million)

|                                         | May 1943 | Jan. 1944 | Feb. 1944 | Mar. 1944 | Apr. 1944 | May 1944 |
|-----------------------------------------|----------|-----------|-----------|-----------|-----------|----------|
| Capital and reserves                    | 140.3    | 142.4     | 142.5     | 142.5     | 142.5     | 142.5    |
| Acceptances, etc.                       | 95.9     | 100.8     | 99.4      | 97.8      | 96.3      | 97.7     |
| Notes in circulation                    | 1.5      | 1.5       | 1.5       | 1.4       | 1.4       | 1.4      |
| Current, deposit and other accounts     | 3,131.2  | 3,962.2   | 3,896.8   | 3,988.2   | 4,016.8   | 4,050.7  |
| Total liabilities                       | 3,368.9  | 4,206.9   | 4,140.2   | 4,229.9   | 4,257.0   | 4,292.3  |
| Cash                                    | 326.4    | 415.8     | 414.2     | 423.4     | 430.0     | 417.6    |
| Cheques, balances, and items in transit | 125.2    | 133.7     | 130.0     | 135.6     | 131.3     | 137.9    |
| Money at call                           | 133.1    | 157.4     | 149.6     | 154.8     | 164.3     | 172.7    |
| Discounts                               | 290.7    | 138.1     | 123.5     | 113.1     | 148.6     | 174.1    |
| Treasury deposit receipts               | 470.5    | 1,305.0   | 1,264.0   | 1,331.0   | 1,314.0   | 1,309.5  |
| Investments                             | 1,049.4  | 1,148.6   | 1,141.0   | 1,136.2   | 1,152.4   | 1,161.4  |
| Loans and Advances                      | 810.7    | 741.8     | 752.7     | 772.2     | 754.3     | 755.5    |
| Investments in affiliated banks         | 23.8     | 24.1      | 24.1      | 24.1      | 24.1      | 24.1     |
| Cover for acceptances, premises, etc.   | 139.1    | 142.4     | 141.1     | 139.5     | 138.0     | 139.3    |
| Total assets                            | 3,368.9  | 4,206.9   | 4,140.2   | 4,229.9   | 4,257.0   | 4,292.3  |

# THE ECONOMIST

ESTABLISHED 1843

Vol. CXLVI No. 5261

REGISTERED AS A NEWSPAPER

JUNE 24, 1944

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

ONE SHILLING

Through the Atlantic Wall - 833. Normandy and France - 845  
 Policy for Monopoly - 834. Cost of Service - 848  
 Canadian Politics - 836. Building Material Shares - 849

## NOTES OF THE WEEK - 838

The Battle of Normandy; The Abatement of Nuisances; Offensive Defence; Advance on Tokyo; *Solentur Ambulando*; A Finnish Armistice?; Indian Background; In Detention; The Electoral Franchise; Jugoslavs and Greeks; Space and Circuses; The Manpower Budget; The Man and the Job; Time for Action; Menemenjoglu Resigns; Delegated Legislation; Orders for Reconstruction; The New Republic.

## AMERICAN SURVEY - 843

Dewey Before Chicago; The President's Plan; Price Control; Reconversion Programmes; Pearl Harbour Politics; Shorter Notes.

## THE WORLD OVERSEAS - 845

Normandy and France; Supplies to Russia.

THE ECONOMIST, BRETTENHAM HOUSE, LANCASTER PLACE, STRAND, LONDON, W.C.2. TELE.: TEMPLE BAR 3316. ANNUAL SUBSCRIPTION £3.

## THE BUSINESS WORLD

## BUSINESS NOTES - 850

Production and the Invasion; Bombs and Share Dealings; US Silver for India; Russo-Czech Currency Talks; Currency and Trade; Productivity in Industry; Civilian Supplies in America; The Short Loan Fund; Agricultural Mortgage Corporation; Agricultural Education; Film Deal Completed; Burmah Oil Earnings; Cable Company's Strong Position; Radio Engineers Look Ahead; Gas Research; Labour on Transport; The AEU National Committee; Hongkong and Shanghai Bank; Southern Rhodesian Production; Correction; Company Results.

## COMPANY MEETINGS - 856

## RECORDS AND STATISTICS - 860

## THE CHARTERED BANK OF INDIA AUSTRALIA AND CHINA

(Incorporated by Royal Charter 1853)

CAPITAL (PAID UP) - £3,000,000  
 RESERVE FUND - £3,000,000

Branches and Agencies throughout INDIA and the EAST  
 AFFILIATED BANK IN INDIA

THE ALLAHABAD BANK LTD., with 15 Branches & Sub-Agencies  
 The Bank offers a complete Banking Service and provides exceptional facilities for financing every description of trade with the East.

Deposits for Fixed Periods or repayable at call or at short notice are received at rates which may be ascertained on application. The bank also undertakes Trusteeships and Executorships.

Head Office: 38, BISHOPSGATE, LONDON, E.C.2

West End Branch:

28, CHARLES II STREET, HAYMARKET, S.W.1

Manchester Branch: 52, MOSLEY STREET

New York Agency: 65, BROADWAY, NEW YORK CITY

## NATIONAL BANK OF INDIA LIMITED

Bankers to the Government in Kenya Colony and Uganda.

Head Office: 26 BISHOPSGATE, LONDON, E.C.2.

## BRANCHES:

|                     |                   |          |         |                      |
|---------------------|-------------------|----------|---------|----------------------|
| Aden and Aden Point | Cochin (S. India) | Madras   | Kisumu  | Kenya                |
| Amritsar            | Colombo           | Mandalay | Mombasa | Colony               |
| Bombay              | Delhi             | Nuwara   | Nairobi | British              |
| Calcutta            | Kandy             | Rangoon  | Nakuru  | E.A.                 |
| Cawnpore            | Karachi           | Tatcorin | Rutebe  | Uganda               |
| Chittagong          | Lahore            | Zanzibar | Jinja   |                      |
| Dar-es-salaam       | Mwanza            | Tanga    | Kampala | Tanganyika Territory |

SUBSCRIBED CAPITAL ... £4,000,000

PAID-UP CAPITAL ... £2,000,000

RESERVE FUND ... £2,200,000

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

## REFUGE ASSURANCE COMPANY LTD.

Chief Office: OXFORD STREET, MANCHESTER, 1

ANNUAL INCOME EXCEEDS - £14,500,000

ASSETS EXCEED - £85,000,000

CLAIMS PAID EXCEED - £155,000,000

(1943 Accounts)

## AVELING-BARFORD, LIMITED

At a Meeting of the Board of Directors held on Friday, 9th June, 1944, the following Resolutions were passed:—  
 1. It was resolved that dividend be paid on the 1st July, 1944, on the 175,000 Cumulative Preference Shares of £1 each at the rate of 5½ per cent per annum for the six months from the 1st January, 1944, to the 30th June, 1944.  
 2. It was resolved that the Preference Share Transfer books of the Company be closed from the 17th June to the 30th June, 1944, inclusive.

By order of the Board.

E. ODDS, Secretary.

Grantham, 9th June, 1944.

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## THE HONGKONG AND SHANGHAI BANKING CORPORATION

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 RESERVE LIABILITY OF MEMBERS - \$20,000,000

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Chief Manager: A. MORSE, C.B.E.

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|                        |                          |              |
|------------------------|--------------------------|--------------|
| As at 30th June, 1943— | General Bank Balances    | £287,573,949 |
|                        | Savings Bank Balances    | 221,004,631  |
|                        | Note Issue Department    | 149,426,942  |
|                        | Rural Credits Department | 2,464,150    |
|                        | Other Items              | 21,000,375   |
|                        |                          | £682,529,446 |

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London Manager: H. E. Holiday

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CANADIAN PACIFIC RAILWAY COMPANY (Incorporated in Canada with limited liability). Dividend Notice. Preference Stock. At a meeting of the Board of Directors held to-day, a dividend of Two per Cent. on the Preference Stock in respect of the year 1944 was declared payable on August 1st, 1944, to stockholders of record at 3 p.m. on June 30th, 1944. By order of the Board, FREDERICK BRAMLEY, Secretary. Montreal, June 12th, 1944.

## Through the Atlantic Wall

FOR over a year now, the war which had been thrust out in every direction beyond the German frontiers—to the Atlantic, to Alamein, to Stalingrad—has been steadily and relentlessly returning to the Reich. For the German people, it is not only a question of bombing and casualty lists. Underlying everything else, there has been a steady shrinkage of their already very straitened personal *Lebensraum*. In recent months, a new conversion of industry, which is apparently still in progress, has transferred the last margin of production from consumer goods to armament production. This reflects the loss of industrial capacity or the expected loss of capacity on the outer fringe of German Europe. The call-up of the seventeen-year-olds has recently been accelerated. The mobilisation of women has been tightened up. Food supplies are more stringent than they were a year ago. The clothing and housing situation is disastrous. Yet the reaction of the German people is still one of passive acceptance. The mood was broken for a short period at the time of Mussolini's overthrow, but the Nazis were able to "re-stabilise" the situation with the picture of victory and survival to be attained through an inevitable stalemate and an invincible Atlantic Wall—or—as the only alternative—defeat and the total destruction of Germany.

Such was the background of the Allied invasion. Yet now the Atlantic defences have been breached and

the Allies are fighting on the soil of France. True, German counter-propaganda has replied with a good dose of flying bombs and reassuring references to the reserves which have yet to be thrown in and will drive the enemy out again. But this is only tactical day-to-day fencing. The two great myths which sustained the German people are being exploded. They have behind them a run of disasters as long as Italy's last year and, before them, an outlook quite as bleak. Inevitably the question has been raised whether Germany will not now follow in Italy's footsteps and end a hopeless war with an appeal for an armistice.

The analogy is false. Totalitarianism in Italy was not complete. It did not bring about the *Gleichschaltung* of either the Monarchy or the Church. There were rallying points for resistance. The pre-Fascist structure of society continued in a submerged and vestigial fashion, and was able to re-assert itself against Fascism when defeat came. In Germany, this is not the case. There are, of course, bankers and industrialists and churchmen, but they are not part of well integrated and self-confident social groups. They are atomised and impotent. Even the *Wehrmacht*, which is the only non-party structure to maintain some independence, could not, like Badoglio, overthrow the regime to seek an unconditional surrender.

This is really the crux. No German group—not even the most influential group, the Army—can take an



initiative in the matter of peace talks. This is not to say that, if terms were offered, the fact alone might not bring the groups into existence. Definite terms might prove a catalyst capable of organising the split and atomised elements of responsible German society. Obviously "unconditional surrender" is not such a catalyst. If it meant simply that the Germans would not be allowed to bargain over dictated terms, it would be correct and justified. Unfortunately, whatever its original meaning, it is being taken today to mean not terms unilaterally imposed, but an absence of terms. Apparently the British, American and Russian Governments have not yet agreed on the shape of the peace and, to judge by the meagre information which has reached the public, they are not likely to do so. The European Commission is working on the more limited project of an armistice, but so far, even that has not been achieved. There is, therefore, not much point in saying that the production of reasonable peace terms at this stage—not in the form of a promise to the Germans but of a unilateral statement of intentions on the part of the Allies—might, in the next weeks, bring the war to a rapid conclusion. It might quite possibly do so, for the German situation may very soon be ripe for it. But unless there is a radical change of Allied policy in the immediate future, no initiative will be made.

The decisive factor in determining the duration of German resistance is not, therefore, the war weariness and despair of the German people, nor even the readiness of this or that group to attempt the overthrow of Nazism. The decisive factor is the Germans' remaining military strength and the likely outcome of the summer's campaigns. Here there are too many imponderables to permit prophecy with any certainty. The Russian summer offensive is not yet launched. Further Allied landings have been promised. The military operations in Italy and the Balkans may develop on a much greater scale. Yet, with all these uncertainties, it is impossible not to accept the probability of a comparatively rapid German defeat. Mr Churchill, whose estimates of the war's duration have not in the past been over-optimistic, expressed his confidence last week that

although the execution of the plans adopted there [at

Teheran] is far from being complete, it is being steadily unrolled, and the months of this summer may, by the victories of this Allied campaign, bring full success to the cause of freedom.

Mr Churchill's optimism is borne out by a good deal of evidence from Normandy. It appears that the Germans' remarkable shortage of guns has compelled them to bring a large proportion of their armoured reserves into Normandy. There is a limit to which they can repeat the manoeuvre in the face of further landings. It is thus possible to envisage a situation in which France as a whole would become the scene of a genuine *Blitzkrieg*, a war of extreme mobility, with the German High Command ceasing to control its western armies as a single fighting machine.

Even though the Allies cannot make use of the political opportunity of inducing a German surrender now, the need for agreed armistice terms is no less urgent. After the bitter lessons of 1940, 1941 and 1942, the tendency in Britain has been to fear excessive optimism and to accept grimly the likelihood of a very long war. Yet excessive pessimism at this stage might have as inhibiting an effect on sound policy as did the over-optimism of the first war months. Pessimism can easily become an excuse for delaying vital decisions and a cause of catastrophic unpreparedness when the moment of victory arrives. Even if peace terms acceptable to all the Allies have not yet been evolved, it is essential that agreement should be reached at once on the content and methods of a purely military armistice. Such questions as the zones to be occupied, the methods of demobilising the German army, the treatment of enemy civilians and so forth, should not wait for *ad hoc* settlement by military commanders on the spot. The Allies have waited so long for victory that they hesitate to look it in the face now, that it is almost upon them. But it is as necessary to plan for the unfolding of victory as it was for the unfolding of the war. Lack of preparedness sent the Allies into war on the wrong foot. It would be disastrous if, after retrieving the earlier error with so much pain, they were to undermine their victory by the same mistake.

## Policy for Monopoly

IT was widely hoped that time might be found during this week's lengthy and important debate (which is still in progress when this is being written) for a critical examination of paragraph 54 of the White Paper on Employment Policy, which makes a glancing reference to the problems arising from the restraint of production or trade by monopolistic or quasi-monopolistic activities. All the facts required for a precise estimate of the amount of employment which may be withheld from the community by the proceedings of monopolists or trade associations are not, unfortunately, available. But it has been plain for a long time that such facts should be made available and, more important, that remedies should be devised to prevent any distortion of the national effort or any subtraction from the national income arising from these causes.

The large scale of production frequently associated with the most characteristic monopolies has made possible economies in the costs of production and opened new avenues of technical efficiency. This is the answer commonly given by the defenders of the familiar combines in chemical and other branches of production. But monopoly gives no assurance whatsoever that these benefits will be passed on in terms of price or the availability of products to consumers. Moreover, the commonest form of the restraint of trade or production is not the much publicised combine, but rather the combination or trade association, formed ostensibly to further the joint technical and economic interests of the producers or distributors concerned, but in fact operating, in a majority of cases, by one means or another, to protect and advance

the political and purely financial interests of a sectional group. Nor is this a matter which concerns only producers, such as the makers of steel, or distributors, such as the sellers of branded retail goods. It concerns also the buyers of raw materials and semi-finished commodities, for it is possible by monopolistic methods for a single buyer or group of buyers to determine the price at which raw materials or semi-finished goods are sold.

It is necessary, however, to be quite clear about what is at stake in this development towards the greater concentration of economic power in the hands of single firms or single associations. To denounce monopolists simply as restrainers of trade, restricters of output or subtractors from employment would be to miss the point. This is the thesis of a short, timely and clearheaded essay on "The State Control of Business," by Mr. E. F. Schumacher. The problem is not that combines or combinations are by their nature impediments to economic progress. Indeed, by and large, the contrary might be argued. The problem is rather the all-important one of responsibility to the community, of how this power is in fact used—whether for or against the public interest.

It is not possible to put the clock back to an earlier and more primitive stage of technical development. "Combinations," Professor Schumpeter has written, "largely create what they exploit." The question is whether technical efficiency on the one hand can be combined with economic duty to the community, on the other. As Mr Schumacher himself puts it:

the clash of autonomous private power-groups—employer's federations and trade unions, for instance—may

produce open conflict or result in a temporary negotiated peace; it may occasionally lead to what appears as friendly co-operation; but, except by accident, it never leads to policies, or even the formulation of objectives, conducive to the well being and harmony of society as a whole.

"Consumption," said Adam Smith, "is the sole end and purpose of all production." This is what producers and distributors, by the organisation of their power, are in a position to forget. Nor is the consumer in a position to resist them. In general, all consumers are also producers. Mr Schumacher's description of the consumer is again apt:

He is more deeply interested in raising his money wage than in safeguarding the purchasing power of the money he has earned. He is more concerned with obtaining a high price for what he has to sell than with getting cheaply what he has to buy.

Thus, it is only the state itself, by making itself the champion of the consumer, that can finally solve these problems. It is not—or at least not wholly—a question of ethics, of the moral priority of the consumer and the producer. It is a question of economic efficiency. Competition reconciles the individual producer's interest with the community's interest. In seeking to enlarge his own slice of cake, the producer is compelled to assist in enlarging the whole cake. But in a society of monopolies, each individual would be doing his best to shrink the size of the cake. It is the state's duty to prevent such an economic suicide pact among the citizens.

What does the White Paper say on this subject? It admits that there is a tendency towards combines and agreements, both national and international, by which manufacturers seek to control prices and output, to divide markets and to fix conditions of sale. It goes on:

Such agreements or combines do not necessarily operate against the public interest; but the power to do so is there. The Government will, therefore, seek power to inform themselves of the extent or the effect of restrictive agreements and of the activities of combines; and to take appropriate action to check practices which may bring advantages to sectional producing interests at work to the detriment of the country as a whole.

Thus the problem is stated without any solution whatsoever being offered. Mr Morrison's speeches against monopoly are still fresh in mind; but they find no echo here. The language is rather that of Sir Andrew Duncan—and Mr Bevin.

The task is to secure scrutiny and, if necessary, control over the activities of combines and combinations (whether of capital or of labour) in the interests of the community of consumers, without sacrificing or impeding the technical efficiency and potential cheapness which arise from large-scale organisation. The need is not to put brakes on private enterprise, but to ensure that it is in fact enterprising and that the results benefit the community at large. Plainly this will not be done simply by securing from trade associations or trade unions periodic reports

of their activities as they see fit to divulge and interpret them. There is a clear need for a much more independent, impartial and positive policy on the part of the State if responsibility in industrial practice is to be secured.

Without such a policy a solution is being developed by default. That is to say, the aspiration of trade associations (and of trade unions), to be regarded as the sole spokesmen of the industries in which they operate, and to be the sole channels of communication between those industries and the Government, is being in practice accepted. It is largely on this assumption that plans for the reconstruction and re-equipment of British industry and trade are being worked out. Each trade association is asked to state its case and provide the figures. Each trade association inevitably acts, honestly, according to its lights. Its first duty, as the chairmen of trade associations often say, is to its members' shareholders; its obligation is to speak to a sectional brief. Nor is the Government, with its lack both of power and of civil servants possessed of either the authority, the experience or the knowledge to pass judgment in industrial and commercial matters, capable of taking an independent line on behalf of the consumer. The picture of Britain's industrial future is being written piece by piece by organised producers—and the only check to the inevitable bias that must result is the "appropriate action" referred to in paragraph 54 of the White Paper.

Much more than this is required and should be demanded. Indeed, there is reason to believe—and this perhaps should be said in justice to Mr Dalton—that something appreciably more than this was proposed by the Board of Trade to be part of the White Paper, but was turned down in the Ministerial discussion. The obvious purpose of community control or surveillance is to secure that, in the case of an industry or group of industries organised in a monopolistic or quasi-monopolistic fashion, the efficiency of production should be as high as possible; that the level of prices should be as low as possible; and that the quality of production should be as good as possible. No Government policy for industry will be complete unless it is based upon an examination of these problems and propounds solutions.

Certain lines of action seem apparent enough. One, which should be passed into law as soon as possible, is to make it definitely illegal for associations or agreements to fix minimum prices or maximum quotas of output without specific permission from some public authority—a move which would make necessary at once the recruitment to the service of the state of a body of men capable of making correct decisions in these matters, with reference equally to the public interest and the technical requirements. But this would still leave largely unaffected the combine or monopolist proper. Nor would it solve the problems of efficiency, price, profit and quality over a large field of industrial activity.

Here more direct methods, at least of scrutiny and vigilance may be necessary. It is wrong that the Board



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of Trade should be content to rely for its information about all these topics on the single channels or "closed shops" of trade associations. Ministers should be in a position to discover precisely what is going on in every branch of industrial activity without the filter of sectional selection. If the Government's intention "to seek power to inform" itself means merely being the recipient of certain confidences from trade associations, it will mean very little. If it means the collection by independent and impartial means of all the relevant data, and their analysis by experts capable of the kind of costing and "efficiency auditing" of which Mr Morrison at one time used to speak, then it can provide the basis for a more positive policy, wherever such a policy may seem necessary in the public interest.

It is certain that a reform of the company law to ensure the fullest publicity and intelligibility of company accounts is desirable. It is probable that a reform of the patent law to ensure the freest possible pursuit and use of invention is equally desirable. Both these questions are already the subjects of the discussions of Government committees. But the Government still has no comprehensive attitude whatsoever to the wide range of common problems of which these two instances are only parts, and probably minor though important ones. The Government, that is, has as yet no industrial policy. Nor will it acquire one simply by collecting the right statistics, even though this is the indispensable starting-point.

The right to know what is going on, the ability to understand it, and the authority to license or forbid certain activities, even these powers will not go all the way in all cases. It may be that in some instances the appointment of Government representatives on the boards

of companies, or as chairman of cartels or trade associations, would be of some value. It may be that, in other cases, the state's participation should be more direct, by the actual acquisition of a financial interest with a corresponding voice in policy; nationalisation, which is not in itself a policy, is only one extreme form of this method, valid in rare cases. It may be again that, as Mr Schumacher and others have several times suggested, there are instances, such as the supplying of "consumer's goods that play an important part in mass production and enter into the cost of living," where the Government might, in peacetime as in wartime, go into business itself, by acting as the bulk-purchaser of such goods, and so be in the position to determine the quantity, price, profitability and quality of the majority of these goods produced for sale.

Plainly the method adopted must vary from case to case. Plainly there is no single, simple solution. Plainly, however, there must be solutions—and the vague and ambiguous wave of the hand made in the White Paper is not even the beginnings of a programme to deal with monopoly. Is it the Government's view that the British national economy should be based on high costs, on markets protected against competition both from abroad and from enterprise at home, and on the restricted production that these things inevitably entail? That would mean stability and security, of a sort. Or does the Government conceive it to be in the community's interest that the pace of technical progress, of commercial ingenuity and of managerial skill should be forced, even if it be to the harm of existing producers? To these all-vital questions nobody can yet give the first faint outline of an answer.

## Canadian Politics

**T**WENTY-FIVE years ago, the discontent and social strains that inevitably follow a major war assumed in the Dominion of Canada the forms of a more vigorous nationalism, of agrarian political action, and of industrial strife in the larger cities. Canadian nationalism secured its expression through the Liberal Party under Mr Mackenzie King which replaced the Conservatives as a result of the general election of 1921. The anxiety and discontent of the farmers of the prairie provinces who, after the years of the wartime wheat boom, found prices falling and markets contracting, brought strength both to the Liberals and to the newly formed Progressive Party. The malaise of the industrial worker as post-war re-adjustments led to mounting unemployment was reflected in the rise of disparate but not ineffective Labour parties in both eastern and western cities and in the wave of strikes which culminated in the prolonged Winnipeg strike of May, 1919. Thus two out of the three main currents of opinion led directly to the triumph of the Liberals, and the third did nothing to obstruct it.

Somewhat similar currents are again flowing in Canada and this time the focus of at least some of them is the new farmer-labour party, the Co-operative Commonwealth Federation. In August, 1943, this relatively new party gained 34 seats in the Ontario provincial elections, failed by a very small margin to become the largest party in the provincial legislature, and is now the official Opposition to the Conservative Government. Last week, the CCF swept the Liberal Government out of office in Saskatchewan and carried 43 out of the total of 52 seats in the legislature. The new government being formed by Mr. T. C. Douglas, who resigned from his seat in the Federal House of Commons at Ottawa to lead the CCF in his province, will have a clear majority of at least 34. Not a single riding in Saskatchewan returned a member of the Progressive-Conservative Party (as the Conservatives have renamed themselves since Mr. John Bracken assumed the national leadership of the party) and this must be regarded as a severe blow to the theory that Mr

Bracken, as a Westerner and a farmer, would be able to rally the farm vote to the Conservatives. The results of these two elections confirm trends that were already apparent in other recent provincial elections or in federal by-elections in English-speaking Canada. In the provincial general election in British Columbia last October the CCF secured a majority of the votes but not of the seats, and now forms the official opposition. By-elections, both federal and provincial, west of Quebec, have, on the whole, favoured the new party and its socialist programme.

The weakness of the Liberals in provinces such as Ontario and Saskatchewan, where they were formerly strongly entrenched; the somewhat confused conditions of the parties in French-speaking Quebec; and the growth of the CCF in the five provinces west of Quebec

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(Ontario, Manitoba, Saskatchewan, Alberta and British Columbia) as well as to a lesser extent in the Atlantic Provinces—these are the three forms that war and post-war political emotion and thought seem to be taking. There are 245 seats in the House of Commons at Ottawa and a party, to command a majority of them, must carry a very large proportion either of the 82 seats in Ontario or of the 65 seats in Quebec, and it must also secure at least a majority of the 55 seats in the three western prairie provinces. At the present time, an almost unique situation prevails in the House of Commons, for the Liberals have a majority in each of the three decisive areas—Quebec, which not unusually votes solidly for one party; Ontario, which usually divides between Conservative urban regions and rural Liberal regions; and the Western provinces, which divide between the Liberals and agrarian protest movements such as the United Farmers or Social Credit parties. More often, however, the power to form a Government at Ottawa is based upon strong majorities in Ontario or Quebec plus strength drawn from Western Canada.

The present trends in Canadian voting, so far as they have been revealed in provincial elections or in federal by-elections, suggest that the great majority of 176 which Mr. Mackenzie King secured in the general election of March, 1940, is now being threatened seriously in Ontario and the West and to some extent in Quebec. In Ontario, the Liberals, after being in office, are now by far the smallest of the three parties in the provincial legislature. In the Western provinces, Saskatchewan has decisively expressed its support for the CCF; in Alberta, which since the last war has been governed by the United Farmers or Social Credit parties, the Liberals are in a minority. Only in Manitoba do they remain powerful, but even there the CCF is gaining. The trend in the West appears on the whole to favour the new party. It is at least certain that in the West the Liberals are very much weaker than they were and that the Progressive-Conservatives have met with almost no success whatever.

But provincial elections are not an infallible clue to what the voters will do in a national election. And the trends in the third area, French-Canada, where the effervescence created by the competition of several old and new groups appears to be settling, may perhaps give pause to those who are already confidently burying Mr King's Government. Provincial elections in Quebec are to be held shortly, and Mr Godbout, the Liberal Premier, may hold his own, though with reduced strength. His rivals represent the more extreme aspects of French-Canadian nationalism, and nationalism has never been without its hold over French-Canadian minds. But the opposition groups are divided, and Mr Godbout's own effective administration may carry the day. If he fails to do so, then the third base of Liberal power will, like the other two, be seriously endangered and Mr Mackenzie King's defeat at the federal general election, which must come within a year, would not be unlikely. On the other hand, if the Liberals are strongly supported in French-Canada and the Atlantic Provinces, this support, joined with scattered strength elsewhere, may enable Mr King to command a reduced majority or at least be the largest party in the next House of Commons. The Canadian people faced, as they might well be, with the prospect of a House of Commons divided more or less equally between three or even four parties (the Liberals, the CCF, the Progressive-Conservatives, and such French-Canadian groups as emerge), may decide to vote for Mr. King once again.

This, however, is carrying the possibilities beyond immediate evidence. It is more solid ground to accept the trends only so far as they have gone. The agrarian west fears the post-war problems of marketing and its present discontents with the Government are based on the feeling that the urban areas have acquired a disproportionate share in the greatly increased national income. The industrial workers of the cities have their comparable discontents. Both the farmers and labour have, in large measure, turned to the CCF, as a vehicle for

their hopes and fears, and the CCF has benefited, apparently, even to a greater extent than the Conservatives, from the inevitable criticism that gathers about a Government long in power, and bearing, with whatever skill and efficiency, the burden of the conduct of a war. To somewhat the same extent, the forces of Canadian nationalism also loom to the CCF, which, perhaps as the result of its compromising attitude at the outbreak of the war, has inherited such isolationist or "continentalist" views as remain among the Canadian electorate.

The CCF is thus in some respects an expression of those same three forces which, operating then as now in the conditions of war or its aftermath, brought down the Conservative Government of Sir Robert Borden in 1921 and placed Mr Mackenzie King in office for two almost uninterrupted decades. The manifest difference between the position of the Liberals in 1921 and that of the CCF to-day, however, is their relative strength in French-Canada. In Quebec, the CCF has a few ridings more or less organised, but it has made no serious impact whatever, even in French-Canadian industrial areas, and in spite of the recent withdrawal of the opposition of the Catholic hierarchy. In 1921, the Liberals gained power largely through the almost solid sweep they made of the province. There is little likelihood that the CCF will make much headway in Quebec, and it is not, perhaps, too much to suggest that the fate of Mr King's Government, in view of the strength of the CCF in the West and of the Conservatives and the CCF in Ontario, will be determined by the extent to which it retains the long-standing loyalty of the French-Canadian and Catholic voters of Quebec. This fact of domestic politics goes a long way to explain some of the external attitudes of the Canadian Government in recent months.

If Mr King, by retaining his hold on Quebec, should scrape home in the general election, then the CCF might turn out to be less comparable with the Liberals of 1921 than with another phenomenon of that period, the Progressive Party. Led by Mr T. A. Crerar, who is now a member of Mr King's Government, the Progressives won some 60 seats in Western Canada and Ontario in 1921. The CCF, like the Progressives, began in the prairie provinces, and the Progressives, like the CCF, had Labour support, particularly in the provincial field, where the combination of rural and urban discontent returned United Farmer governments to power in Manitoba, Alberta, and Ontario. Indeed, it is to these post-war days of twenty years ago that the origins, if not the organisation, of the CCF itself dates back. Associated with the Progressives, both nationally and provincially, there were Independent Labour Parties. When the main body of the Progressives merged at Ottawa with the Liberals, there remained a group of some 16 members, led by the late J. S. Woodsworth, representing the United Farmers of Alberta and the Independent Labour Party of Manitoba. This "ginger group," as it was known, survived the next two elections and in 1932, on the initiative of Mr Woodsworth, a conference of political farm and labour movements was called in Calgary to discuss the position of the unemployed and the distressed farmer. A further convention was held in Regina in 1933, and there the CCF adopted a constitution and a programme known as the Regina Manifesto. From the "ginger group" that first came into the House with the Progressives in 1921, the origins of the CCF may thus be traced; from the Regina convention, there flowed a new and expanding organisation and an assertion, for the first time on a national scale, of a socialist ideology.

Socialism is not an entirely new phenomenon in Canadian politics. The isolated labour parties of Winnipeg, Vancouver, and Toronto have long professed it, but it has not before been the creed of a party organised on a national scale. Nor has it hitherto been received with approval by any substantial proportion of the electorate. The CCF brand of socialism is that of the British Labour party and of the Fabian Society, imported partly by former members of the British Labour party or by Rhodes scholars (two of whom are Chairman and Secre-



tary of the CCF while a third is the leader of the CCF opposition in Ontario). But British Labour socialism has not been imported unaltered, and one of the modifications, the recognition of the individual farmer's ownership of his land, is an important evidence of the individualist outlook of Canadian agriculture and of the CCF's dependence upon the English-speaking farmer's support. With respect to industry and finance, the CCF programme is wholly socialist and it is stated with determination. The CCF is a party of "planners" and its outlook may be roughly compared with that of New Zealand in agriculture and foreign trade and with that of the British Labour party in industry and finance. Mr M. J. Coldwell, who succeeded Mr Woodsworth as leader three years ago, has demonstrated a high capacity as a parliamentarian and as an able, sincere, aggressive critic of the present order. Among his followers are others of comparable if not equal ability, and they have shown some skill in political manoeuvring and electioneering as well as in the exposition of the CCF creed. In twelve years, the new party has moved from

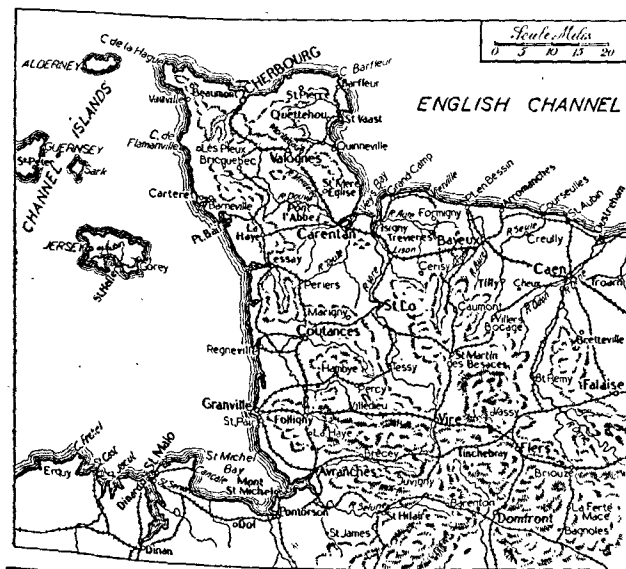
the position of a divided and sometimes clamorous protest movement to a responsible organisation with an established programme and a strong position in the country. The CCF, in some circumstances, might perhaps be the largest party in the next House of Commons and thus give emphasis to the comparison between the present and the conditions of some twenty years ago. This is, however, no subject for safe prediction, and Mr King, whose tactical skill and readiness to respond to changes in Canadian opinion are unmatched, may outmanoeuvre the CCF as successfully as he has the Conservatives.

But it is quite clear that the rise of the CCF has changed the balance of forces in Canadian politics—and in a direction completely contrary to the trends of opinion in the United States, which might be expected to overflow the border. While American parties are moving to the right, all the Canadian parties are moving to the left. Indeed, the present rhythm of Canadian politics seems to be much less in step with that of the United States than with the trends of political thought in the United Kingdom and throughout the Commonwealth.

## NOTES OF THE WEEK

### The Battle of Normandy

The week's fighting in Normandy has seen the swift American surge across the neck of the Contentin Peninsula and northwards towards Cherbourg. The situation in the centre of the front around St. Lo, and on the eastern flank, around Caen, has not greatly changed. The surprising feature of the fighting has been the extremely heavy concentration of the enemy's armour in the Caen area. Four or five Panzer divisions out of the total of between seven and eight which Rundstedt is believed to have at his disposal in France have been identified here. That the enemy should have thrown so high a proportion of his armour against General Montgomery's eastern flank suggests that he either



contemplated the carrying out of an offensive move against the Allied bridgehead in this sector, or that he anticipated an attempt by General Montgomery to thrust out eastwards towards the Seine estuary. As it happened, however, while the British and the Canadians contained the enemy's superior armoured forces on the river Orne, the task of the Americans in the Contentin was thereby decisively aided. The German defence of the Peninsula was clearly handicapped by shortages of men and equipment. The only hope here lies in the fortifications of Cherbourg, which, as German military spokesmen boast, have been strengthened and supplemented by landward defences. But the likelihood that the Germans may turn Cherbourg into another Sebastopol is very slight indeed. Cherbourg is completely cut off from German reinforcements and supplies; and the morale of its garrison, which consists of two second-rate divisions, does not seem to warrant the expectation of unusually heroic deeds. The puzzle that emerges from all re-

ports from Normandy is still the question of what reserves in men and equipment the German Command possesses. If it is true, that Rundstedt has already thrown in more than half of his armour against the Allies, with so poor results, then the outlook for the defence must be bleak indeed. But it may be that the Panzer divisions engaged in the Caen area form a much smaller proportion of the reserves than reports suggest. Even so, the fighting in Normandy has revealed the striking inadequacy of Rundstedt's artillery, the weapon that was regarded as largely eclipsed by the tank in the first two years of the war, and that has since regained its prominent rôle. The Allied air force has remained undisputed master over the battlefields and over communication lines in the rear, in spite of unfavourable weather. Wednesday's 1,000 bomber raid on Berlin gave the Germans tangible proof of the sufficiency of the Allied reserve in aircraft that makes possible simultaneous strategic and tactical bombing. It is still conceivable that behind the armoured screen on the river Orne the Germans may be massing forces for a major battle in Normandy. But, with every week and day that passes, General Eisenhower is pouring more and more men and supplies into the Norman bridgehead; and it is obvious even to the layman that the forces allocated to this sector of the French coast can form only a fraction of the invasion armies at his disposal.

### The Abatement of Nuisances

Probably the most intractable problem raised by the German "flying bomb" is that of finding a fitting name for it. The official description of "pilotless aircraft" is not satisfactory; nor, for different reasons, are either the characteristic and attractive title of "doodle bug" given by American flyers, or, though it fits in with ordinary conversational usage, the BBC's characterisation of them as "things." Probably "flying bomb" is the term that history will accept, rather than "robot," which is much used in the press. There are two outstanding facts about these missiles, apart from their nuisance value. The first is the remarkably light weight of the attack compared with the air bombing to which the people of this country once became hardened. Compared with the blitz, this is fuss and bother—no more. Compared with, say, the shelling of Leningrad, it is puny. Compared with the Allied bombing of Germany, it does not register at all. The second fact is that Allied defence measures cut down the threat, such as it was, from the outset. It is not necessary to accept in full detail the Air Ministry's estimates of what might have been our fate, if Bomber Command had not hit the projectors of these things before they were used, to see what an effective defence has already been provided by the combination of bombing, gunfire and fighter interception. In fact, when the earlier experiences of the people of this country are remembered it is with more than a blush that we accept the very warm tributes of the American press to our national fortitude, in this new situation.

### Offensive Defence

It seems that the "military idiocy" so vigorously attributed by the Fuehrer to the successful war-making of the Allies has gained the upper hand in one sector at least of the German war effort. It may be true that one practical reason for the use of the flying bomb has been the inability of the Germans to find men and materials for more conventional and more effective weapons of attack from the air. Even so, something of the effort, ingenuity and resources which have been put into these things might have been of no inconsiderable use to the *Luftwaffe*. The diversion of some part of the immense Allied air strength to deal with these missiles has caused them to be described by some anxious persons as "Hitler's ARP." But the diversion is, proportionately, nothing like so big as this would suggest. No near or distant aid to the Allied troops is in the least lessened; and the programme of "strategic" bombing is only slightly affected. No civilians will ask for a weakening of the Allied attack. The commonest explanation for these disturbing antics is that they have cushioned the shock caused to the German people by the success of the invasion of Normandy. Certainly the fantastic stories told by Goebbels and his minions about the catastrophic effect of the flying bombs upon life and property in this country suggest an almost exclusively propaganda motive—especially since it has been accompanied by the hint that this may be only the first of a series of so-called secret weapons. This fantastic episode, executed with all the serious solemnity so characteristic of its authors, would appear to be an instalment of the much-trumpeted "offensive defence" about which such a lot has been written and spoken in Germany. Maybe there are other tricks in store, other shifts and devices to hide, without any success, the writing on the wall. Maybe in another war the flying bomb, perfected, might be a real military factor. No doubt, in the course of this odd process of proving some sort of neo-Clausewitzian doctrine, a very few people and families here will suffer tragically. But, in terms of military strategy—and whatever other peculiarly German ingenuities may yet be in store—this is, historically, just nuisance and farce, of no moment at all compared with the bombing which the Allies can and will inflict upon both the German troops and the German people. The latter may be the last to realise the futility of it all, but it will not take them very long to do so.

### Advance on Tokyo

During the last months American forces in the Pacific have steadily encroached on the inner groups of islands defending the home waters of Japan. The Japanese garrisons have fought ferociously; but a curious feature of the defence has been the relative absence of opposition



in the air and on the sea. Indeed, on the sea, there has been no major naval engagement since the Battle of Midway two years ago. The only obvious reason for this inactivity is the reluctance of the Japanese High Command to risk their shrinking resources in anything but a really decisive action. Now, however, the successful American landing on Saipan seems to have convinced the Japanese that the dangers of delay are even greater than the dangers of engaging battle. They have already staged over Saipan the largest Japanese air attack in the Pacific area, and been decisively beaten off with heavy losses. The turn of the Japanese Navy has followed. The American Navy has been in contact with a Japanese fleet between the Philippines and Saipan. Admiral Nimitz has tempted the big ships into action. The reason is obvious. Saipan, only 1,300 miles from Tokyo and an important naval base, is the last but one of the stepping stones to the Japanese mainland. It matters very little whether the Japanese forces still hold the Dutch East Indies, Malaya or the Philippines if American ships, based on Yap, Palau, Guam, Saipan and Bonin, can cut across their sea lanes and snip off the tentacles of the octopus near the body itself. Nor will the holding of Sourabaya or Singapore protect the mainland if American aircraft can strike at it from nearby Pacific bases. From air bases in China a new and improved design of Fortress was used last week to bomb Japan. Bases on the Pacific side would make possible a bombing shuttle service. The Pacific islands must be cleared if war is to be kept from the Japanese homeland. So at last the Japanese reserves—aircraft and the Grand Fleet—are being moved into the open.

### Solitur Ambulando

An extremely paradoxical situation has arisen over the question of civil administration in France. Normally, when a policy of such vital importance has to be decided, the procedure is to pass from a general agreement on principle to a theoretical working out of detail, and thence to the concrete application of the agreed plan. In France to-day, however, this procedure is being exactly reversed. When General de Gaulle returned from France last week he left behind him M. Francois Coulet as French Commissioner for Normandy and Colonel de Chevigné as commander of the liberated areas in the Third Military Region. It does not seem that this move had been either forecast or agreed upon. But M. Coulet has already been at work, in *de facto* co-operation with the Allied military commanders, for some days; his office is established in Bayeux; known collaborators are in gaol; and the Vichyite *sous-préfet* has been dismissed. In London negotiations on the technical details of administration have started between a French team of experts under M. Viénot and a British team led by Sir Henry MacGeagh. Yet at the very highest level, in Washington and in London, there is apparently still no agreement, even in principle. Such a situation is obviously a potential trouble breeder. General de Gaulle has, however, returned to North Africa satisfied with his visit, and it is generally felt, in London and in Algiers, that an understanding is on the way. The first reason is the excellence of the General's first choice of representatives. M. Coulet is apparently a man of judgment and commonsense. His work of organising liberation in Corsica gives him a solid factual experience on which to draw. His relations with General Eisenhower are said to be good, and it is likely that the military leaders at Washington will themselves press for a more general agreement. The atmosphere surrounding the London talks is also optimistic. The British and American agreements with the other Allied Governments are serving as a model for the proposed treaty, and it will no doubt be possible to include in it sufficient safeguards of the provisional nature of the French administration to reassure President Roosevelt. If, when General de Gaulle visits Washington, he has behind him both the warm recommendation of the Allied military leaders in France and the text initialled in London of an Allied agreement, it is hard to believe that the President will hesitate any longer. It is only unfortunate that he has had to hesitate so long.

### A Finnish Armistice?

The men in Finland who opposed the conclusion of a separate Russo-Finnish peace in March did so

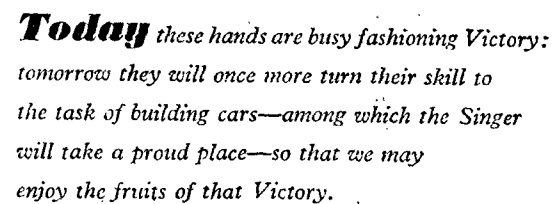
The letters which passed between Lord Wavell and Mr Gandhi early this year, when the latter was still in detention, have now been published. They add little to what was already known; but they throw a significant light both upon the policy of the new Viceroy and upon the political background of the present move towards economic planning, among officials and politicians alike. Broadly, Lord Wavell makes two points in his letter to Mr Gandhi. The first is that the policy of the Congress Party, represented by the resolution calling upon the British to quit India, and by the violent disturbances which followed the arrest of Mr Gandhi and his colleagues, has been a direct threat, not only to the wartime safety of India, but also to "India's progress to self-government and development." The second point is an appeal for co-operation in the solution of India's economic problems by "hard steady work." In his reply, Mr Gandhi denies the charges of political sabotage and refuses the plea for economic co-operation—an attitude which he apparently still maintains since his recent release. "Congressmen (he

Because of shortage of manpower, many local authorities are unable to carry out the provisions of the Bill passed last year to secure electoral registration on the basis of two months' continuous residence. Mr Morrison has therefore decided to introduce a Temporary Bill which will simplify the procedure of registration. Under this Bill, instead of the continuous residence qualification of two months, a civilian will be registered if he is living in the constituency on the date on which the election is started, and the qualifying date will be put back one month. This will ensure that any newcomer to a constituency will have lived there for not less than a month before the issue of a writ, or not fewer than eleven weeks before polling day. The Bill is a makeshift measure. It will only apply to by-elections, and will be withdrawn as soon as the necessary clerical staffs are available to cope with the more complicated machinery of registration under the 1943 Act. The new register, on this basis, should be completed within the next two or three months. By-election results will be more representative than hitherto, and it will be interesting to see the effect of the enfranchisement of the younger age groups who at present, being unregistered, have no votes. Criticism has been expressed by many MPs that Service people will not be covered by the new arrangement. This, Mr. Morrison declares, is largely the responsibility of the Service departments, which have now agreed to

The new Yugoslav Prime Minister, Dr Subachitch, has met Marshal Tito on liberated Yugoslav soil. The first serious attempt has thus been made to bridge the gap between the King and the Partisans. These attempts could and should have been made much earlier, before internal strife produced so much bitterness and violence between the contending factions in Yugoslavia. The present difficulty in the Balkan countries seems to be not so much to get the political leaders to agree as to persuade the guerillas on the spot to accept the agreements signed by their leaders. To conclude a political truce on paper is one thing; it is quite a different matter to make the rank and file of the various factions "cease fire." Resentments have been allowed to grow on all sides. This difficulty has again been illustrated by the hitch that has occurred in the realisation of the Lebanon truce recently concluded by the Greek leaders. M. Papandreou has set up his new Greek Government. But the leaders of the EAM resistance movement are still trying to persuade their followers in Greece to accept the truce. M. Papandreou has declared that if the EAM leaders do not join his Government within the next few days he will denounce them before the whole Greek nation. Whether these threats will help to make the much-desired Greek unity any more of a reality is doubtful, to say the least. The leaders of the EAM, on the other hand, have evidently shown a poor grasp of the situation if they hoped that the truce, as it was formulated in the Lebanon, would be readily accepted in Greece. An amnesty for the sailors of the Greek Navy in the Middle East would probably be an earnest of good will on the part of the Royal Government, and would perhaps facilitate the task of the EAM leaders in Greece.

There can be no quarrel with the decision of the London County Council to spend £1,000,000, spread over a period of five years, upon improving the amenities of its parks and gardens. But it is generally felt that what is wanted in the first place is not so much the betterment of present open spaces as more of them. There are, at present, 8,600 acres of public open space in the County, or less than 2½ acres per thousand of the population. If the minimum basis is taken of 4 acres per thousand proposed by the County of London plan—a basis only made on the assumption that an extra 3 acres per thousand are to be provided outside the County area—and if allowance is made as well for the proposed decentralisation of population, a formidable gap will have to be filled. In any case, absolute figures for the whole County give a false picture of the real problem, which lies in the maldistribution of existing open spaces between districts and between functions. The East End and the South bank boroughs not only contain hardly any public open space at all; they possess virtually none of the limited amount of privately

The full story of the mobilisation of the nation's manpower and of the industrial preparations for the offensive will perhaps *not* be known until after the war. In the meantime the public must be content with the broad outlines of the picture and with the knowledge that the very impressive military achievements have been made possible by the no less impressive achievements of the productive machine. It seems a pity that the authorities should be so reticent in giving details. The Americans are more frank in publishing their production and manpower statistics—as they have been also in giving the invasion casualty figures. At this stage of the war, comparative figures for British industry would hardly be of assistance or solace to the enemy. Mobilisation is now over four years old, and the smoothness with which the present results have been achieved has been largely due to the co-operation of the people, their compliance with directions and especially to the part played by women in industry. In all, more than 30 million people have been registered, and over 7 million



**SINGER MOTORS LTD** COVENTRY AND BIRMINGHAM



interviewed. According to a Ministry of Labour statement, the peak of mobilisation was reached in November, 1943, and for the past six months, industry has been geared up for "the maximum impact on the enemy." The task has been to transfer the available labour from work of lesser to higher priority, and to produce specialised invasion equipment, such as landing craft and waterproofed tanks and vehicles. Often the jobs were so secret that the workers did not know the purpose of their transference, and in the process, many complaints of redundancy and idle time have been heard. The most fascinating part of the story has yet to be told—the method and pattern of mobilisation, the compilation of the manpower budget, the allocation of labour to the various jobs, with the periodic revision of the budget to meet changing strategic requirements. The lessons learned in the war can be invaluable both in the transition to peace and in the post-war period. A manpower budget, complementary to the capital budget, is recognised in the Employment White Paper as an essential part of post-war policy. Labour exchanges, too, have become better equipped; their officials, though often short-handed and not infrequently ill-suited for this work, have at least acquired added experience of dealing with human problems; and they have had constructive instead of negative work to do in placing people in jobs rather than merely paying out unemployment benefit.

### The Man and the Job

Whatever decisions, by the influence of policy on general economic conditions, may be taken to secure and maintain full employment, there will always remain the problem of fitting individual men and women into individual jobs. The better the machinery for securing that men and jobs fit one another the higher the dividend, not only in physical output, but in political stability and human happiness. But the task of securing this result, difficult enough in normal times, will be much more so in the context of remobilisation when the German war is ended. This is the problem to which Sir Ronald Davison addresses

himself, in the latest number of the "Target for Tomorrow" series ("Remobilisation for Peace." Pilot Press. 4s. 6d.), and for which he propounds the outlines of a solution. The basis assumed is that war will end in Europe early next year; that hostilities will continue for two years or so in the Far East; and that this will mean substantial demobilisation from the Army and from war factories, the release of civil defenders, but only a very moderate reduction in the strength of the Navy and Air Force. On this basis, Sir Ronald sees a possibility of a reasonable balance between the numbers available and the jobs which will have to be filled within a matter of months; but he foresees also that many of the jobs will not be those desired by the workers, and that many will also not be permanent. His solution, in the very broadest terms, is, on the one hand, the continuance, possibly even the extension, of existing powers of direction—with corresponding obligations upon employers—and, on the other, a complete modernisation of the machinery and facilities of the Labour Exchanges. The Labour Exchange, when it can only offer a man a job for which he is not suited, should retain his name and qualifications, and on its initiative advise him of any vacancy which he is well suited to fill. The aim should be to provide for all trained employees the sort of service which professional vacancy organisations have attempted to secure to their members.

### Time for Action

Mere machinery, however essential, will not be enough to ensure success in the solution of either short or long term problems of finding suitable employment during the demobilisation period for all those with definite qualifications. The individual will need advice about what jobs may be "suitable." Sir Ronald Davison appears to favour the continuance of the system of grading which has been adopted by the armed Forces during the war. The employer will have to find some means of enforcing discipline other than the right to sack on the spot, and the main concern of the trade unions will not have to be merely to exact fair terms, but rather to advance the economic progress of their industries. Five years ago it might have been considered that these suggestions amounted to a "change of heart" too large to be expected. But the sharing of responsibility during the war may have brought some change. Certainly everyone must share the hope expressed by Sir Ronald that "our trade unions will play a direct and active part in modifying any rules and practices which impede progress." Without this sort of attitude on the part of both employers and workpeople, individually and collectively, it is difficult to see how either full employment or the fitting of the man to the job can in practice be secured. Sir Ronald's suggestions appear to represent the sort of compromise which the British might be expected to accept. They are, essentially, a continuance of trends already present. But, if the machinery is to be ready when the cease fire sounds in Europe, a good deal must be done in a very short time.

### Menemenjoglu Resigns

The Turkish decision to ban the passage of all German warships through the Straits and the resignation of the Foreign Minister, Mr Menemenjoglu, are two more twists to the rather involved and tortuous course of Turkish foreign policy. In so far as it is permissible to speak of different trends of policy in a system as unified as that of Turkey, it has been apparent for some time that two lines hold the field, competing with each other and supported by different groups. On the one hand, a policy of strict neutrality is naturally favoured by the German Embassy and is advocated by Turks sympathetic with the German point of view and by strong believers in complete Turkish "independence." Menemenjoglu probably belongs to the last of these three groups. On the other hand, most of Turkey's leading statesmen and Turkish public opinion in general support the alternative policy of "all aid to the Allies short of war." The Turkish Government has pursued neither policy consistently, for although its leading personalities would have preferred the second policy of friendship and co-operation, the emphasis was always on the limiting factor "short of war," and whenever the risk of direct participation grew to any proportions, then

Turkish policy veered back to strict neutrality. Since the turn of this year the risk of actual fighting has steadily receded. Turkish policy has therefore returned to insistence on the alliance with Britain and on the obligations of friendship. The complete ban on chrome exports to Germany was one aspect of this policy. The ban placed on the passage of German ships is another. Unfortunately for the Turks, the very neutral character of their past policy has left its mark on the attitude of the Allies; and Turks are beginning to realise that their country, which started the war on the best of terms with both Russia and Britain, is ending it rather out of favour with both victors. This is the background of Mr Menemenjoglu's resignation. It is partly his personal dissent from any departure from neutrality; but he is also being made a scapegoat for the unfortunate consequences that neutrality has brought about.

### Delegated Legislation

After the Home Secretary's speech in the debate a month ago on the dangers of delegated legislation, accepting the proposal of a Select Committee of scrutiny, the Government has now tabled a motion proposing the members and the scope of the Select Committee. The Committee will have the task of watching over the Orders, Rules and Regulations made by Government departments under the powers delegated to them by Parliament. The House of Lords already has a committee of this kind, but its work is confined to Orders concerned with the public utilities, gas, electricity, water and so on. As a method of making the Civil Service more wary of seeking powers, the proposed committee may indirectly have many good results. Its terms of reference are wide. It will be given the responsibility of drawing attention to any regulation which involves payment to or by the Exchequer or a local authority, which is exempted from the challenge of the courts, or which is believed to go against the intention of Parliament, as well as to any regulation whose publication has been delayed or whose meaning is not altogether clear. It will not have power to question Ministers, whose responsibility must always be to the whole House; but it will be able to call for a spokesman or a memorandum from the department concerned. The MPs whom the Government propose should sit on the Select Committee have almost all taken an active interest in the question, although those who had shown themselves most emotive on the subject have been wisely excluded. Most of the agitation had come from Conservative benches, and half the committee will come from that Party. Among the rest, such members as Mr Moelwyn Hughes, it is to be hoped, will provide a useful balance against any tendency to delay the implementation of urgent post-war legislation. It was he who in last month's debate opposed the suggestion on the grounds (used by Mr Morrison a year before) that its results would be obstructionist rather than progressive.

### Orders for Reconstruction

Recognition that reconstruction will require some adaptation of Parliamentary procedure was given by Mr Churchill on Tuesday. He told the House that the Government intended to ask for powers to make Orders for certain purposes (particularly in connection with a national water policy) which in normal circumstances would be dealt with by Private or Provisional Order Bill. In view of the urgency of many post-war measures, the protracted stages necessary for the latter would be undesirable. The procedure with regard to Private Bills could be hardly less suitable, since although petitions may be brought against the Bill by all those with a *locus standi*, yet this opposition is not directly brought to light on the floor of the House, where, moreover, the passage of the Bill can be delayed for six months on a resolution moved by a Member. The new Orders are unlikely even to be entirely suitable to the procedure of a "hybrid" Bill (i.e. a public Bill which affects the rights of a particular person or group of persons, as opposed to a Private Bill proper which secures powers additional to or in derogation of the general law, usually for the benefit of any person or persons). The Government is to propose a compromise solution, by which national policy can be protected against private interests and *vice versa*. This is to be achieved by establishing the rule that national policy can only be challenged on the floor of the House, and that amendments to the Order, which, in any case, will not be allowed against its main purpose, shall be made through the mechanism of a Select Committee of both Houses. The Government's intention to take the sense of Parliament in matters of this kind is much to be welcomed. It has seldom been more important that the methods of Parliamentary procedure should be fully adapted to the changing needs of the time.

### The New Republic

Iceland has celebrated the achievement of its independence in a ceremonial gathering in the ancient fields of parliament, the Thingvellir. Messages of goodwill were received from the Governments of the United States, the United Kingdom, the Scandinavian countries, the exiled Governments of Poland and the Netherlands and the Provisional Government of the French Republic. King Christian of Denmark, who had pleaded with the Icelanders in vain to delay the separation, has apparently become resigned to the determination of the country to achieve its full sovereignty. He has expressed his best wishes for the future of the people and for the strengthening of the ties uniting Iceland with the other northern countries. The constitution of the new Republic, so far as it differs from the old one, has now been promulgated and the Regent elected President for the coming year. This final act of separation, carried out in peace by the oldest democracy in Europe, is, in a sense, an act of faith in the future of European security.

## AMERICAN SURVEY

### Dewey Before Chicago

With the opening of the Republican Convention only a few days off, Governor Dewey has pledged or publicly claimed delegates amounting to 391; Governor Bricker, 65; Lieut.-Commander Stassen, 34; 484 delegates are uninstructed; and there is a scattering of delegates for "favourite sons." Governor Dewey's strength still falls short of the necessary majority by 138; and the general assumption that he will be nominated may possibly be upset. There are reports that since Mr Willkie's massacre in Wisconsin the party's high command has regretted the vigour with which it removed its main possibility of hedging against the New Yorker. In ridding itself of Mr Willkie, the party gave Governor Dewey something of a free ride, and there are fears that if he should win in November he may fail to exhibit suitable gratitude. With Mr Willkie still in the ring the possibility of a deadlock would have allowed greater freedom of choice and scope for bargain-

ing. Governor Bricker's supporters still assume a confident air; and it is likely that the anti-Dewey movement is stronger than Governor Bricker's 65 delegates suggest. It is said, indeed, that Governor Bricker may be a stalking horse for Senator Taft, who of all Republican figures is potentially the most powerful, should Governor Dewey fail to win on the first ballots and a period of horse-trading set in. This is the hope—admittedly rather remote—of such dark horses as Lieut.-Commander Stassen, Senator Burton, and Supreme Court Justice Roberts. No doubt powerful influences in the party would prefer a more amenable and more "regular" candidate than Governor Dewey. But far outweighing this is the folly of passing over such a vote-getter as he has proved himself. It is assumed that he can carry the critical state of New York for the Republicans, and any faint doubts in Republican breasts about the result in November will reinforce his claim to the nomination. Even more potent in crowding the bandwagon is a strong sense of the desirability of being recorded

WHEN will you  
get *Black Magic*  
again?

[WE GIVE YOU ONE GUESS]

All the nice things that used to be in *Black Magic*  
Chocolates — are they dead?

No.

They exist.

But they might as well be dead, for all the use  
they are.

The Mauritius sugar that gave the tang to the  
*Black Magic* caramel — it's in Mauritius.

The Valencia almonds that went into the *Black*  
*Magic* truffle-and-nougat and montelmar —  
they're in Valencia.

Brazil is no longer where the nuts come from.  
It's where the nuts stay.

Venezuela no longer sends us its peculiar fruity  
cocoa beans. It sends us petrol.

We didn't use petrol in *Black Magic*.

All the nice things are in all the nice places—  
except Britain.

They'll come again. When they do, so will  
*Black Magic*.

You can call that a threat or a promise, as you  
please.

ROWNTREES

as "for Dewey before Chicago." Governor Dewey may not reward his friends; his record for appointments in New York State has been kept on a high level. There is a legend, however, that he does not forget his enemies. Few politicians do.

### The President's Plan

On the eve of the Presidential campaign, Mr Roosevelt has made public his thoughts on the nature of an international organisation to preserve the peace and guarantee stability in world relations. Mr Roosevelt emphasised the non-partisan spirit in which the consultations on the plan had been carried on; and the nature of the plan, as well as its timing, reflect his hope that the issues it concerns may be lifted out of the party conflict and that an early agreement may be reached. The outstanding features of this compromise are Mr Roosevelt's flat rejection of a

super-state with its own police forces and other paraphernalia of coercive power.

and the proposal, very much on the model of the League, for the participation of the small nations, through their elected representatives, in the deliberations of the Council. The plan envisages an Assembly, of which all nations would be members, and a Council, elected annually by the Assembly, to include permanently the four major nations and a "suitable" number of other nations. Under this arrangement, the nations would individually provide the force, according to their capacities, for the joint action necessary to prevent war. The plan has been criticised in America for not being sufficiently concrete; for merely veiling the tyranny of the Big Four; and, on the other hand, for abandoning the plan for an international police force. In particular, there have been demands for more information about the machinery proposed to set the forces of law and order in action against an aggressor. So far neither Mr Roosevelt nor Mr Hull has felt free to expand the bare outline of the scheme. No doubt many of the American people are ready to accept more than they have been given. But it is essential to have the plan accepted on a truly national scale. Should its principles be endorsed in the Republican platform drawn up at Chicago this week, the way will be clear for further elaboration.

### Price Control

The Bill to extend the life of the Office of Price Administration has now been approved by both House and Senate. In the Senate there was attached the Bankhead amendment, designed to raise price ceilings for cotton textiles, and thus the price of cotton. The House has defeated this proposal, but has added two of its own, over the protests of the Administration. The first provides that OPA's orders may be challenged in Federal district courts, rather than merely in the Emergency Court of Appeals created for that purpose, and which business men feel is very much another arm of OPA. The Administration's opposition is based on the belief that the result would be a flood of conflicting decisions which would paralyse price control until the Supreme Court could make decisive rulings. The other House amendment would deprive OPA of the right to suspend a dealer's licence for violating the price ceilings. These more general restrictions are more dangerous to the efficiency of price control than attempts to promote special interests, like the Bankhead amendment. In fact, Senator Bankhead may not have been sorry to see his proposal drastically modified by the conference between the two Houses, now that he has shown his constituents a degree of activity in their behalf. It is even possible that in the conferences the Administration may succeed in eliminating the House amendments, although the right of appeal to ordinary Federal courts is one on which most business groups feel very strongly. It is being widely suggested that the President would have no hesitation in vetoing a Bill crippled by amendments, and as the deadline for extension is June 30th this may hasten a compromise. The most striking feature of the whole debate has been its tameness. Even subsidy payments are allowed to be continued for a year as a part of price control. The change from this time a year ago, when complete abandonment of price control was being openly advocated, is very marked. In part, no doubt, it is due to the fact that many modifications have been made in the operation of the OPA, and

that its present head, Mr Bowles, is far more acceptable both to business and to Congress than Mr Leon Henderson was. In part, the disinclination of Congress to fight for the other amendments desired by pressure groups is due to a desire to propitiate the labour and white collar votes. But in part it is also due to the incontestable fact that OPA, with all its defects, has succeeded so far in keeping the price rise in this war substantially below that of the last war.

### Reconversion Programmes

The Senate Committee on Post-War Economic Policy has made public a list of 16 recommendations which it urges Congress to put into legislative form without delay to meet the impact of unemployment and necessary readjustment during the reconversion period. Mr Byrnes, head of the Office of War Mobilisation, has also submitted a programme. Most of Mr Byrnes' recommendations are covered in the Senate report, which is exactly twice as long. Both the Senate Committee and the Administration are in agreement on the urgency of legislation to meet the following problems, although it is too soon to say that there will be agreement on details: contract termination, the creation of an Office of War Demobilisation; liberalisation of the unemployment compensation laws; disposition of surplus war property; the drawing up of a post-war Tax Bill so that war taxation may end with hostilities; and the provision of transport for war workers from areas of labour excess. Two points advanced by Mr Byrnes alone concern the need to extend the authority and loaning powers of the Small War Plants Corporation, to make greater aid available to small business, and the provision of unemployment compensation for federal industrial workers who do not benefit from the state unemployment laws. The Committee, on the other hand, emphasises the need for advance planning to ensure supplies of materials for industrial and public works construction, and the stimulation of housing. The other points the Committee raises, however, are either very general, like the expansion of foreign trade, or are concerned less with the practical problems for reconversion than with the elimination or modification of Government controls, either those of the war period or those dating from the early days of the New Deal, such as the Securities and Exchange Act. It cannot be said that the Committee underestimates the employment problem. It anticipates a civilian labour force 11 or 12 million larger than that of earlier peak periods; and estimates that in the year which it assumes will elapse between the end of hostilities in Europe and the defeat of Japan, approximately 2.5 million men will be released from the Forces and 4 to 5 million from war industry. The danger seems to be that its sketch of needed legislation is so comprehensive that unless a system of priorities is established some of the more urgent issues may be delayed.

### Pearl Harbour Politics

The admonition to remember Pearl Harbour is not being forgotten. It was decided after the disaster that the court-martial of Admiral Kimmel and General Short should be postponed indefinitely in the interests of military security, and both men signed a waiver of the Statute of Limitations. The relevant statutes were extended by Congress last December. By resolution last week the Senate and the House extended them again, to December 7th, directing that in the meantime the Army and Navy should investigate the facts and commence proceedings. Contrary to the advice both of the Army and Navy, President Roosevelt has approved the resolution, expressing the belief that Congress did not intend the investigation to be conducted in a way which would involve the withdrawal of serving officers or would imperil military security. Mr Roosevelt's decision has caused some surprise. It has been widely argued that to hold the trials now not only might mean recalling essential witnesses from their posts, but that it would also introduce politics into the trial, and the trial into politics, in a way which would be disadvantageous to both. Already the McCormick-Patterson newspapers have charged that the Administration was postponing the trial to conceal its own responsibility and have demanded immediate action, from patently political motives. President Roosevelt may have been stung to scotch this allegation. Admiral Kimmel has hinted, in a letter to a Republican Congressman, that the full story of Pearl Harbour has yet

to be told. Presumably, Mr Roosevelt, who ought to know, feels that the investigation would clear the air. A full-dress trial at least would put an end to piecemeal and perhaps partisan inquiries, such as that of the House Military Affairs Committee, whose report, made public last week, charged that construction of the Hawaiian defences was entrusted to a German-born contractor, suggested that delay was intentional, and censured the military command. If the trial takes place this summer, it is a safe guess that the press of the "Pacific First" school will make it an opportunity for trying the Administration in its columns. Mr Roosevelt has refused to be intimidated by this prospect, but it is not so certain that his hand has not been forced.

### Shorter Notes

The War Ballot Commission has announced that certifications have been received from 35 state governments, legalising the use of Federal war ballots under the terms of the Servicemen's Voting Law. Further certifications may be made up to July 15th. It appears that the state governments are proving more co-operative than was anticipated by President Roosevelt in his message criticising the Bill.

## THE WORLD OVERSEAS

### Normandy and France

A JOURNEY by train from Cherbourg or Caen to Paris used to take no more than three or four hours. Yet the two departments of Normandy—Manche and Calvados—where the invasion forces are now fighting are borderlands of France in more than the geographical sense. This is not only because centuries ago they were the scenes of so many wars and invasions or because the population of Normandy has retained its distinct ethnical character. In their social outlook and in their ways of life the departments of Normandy differ from the rest of France and even from neighbouring Brittany.

Normandy is one of the most completely agricultural regions of France. The peculiar feature of Manche and Calvados is that, apart from Cherbourg and Caen, the towns there, like Bayeux, Carentan or Valognes, are tiny in size. They have many old historical monuments, but no industry. They are chiefly market places for the farmers of the countryside around. The only two towns with a more urban and industrial background are Cherbourg, with its commercial harbour and naval fortress, and Caen, which is not only a cultural centre—the "Athens of Normandy"—but has developed iron ore mining since the last war.

Small villages consisting of a few cottages are scattered over the countryside. Groves and woods separate village from village, and often cottage from cottage. This is the typical Norman scene, a country of narrow horizons, overcast with mist and haze. Each peasant family lives its own life, only very loosely linked with the outside world, a type of existence which has moulded the character of the Norman peasant. He is "dour," uncommunicative, conservative and not much interested in what happens beyond the narrow confines of his own holding. His attitude towards life has little in common with the sort of conservatism that made Vendée a symbol in French history. In his conservatism he is indifferent rather than militant; and his political temperament harmonises well with the sleepy mood of his surroundings.

### Well-to-Do Farmers

Norman agriculture has been very prosperous. It specialises in cattle breeding and dairy produce. Lorries of the Société Gervais used to carry loads of butter and cheese to Paris from the Manche and Calvados, and especially from Isigny, famous for its trade in butter. The farmers of the coastal region had a steady and secure market, though they were extremely dependent on the Société Gervais, which monopolised distribution. Another important source of income for the local peasant is fruit

The first major war contract to be terminated, International Harvester's agreement for \$217 million worth of tanks, provides an interesting footnote to the reconversion debate. The year's delay in settling the claim is due, not to failure on the part of the Government, but to the failure by sub-contractors to keep adequate accounts. Inability to file claims, owing to lack of company records, has been the prime cause of delay in terminating contracts.

The decision of the Supreme Court on the constitutional status of insurance has aroused considerable criticism. It is being recalled that Chief Justice Marshall, 110 years ago, laid it down that constitutional questions should be decided by a majority of the full court. Justices Roberts and Reed did not sit in the case, so that the case was decided by only four justices out of nine. Justice Frankfurter's warning last February, to the effect that the tendency to upset precedents is shaking confidence in the Court, is also being revived. In the more practical sphere, a number of states are planning joint action to speed through Congress Bills reserving to the states control over the insurance business and the revenues it brings them.

growing. The region of Bayeux in particular is known for its apple orchards and Bayeux itself for its cider.

Four years of German occupation have apparently not changed much the ways and habits of the local peasants. However strongly the people there may have disliked the German invaders, they were by temperament not inclined towards active resistance. Members of the Resistance did emerge suddenly from the underground immediately after the entry of Allied soldiers. But they were few, and they did not lead any broader popular movement. Similarly, the Revolution Nationale of Pétain scarcely made any deeper traces on this countryside. Vichy is remote, and the local officials of the administration and the police have carried on their routine work more or less undisturbed by the great storms that have been raging outside.

The well-being of local farmers has not been much affected, to say the least, by the economic distress of the rest of France. German requisitioning has been a nuisance. But the Norman peasants know a hundred ways of evading requisitioning—or tax collection. True, they could not buy industrial goods in exchange for their dairy produce. So they either hoarded banknotes without reckoning on the depreciation of the currency or—more frequently—they cut down their sales and kept more than a normal proportion of their produce for home consumption. Small quantities of butter and cheese sold on the black market brought in large money returns, while stocks of food at home remained plentiful. This explains the stories of the war correspondents—puzzling at first sight—about the abundance of provisions in the liberated villages and townlets. It would be a gross error to draw from this any conclusions about the reserves of foodstuffs in the rest of France.

Experience in Normandy has provided a first direct

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glimpse into one of the great problems—social and political—that have arisen in recent years and will remain in the immediate post-war period. Not only in Normandy, and not only in France, but in nearly the whole of Europe there is now a striking contrast between the conditions of life in the towns and in the countryside. Almost a year ago *The Economist* wrote:

Among the . . . economic developments which have taken place in France under the Vichy regime, the following major changes are bound to affect the economic and social outlook for some time to come: the shift in the distribution of the national income in favour of the peasantry. . . . The shift . . . has been due to the shortage of foodstuffs and to the ever-growing rôle of the black-markets. . . . According to a German estimate the total money income of the French peasantry has grown by about 1,000 per cent. since the outbreak of the war. The price of land has increased six times compared with pre-war prices. The industrial wages bill has diminished during the same time by one third.

Out of a decreasing national income, an ever higher proportion has been going to the countryside. The enrichment of the peasantry has, of course, been merely nominal to a very large extent. Grain crops in recent years have been some 30 per cent. less than the pre-war average; and there have been considerable losses in agricultural machinery and in cattle. Even so, the peasantry has undoubtedly been much better off than any other section of the French population—a fact that is likely to accentuate the traditional French antagonism between town and countryside.

Recent reports from Normandy seem fully to confirm this picture. A great and determined effort on the part of a new French administration will be needed in order to redress the present position and to restore the nutritional balance between town and countryside. Only an administration which enjoys the confidence of the large sections of the French people and can count on their willing co-operation will be able to cope with this task.

## Supplies to Russia

LAST week *The Economist* published a short summary of the statement on Lend Lease deliveries to Russia issued by the Commissariat of Foreign Trade in Moscow

on June 11th. From this statement the Russian people have learned the full extent of the aid given to them by their Western Allies from since the beginning of the Russo-German war up to April 30, 1944. An equally full and detailed list of deliveries to Russia has not yet been published either in this country or in the United States. In the tables below the figures given by the Commissariat of Foreign Trade have been re-arranged and grouped under five separate headings: 1. Ready-made weapons and ammunition; 2. Means of transport and communication; 3. Strategic raw materials; 4. Industrial equipment; and 5. Clothing, footwear and food.

### 1.—READY-MADE WEAPONS AND AMMUNITION

|                                                    | (numbers)   | United States | Great Britain | Canada |
|----------------------------------------------------|-------------|---------------|---------------|--------|
| Aircraft . . . . .                                 | 6,430       | 5,826*        | ...           | ...    |
| Tanks . . . . .                                    | 3,734       | 4,292         | 1,188         | ...    |
| A.A. guns . . . . .                                | 3,168       | 562           | ...           | ...    |
| Orlikon guns . . . . .                             | 1,111       | ...           | ...           | ...    |
| Anti-tank guns . . . . .                           | ...         | 548           | ...           | ...    |
| Minesweepers . . . . .                             | 10          | 12            | ...           | ...    |
| Big U-boat chasers . . . . .                       | 12          | ...           | ...           | ...    |
| Torpedo cutters and small U-boat chasers . . . . . | 82          | ...           | ...           | ...    |
| Devices for detection of U-boats . . . . .         | ...         | 116           | ...           | ...    |
| Shells . . . . .                                   | 22,400,000  | 17,000,000    | 827,000       | ...    |
| Cartridges . . . . .                               | 991,400,000 | 290,000,000   | 34,800,000    | ...    |

\* 2,442 of these were despatched from the U.S.A.

On balance, the British Lend Lease supplies of ready-made weapons have been of the same order as, or not very much less, than the American supplies. Only in the case of cartridges have the Americans delivered more than three times the quantity despatched from Great Britain to Russia.

The figures in the next table provide a striking contrast. In means of transport and communication practically the whole contribution has come from the United States.

### 2.—MEANS OF TRANSPORT AND COMMUNICATION

|                                                       | (numbers) | United States | Great Britain | Canada |
|-------------------------------------------------------|-----------|---------------|---------------|--------|
| Lorries (including armoured troop carriers) . . . . . | 212,168   | 5,239         | 3,410         | ...    |
| Motor cycles . . . . .                                | 17,017    | ...           | ...           | ...    |
| Telephones . . . . .                                  | 245,000*  | ...           | ...           | ...    |
| Locomotives . . . . .                                 | 241       | ...           | ...           | ...    |
| Platform cars . . . . .                               | 1,154     | ...           | ...           | ...    |
| Artillery wireless installations . . . . .            | ...       | 214           | ...           | ...    |

\* Plus 1,229,000 km. of field telephone wire.

In the table of strategic raw materials the United States heads the list; but the British and Canadian contributions are also very impressive. Some of the items in this list, for instance, copper and steel include also semi-manufactured articles.

### 3.—STRATEGIC RAW MATERIALS

|                               | (in tons) | United States | Great Britain | Canada |
|-------------------------------|-----------|---------------|---------------|--------|
| Aviation fuel . . . . .       | 476,000   | ...           | ...           | ...    |
| Rubber . . . . .              | ...       | 103,500       | ...           | ...    |
| Aluminium . . . . .           | 99,000    | 35,400        | 36,300        | ...    |
| Copper . . . . .              | 184,000   | 33,400        | 23,500        | ...    |
| Zinc . . . . .                | 42,000    | 7,400         | 6,700         | ...    |
| Nickel . . . . .              | 6,500     | 2,700         | 1,300         | ...    |
| Steel (incl. rails) . . . . . | 1,160,000 | ...           | 13,300        | ...    |
| Tin . . . . .                 | ...       | 29,400        | ...           | ...    |
| Lead . . . . .                | ...       | 47,700        | 9,100         | ...    |
| Cobalt . . . . .              | ...       | 245           | ...           | ...    |
| Jute, sisal, etc. . . . .     | ...       | 93,000        | ...           | ...    |
| H.E. . . . .                  | 217,900   | 17,300        | 5,000         | ...    |

\* The United States delivered more than 2,000,000 tyres to Russia.

The total quantities of light metals delivered to Russia were one and a half or two times as large as Russia's own output of those metals in the last pre-war year, that is, in 1940. The deliveries of aluminium have been more than twice as large as Russian domestic output in that year.

In industrial equipment Great Britain has led in delivering power plant equipment and electric motors, while the

United States has come first in metal cutting lathes and heavy machinery.

### 4. INDUSTRIAL EQUIPMENT

|                                      | United States | Great Britain | Canada |
|--------------------------------------|---------------|---------------|--------|
| (numbers)                            |               |               |        |
| Power plant (in kilowatts) . . . . . | 327,000       | 374,000       | ...    |
| Electric motors . . . . .            | ...           | 15,084        | ...    |
| Metal cutting lathes . . . . .       | 20,380        | 6,491         | ...    |
| Ship engines . . . . .               | 4,138         | ...           | ...    |
| Oil refineries . . . . .             | 4             | ...           | ...    |
| Aluminium rolling mill . . . . .     | 1             | ...           | ...    |
| Presses and hammers . . . . .        | 2,718         | 104           | ...    |
| Cranes . . . . .                     | 524           | 24            | ...    |
| Excavators . . . . .                 | 209           | ...           | ...    |
| Diamonds (value in £) . . . . .      | ...           | 1,206,000     | ...    |

### 5. CLOTHING AND FOOD

|                              | United States | Great Britain | Canada  |
|------------------------------|---------------|---------------|---------|
| Army boots (pairs) . . . . . | 5,500,000*    | ...           | ...     |
| Army cloth (yards) . . . . . | 22,800,000    | ...           | ...     |
| Foodstuffs (tons) . . . . .  | 2,199,000     | 138,200       | 208,600 |

\* American sources give the figure of 7,500,000 pairs.

The difference in the number of boots given by American and Russian sources—amounting to 2,000,000 pairs—is probably explained by the fact that the Americans count among the deliveries the goods lost on the way through enemy action. The following table shows the total tonnage of the goods despatched from each country and the tonnage of goods received in Russia.

|                              | United States | Great Britain | Canada  |
|------------------------------|---------------|---------------|---------|
| (in tons)                    |               |               |         |
| Despatched . . . . .         | 8,500,000     | 1,150,000     | 450,000 |
| Received in Russia . . . . . | 7,400,000     | 1,041,000     | 355,000 |
| Presumable losses . . . . .  | 1,100,000     | 109,000       | 95,000  |

It may also be interesting to compare the quantities of goods received in Russia year by year since the beginning of the Russo-German war up to the end of last April.

|                                 | United States | Great Britain | Canada  |
|---------------------------------|---------------|---------------|---------|
| (in tons)                       |               |               |         |
| 1941 . . . . .                  | ...           | 158,000       | ...     |
| 1942 . . . . .                  | 1,200,000     | 375,000       | 125,000 |
| 1943 . . . . .                  | 4,100,000     | 304,000       | 124,000 |
| 1944 (up to April 30) . . . . . | 2,100,000     | 144,000       | 106,000 |

The table illustrates the great importance of British and Canadian deliveries in the first period of the Russo-German war when the United States could not yet supply Russia on the scale which its supplies assumed later on. American deliveries show a steep increase in 1943, the year in which British deliveries decreased. In the first four months of this year the tonnage of American deliveries was more than half of last year's. On May 1st, 684,000 tons were on the way from the United States, 44,000 tons from Great Britain, 60,000 tons from Canada to Russia.

The United States have made their deliveries on the basis of the Lend-Lease Act. The total value of the supplies despatched from the United States is given at 5,357 million dollars, while the value of supplies received in Russia is given at 4,612 million dollars. Of the British supplies

319,000 tons of armaments were despatched without payment as military aid; and that part was certainly the most valuable since the bulk of it consisted of ready made arms. The rest of the supplies, consisting of raw materials, industrial equipment and food, were delivered partly on credit and partly for cash payment; and their value is given at £83,700,000. The total value of Canadian supplies amounts to 187,600,000 Canadian dollars, of which supplies worth 116,600,000 were delivered as "part of the British undertaking," before a separate agreement on credit was concluded between the USSR and Canada on July 1, 1943.

It would be interesting to compare Allied aid with Russia's own war production. Naturally enough, the facts about Russian production have not yet been published; and so the basis for the comparison is still lacking. But there can be no doubt that the Lend-Lease deliveries have formed a high proportion of the weapons and materials used on the Eastern Front. In two respects the present Russian commanders have been more fortunate than their predecessors in the First German War: the Russian industries were this time incomparably better prepared to meet the needs of the armies in the field than they were in 1914-1917; and—similarly—the present abundant flow of Allied supplies to Russia has provided a striking contrast with the lack of Allied response to the Russians' desperate demands for weapons throughout the last war. In 1915, a British military observer in Russia wrote about one of the Russian leading military personalities: "He has trusted too much to the promises of Vickers and Creusot, whose failure has upset all calculations. . . ." No such words could have been written from Moscow in recent years.

## Books Received

*The Future Population of Europe and the Soviet Union. Population Projections, 1940-1970.* By F. W. Notestein and others. League of Nations. (London) Allen and Unwin. 315 pages. 15s. net.

*Harrap's Shorter French and English Dictionary. Vol. II English-French.* Edited by J. E. Mansion. (London) George G. Harrap and Co. 940 pages. 12s. 6d. net.

*Central and Eastern Europe in World Economy.* By H. Tennenbaum. (London) Barnard and Westwood. 191 pages. 6s. 6d. net.

*The Polish-German Frontier.* By J. M. Winiewicz. (London) William Hodge. 36 pages. 1s. 6d. net.

*Before We Go Back.* (London) Royal Norwegian Government, Princes Gate, S.W.7. 64 pages. 9d. net.

*The Way Out.* By C. Rajagopalachari. (London) H. Milford. 32 pages. 1s. net.

*A Plan for Town and Country.* By F. Stephenson and P. Pool. (London) The Pilot Press. 60 pages. 4s. 6d. net.

*Total War and the Human Mind.* By A. M. Meerloo. (London) Allen and Unwin. 78 pages. 5s. net.

*Federal Co-operation with the States.* By J. E. Kallenbach. (London) H. Milford. 428 pages. 22s. 6d. net.

*League of Nations. Report to the Council of the work of the 1943 Joint Session. Economic and Financial Committees.* (London) Allen and Unwin. 81 pages. 2s. 6d. net.

*The State and Personal Liberty. Report of an Advisory Committee on Civil Liberties.* (London) Liberal National Council. 19 pages. 6d. net.

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# THE BUSINESS WORLD

## The Cost of Service

THE White Paper on Employment Policy has emphasised as a fundamental aim of future national policy that productive power should not only be employed fully but employed efficiently. It is highly important that the aim should be realised in the large employment group consisting of the distributive services. Complaints about increasing and unnecessarily heavy costs of distribution in retail trade were frequent before the war, and "service" was often marked down as a major culprit.

Service in retail trade—and the term includes not only the ways and means of general efficiency and courtesy, but all the extra and special amenities of everyday shopping—is certainly of value both to sellers and buyers. It is manifest in the presentation of goods in elaborate and original packing (which may help the housewife and satisfy modern hygienic requirements); in "home service" and house-to-house delivery; in the many amenities offered by the department stores through additional personal service and the provision of attractions sometimes far removed from the normal purpose of retailing.

It may well be that such amenities are responsible for increased trading and consequently reduced prices. In that case service is an obvious advantage to the consumer. But in general it must be assumed that the customer pays for additional service. The retailer may charge for it directly. He may try to recover his increased overheads by raising the prices of a wide range of his goods. Where this happens the consumer may be in the unfortunate position of having to pay for something he does not want. The modern butcher (sometimes called a meat purveyor) may raise his prices to offset the cost of elaborate van services, but the customer who carries his purchase home will not have his share of the burden refunded. Many people might be prepared to obtain their milk over the counter; but they will not, for their trouble, pay less than those to whom milk is delivered in bottled condition. Again, many people who buy in department stores may have little interest in, or use for, luxurious tea-rooms, roof gardens, escalators, exhibitions and demonstrations; but the cost of these services will be reflected in the prices that they have to pay. There may be a "host of unwanted services"—to use the phrase of Mr Henry Smith, who has written so well and so critically of retail distribution.

It is here that the danger for the future lies. Nobody wishes to undo the development of better-organised, more convenient and sometimes more hygienic methods of purchase; but a careful watch must be kept for expenditure on services that are extravagant and wasteful. The supply of "service" may be exploited by the retailer simply to attract customers, and may degenerate into a succession of competitive ruses. The overlapping of retail services is no less uneconomic than the overlapping of retailing itself. It ends, inevitably, in a lament from the retailers that their overheads are so heavy that reduced prices are impracticable. The "progressive" greengrocer constantly stresses his increased costs (for wrappings, modern display and lighting) when his prices are subjected to critical examination. Moreover, the introduction of "service" may involve problems of organisation which, if not properly solved, result in acute loss to the retailer. "A systematic delivery service should prove an asset to the retailer and a boon to his customers, but if that delivery service is not systematised waste and loss are bound to occur"—that is the warning given to retailers by a specialist in retailing method. Lawrence E. Newell, another authority and one who cannot be suspected of belittling the advantages of large stores, has shown that many difficulties of transport and delivery service are inherent in the very conception of the department store. In his opinion "it is open to question whether the costs of so elaborate a system do not in some cases outrun justification." With the smaller shop and its

casual errand-boy this problem does not arise. His service is of a personal character and requires no heavy capital outlay in display, shop space and advertisement.

Much more statistical information is needed about the cost of retailing in general and the cost of "service" in particular. Where such information is available, as in the case of the milk trade, the situation disclosed is not very reassuring. Here is an example where price competition is ruled out by the existence of minimum retail prices, and where the drive to increase turnover by attracting customers is likely to prove expensive and wasteful. Reporting on the milk trade in 1939, the Food Council made the frank observation that since prices were fixed competition could not develop except "in rendering luxury services, which increase the cost of distribution and are pleaded as justification for increased margins to distributors." It frequently happens, then, that the so-called "service"—not unlike the present method of house-to-house collections in industrial assurance and similar schemes—is represented as a function of high social value on the part of those who practise it. To the Ministry of Food's Committee, which in 1940 examined the cost of milk distribution, it was earnestly suggested that there was "a tendency on the part of the consumer to regard the roundsman as a guide, philosopher and friend." But the report was anxious to show that such "courtesy services" were apt to increase the cost of milk distribution—by introducing "second visits" for instance. Many of the recommendations of this excellent report, so much criticised by opposed interests, were concerned with the "refinements" of service—the exclusion from the milk round of sales of other goods (thus entailing another "courtesy service" and increasing the distributive cost of milk); the abolition of the half-pint bottle; and "further reduction of expenditure for competitive purposes."

There can be no doubt that many factors in modern economic development tend to increase the potential dangers of exaggerated and wasteful "service" competition. Retail trade associations, sometimes in combination with manufacturers, have adopted a policy of price maintenance. Their members are thus driven to increase turnover by attractions other than lower prices. Any further adoption by retail trade of the fixed-price branded article will foster and increase this tendency. For the small, old-fashioned retailer, the only tests of service were efficiency and cheapness; for the modern department store success is measured all too often by the number and quality of the amenities offered—amenities which bear no real relation to the practical purpose of the commodities put up for sale. The costs of these items, added to those for competitive display and advertising, constitute the charge *pour le service*. If the customer could identify it as a part of the price he pays he would be less ready to applaud some of these costly extravagances.

Many trades are trying to "professionalise" themselves in the expectation that a "qualified" retailer may charge more for rendering special services. The undertaker who becomes a "funeral director," the ironmonger and radio-dealer who develops into an "electrical contractor," the spectacle-maker and optician who graduates to "optical practitioner" and the shoe-shop attendant who becomes a "foot anatomist"—all will expect to be paid for the extra service they are proud to render. This development cannot produce any downward movement in costs of distribution. Many people who live in luxury flats would gladly dispense with their liveried porters, the luxurious entrance-halls, even the squash-courts, in exchange for a few more square feet of living-room, a larder and a private box-room. The tendency to impose ostentation upon the unhappy customer was strong and growing stronger before the war.

It would be interesting, if space permitted, to examine the problem of "service" regionally. One suspects that the facts would reveal great differences in the vulnerability (or,

to speak plainly, the gullibility) of the average customer as between North and South and between (say) the West Riding and the West End.

A very deep and earnest hope at present is that peace will restore many of the comforts and conveniences which war must necessarily deny. But never before in Britain's history

has wise spending, thrift and well-balanced economy been so essential for the process of economic rehabilitation as it will be after this war. Among the expenditure, which may entail much irrational buying and waste, that for non-essential "service" should not be overlooked, and certainly not encouraged.

## Building Material Shares

OF all the wares displayed in the British equity share market, building material shares are the subject of most discussion among the queues waiting at the door marked "Transitional Department." Almost every piece of news that comes from Westminster emphasises and re-emphasises the part that re-housing must play after the war. Months ago, it was clear that housing had, departmentally, succeeded in getting first off the mark with its "planning," and had effectively staked out a claim to an early and (to say the least) adequate share of available post-war resources. While other key industries were, like Brutus, pressing petitions Caesar could not grant, or arguing who should own them in the post-war world, the building industry was settling with the Government how many men would be wanted and how many were to be trained to carry out an agreed programme of completing  $x$  houses in  $y$  years. Mr Churchill included homes, with food and work, in his trinity of post-war objectives. The Employment White Paper, by inference, put housing among the leading "civilian requirements" with post-war priority only a little after the export industries—and perhaps not even that. And even the Chancellor of the Exchequer threw in a welcome, if unexpected, donation to the pool of post-war building activity by his Budget announcement of tax concessions, in due time, on capital outlay on industrial buildings. In a context of investment, all this means that holders of building material shares can assume a high level of post-war activity for a longer period than most investment probabilities generally allow. They can be assured, at the same time, that a prosperous building industry will have a direct contribution to make to national wellbeing.

When the argument proceeds from general to particular, however, investors are at once confronted with the difficulty that the industries which cater for building are an extremely heterogeneous collection, whose internal organisation, financial structure and profit-earning experience, before the war and still more during its course, have varied widely. Almost the only industry whose products are materials for building, and nothing else, is brick-making. Others, like cement, have wider constructional uses, and modern civil engineering has already learned ways and means of economising their use. The cement in Waterloo Bridge represented only 2½ per cent of the contract price, and it has been expertly declared that the chief source of demand for it in future civilian building is likely to be for the construction of concrete roads on new estates rather than for buildings. When the universe of discourse is extended to industries like paint-manufacture, steel-making, timber production and, still more, to domestic furnishing, linoleum manufacture, wallpaper, glass-making, electrical apparatus and the host of trades whose output goes inside a house before the tenant comes in, the share of housing demand to total demand varies so widely that investors may have no ultimate option but to take each individual share on its own merits and work out its investment possibilities for themselves.

All the companies whose results are shown in the table at the bottom of this page are interested, directly, in the prosperity of the building industry. The table contrasts their results in the best pre-war year (the year, that is, when profits after depreciation were highest) with those for the latest war year available. The comparison, unfortunately, is blunted by the fact that most of the companies are holding concerns and do not publish consolidated accounts. More serious, however, is the difficulty that in some instances wartime results are shown only after taxation, which means after income tax or EPT or both. It is, in such cases, virtually impossible to learn how much current earnings have fallen from their pre-war peak level or even whether, in one or two instances, they have fallen at all, if EPT be allowed for.

So far, however, as a tentative generalisation can be drawn from the figures, it is that the makers of materials for building houses have suffered a severer setback, on the whole, during the war, than the manufacturers whose products go into houses—the makers of essential fixtures, decorating materials, etc. Thus, the wartime setback to London Brick, by all appearances, has been considerable, despite the amount of wartime construction of shelters, etc., in which bricks have been employed. Possibly difficulties of transport have accounted for at least as much, in this result, as falling off in demand; for London Brick was organised to fulfil orders over a wide—practically a nation-wide—area, and has suffered considerably under the "zoning" arrangements laid down by the Ministry of War Transport. The cement companies, naturally, have had considerable war orders, since there is little on the "capital" side of preparing a country as a war arsenal and advance base, from the building of factories to the making of cement runways at aerodromes, into which cement does not enter as an essential raw material. For this reason, the cautious tenor of chairmen's speeches may perhaps need more literal interpretation to-day than at any other time since the beginning of the war, so far as the immediate outlook is concerned. The heavy constructional part of the national preparation for the war's supreme crisis is virtually complete, and it is to post-war developments that investors in cement shares must now look.

On the whole, the showing made by other companies in the table has been remarkably consistent and satisfactory during the war—much more so than any commentator, arguing from first principles, could have ventured to predict five years ago. Subject to difficulties arising out of tax deductions, etc., the figures go some way to suggest that the level of gross trading profits among these companies, in recent months, has been little if at all below the best pre-war figures, and in some instances may even be higher. There can, of course, be only one explanation—special war demand. Equally noteworthy, however, is the fact that this relative stability of earnings has not been reflected in dividend payments, except in a minority of instances. Rates of distribution to shareholders have shown reductions comparable with those paid by building companies in the

| Company (and Balance Sheet Date)       | Date of           |             | Profits (£000) |           | Earnings for Ordinary (%) |        | Dividends on Ordinary (%) |        | Current S.E. Price of Ord. | Yield (%) |
|----------------------------------------|-------------------|-------------|----------------|-----------|---------------------------|--------|---------------------------|--------|----------------------------|-----------|
|                                        | Best Pre-war Year | Latest Year | Best Pre-war   | Latest    | Best Pre-war              | Latest | Best Pre-war              | Latest |                            |           |
| Assoc. Portland Cement (Dec. 31).....  | 1936              | 1943        | 1,258          | 787       | 26.0                      | 10.5   | 22½                       | 10     | 66/3                       | 3.019     |
| British Portland Cement (Dec. 31)..... | 1938              | 1943        | 681            | 473(a)    | 30.2                      | 17.8   | 22½                       | 17½    | 96/3                       | 3.636     |
| London Brick (Dec. 31).....            | 1936              | 1943        | 438(a)         | 283(a)    | 22.6                      | 10.1   | 22½(b)                    | 10     | 66/6                       | 3.007     |
| London Brick (Dec. 31).....            | 1936              | 1943        | 399(a)(d)      | 278(a)(d) | 67.7                      | 30.7   | 45½                       | 25     | 34/6                       | 3.623     |
| British Plaster Board (Mar. 31).....   | 1937              | 1943        | 355(d)         | 706(d)    | 14.4                      | 32.3   | 10                        | 12½    | 53/9                       | 4.651     |
| Allied Ironfounders (Mar. 31).....     | 1938              | 1943        | 357(a)         | 235(a)    | 59.1                      | 62.2   | 25                        | 20     | 30/6                       | 3.279     |
| Crittall Manufacturing (Aug. 31).....  | 1938              | 1943        | 275            | 364       | 9.6                       | 15.4   | 6                         | 7      | 17/9                       | 3.944     |
| Goodlass Wall (Dec. 31).....           | 1937              | 1943        | 389            | 558       | 17.5                      | 16.7   | 17½                       | 10     | 38/-                       | 2.632     |
| Pinchin Johnson (Dec. 31).....         | 1937              | 1943        | 802            | 666       | 20.9                      | 11.5   | 12½                       | 4      | 45/-                       | 1.778     |
| Wall Paper Mfrs. (July 31).....        | 1935(c)           | 1943        |                |           |                           |        |                           |        |                            |           |

(a) After taxation. (b) And share bonus of 1 in 9. (c) Eleven months only in 1939. (d) Profits figures are from consolidated accounts, both years. (e) Year to Aug. 31.



literal sense. Undoubtedly, even after the extra demands of the tax gatherer have been allowed for, dividend policy among directors of these companies has been markedly conservative.

In the light of these facts, the generally favourable verdict on the prospects of building material shares as a whole, after the war, which economic considerations appear to justify, tends to be reinforced by more purely financial arguments. Some companies, it would seem, already have a substantial EPT "cushion," and many others are living, dividendwise, well inside their current means.

Whether shareholders can look for a return fully comparable with that of the best pre-war year, even in the period after the war when civilian demand will be greatest, may, however, be questionable. For one thing, the best pre-war year, for some companies, occurred in the culminating period of the housing quasi-boom of the '30's, and shareholders may be better advised to look for a consistent, though moderate, return over a fair number of post-war years than a very high return in only one or two periods of exceptional activity. Taxation, in one form or another, will certainly be higher than in pre-war days. Finally, it seems to be beyond question that some form of official control of prices will endure for a considerable time after hostilities. And it may well last longer in the case of building materials than with many other essential commodities, partly because building will be an industry in which the authorities will have an intimate and direct interest; partly because, rightly or wrongly, producers of building materials had in pre-war days a reputation for appreciating the value of internal price-regulating methods, but mainly because present building costs, based on stringently limited civilian supplies, will have to be greatly reduced if a big building programme is adequately to benefit those for

whom it is designed. Earlier this year, it was officially stated in Parliament that timber for building cost 160 per cent more than before the war and accounted for 25 per cent of the cost of materials in a "typical" house. This is an extreme case. The rise in prices of bricks, cement and steel, for example, is much more moderate, and may not greatly exceed that of prices in general. But whatever the differential, some form of official control may well be the consequence of the industry's own social indispensability.

From the investment angle, therefore, the conclusion seems to be that while almost every soundly established member of the widespread group of companies catering for the building industry may have reasonable prospects of post-war prosperity, outlasting the purely transitional period, the scope for a really marked increase in returns to shareholders may be more limited than has generally been assumed. The current yield figures given in the table must be interpreted with that proviso. The "recovery" element, in a company whose current profits, for various reasons, do not compare very unfavourably with its pre-war earnings, but whose shares, nevertheless, are priced to give a relatively modest present return, may be more limited than has generally been assumed. Broadly speaking, the companies which offer the greatest possibilities in that direction are those whose current dividends make the most unfavourable contrast with those of peacetime; and in their case, frequently, a particularly low yield figure attests the market's discounting of a fair measure of recovery in advance. Altogether, the combination of a *more than average* present income return with a considerable amount of post-war earnings' leeway to be made up, is enough of a rarity in this group to suggest that the publicity given to building prospects, inside and outside Parliament, has already had its inevitable effect in a market where investors are nothing if not recovery-minded.

## Business Notes

### Production and the Invasion

It is too early to measure the effects of the invasion on production, and no statistics of output during the past fortnight have been published. But such evidence as is available suggests that there has been, not so much a spectacular spurt, as a general improvement in the level of production. With the relaxation of the nervous tension of the past few months, time-keeping and attendance—a sure reflection of industrial effort—have improved, and there is a general lift in morale and willingness to cooperate. Moreover the nation is now strike-free. The 600 dockers out at Aberdeen returned to work early this week and so did the miners on strike at one or two collieries in Fife. The Scottish Mineworkers' Union, strongly condemning the irresponsible minority who disregard the majority decision, has called a special emergency conference for July 3rd, to deal with unofficial strikes. Monthly figures of coal output are no longer being published, but Major Lloyd George told the House of Commons on Tuesday that output had been steadily improving since the settlement of the wages question in April. Tonnage lost through coal disputes has been negligible. Particular credit must be given to the transport workers, who have contributed to the smooth working of the transport system, in spite of the enormously increased load it has had to carry. Although the Government expected that certain factories might have to close down because of the lack of transport to carry raw materials, it is claimed that not one worker has been unemployed and no raw materials have been held up through transport shortage.

### Bombs and Share Dealings

For some weeks jobbers have regarded the fresh outburst of buying with some disfavour and not a little suspicion, while many brokers have been even less complaisant about business, which added to the difficulties of an over-worked staff—without adding appreciably to profits—and promised, in their view, to herald an awkward recession in prices. The flying bomb has performed the accidental service of discouraging investors who had refused to listen to warnings that prices were rising to levels which could not be maintained. Jobbers, who had had their meagre supplies of stock exhausted,

marked down prices in the hope of getting some cheap stock. Usually this just brought in fresh buyers, but there were, just before and after last week-end, some very moderate falls in quotations. These have, however, since been made good in large part, and the equity index of *The Financial News*, at 112.7, is within one-tenth of one per cent of the peak established on June 15th. With all this, however, there has been some reduction in the volume of business. Figures of bargains received are not very helpful. So far as they can be used they suggest that the number of individual transactions is back to the level prevailing before the special stimuli of the budget speech, the White Paper on Employment Policy and the opening of the invasion. The market itself is prepared to accept some such figure for money turnover, but suggests that the comparison overstates the decline in the number of transactions. There is also some surprise that the falling off in business has brought no real recession in prices. There is a very widespread feeling that this will come, but it is frankly admitted that a new peak may be attained before the reaction sets in.

### US Silver for India

The US Secretary of the Treasury announced towards the end of last week that by a special lend-lease agreement the United States had undertaken to supply 100 million ounces of silver to the Government of India. The operation, as with similar deliveries of US silver to Great Britain, remains outside the normal category of lend-lease transactions, for the Government of India has agreed to return the silver after the war on an ounce for ounce basis. The silver in question represents between one-third and one-half of the annual world production of silver. Together with the recently announced purchase of 16,000,000 ounces of the metal from the National Bank of Iran the latest transaction promises a very considerable increase to the stocks of silver held in India. These additional stocks are intended to be used in three ways: First, for additional coinage; secondly, for India's expanded war production; and, thirdly, to keep prices stable. The need of silver for coinage must be pressing. The demand for subsidiary coin must at least have kept pace with the rise in the rupee note circulation. The reminting of silver rupee coins to 500/1,000 fineness must have provided considerable additional sup-

plies of silver, though not as much as simple calculations would suggest, for it should not be forgotten that a considerable part of the old coins of 11/12 fineness disappeared into hoards when they were recalled from circulation.

The silver holdings of the Reserve Bank have been falling away persistently. The rupee coins held amounted to Rs. 1,38,00,000 on June 1st last, compared with Rs. 1,68,00,000 a year previously and Rs. 7,50,00,000 at the beginning of the war. The need for silver in India's war industry need not be reckoned very high. It is in the fight against inflation that the other main use will be found for the silver received from the United States. This suggests that before long the authorities in India will begin official sales of silver in the open market. Indian operators have been quick to anticipate this development, and since the beginning of last week the Bombay price has fallen from Rs. 135/2 to Rs. 127/12 per 100 tolas. Assuming half the 100,000,000 ounces and a similar proportion of the Iran silver to be used for open market operations, the Indian authorities will have a considerable *masse de manœuvre* at their disposal. Official sales of silver would be particularly effective as a counter inflationary solvent because the metal will reach classes which by reason of their low purchasing power can hardly be affected by gold operations. At the same time, the anti-inflationary effect of such silver sales should not be exaggerated. The 58,000,000 ounces of silver in question (half the recent acquisitions) only represent a value of under £6,000,000 at the official sterling price and of about double that figure at the current rupee price for the metal. The market in India has rightly seized the significance of the proposed initiation of official silver sales, and for a time the authorities will be able to dictate the open market price. But such sales, useful as they may be, are not a complete answer to the problem of inflation in India, and if the fundamental forces making for inflation continue to operate as at present, it can only be a matter of months before the additional reserves of the Indian authorities are swallowed up by the open market.

### Russo-Czech Currency Talks

Negotiations between the Russian and Czechoslovak Governments for a currency agreement are now fairly advanced. Their conclusion is likely to be announced soon. The Russians have an obvious political interest in showing their generosity towards Czechoslovakia in the treatment of the currency problem, at a time when the arrangements for the issue of French currency by the Allied military authorities on the other side of Europe have caused so much criticism. The Russians have proposed that the Czechoslovak Government itself should put the new currency into circulation, placing notes at the disposal of the Russian forces if and when they enter Czechoslovak territory. The banknotes are already being printed—in Russia. A representative of the Czechoslovak Ministry of Finance is soon to go to Moscow to supervise the technical side of the arrangements. What has not yet been settled is the rate of exchange between the rouble and the new Czechoslovak krone. Before this is done, a rate of exchange has to be fixed between the new Czechoslovak currency and the four currencies—the Czech Krone, the Slovak Krone, the Reichsmark and the Pengö—that are now circulating in the various provinces of the Czechoslovak Republic. Of these four currencies, the Reichsmark (in the Sudetenland) and the Slovak krone have depreciated less than the other two, though in the final phase of the war the Reichsmark and the Slovak krone, too, are likely to lose much of their value. Finally, the "real value" of the rouble presents another puzzle. This is the first case in which the rouble, after many years of utter seclusion, has come in direct contact with a foreign currency.

### Currency and Trade

An agreement on the exchange rate between the rouble and the new Czechoslovak krone would still leave open the question of what the Czechoslovaks will do with their assets in roubles, when their rouble account soars in consequence of the occupation of their country—or of parts of it—by Russian forces. They will, of course, be free to use that account in payment for imports from Russia.

But it is doubtful whether, immediately after the war, Russia will be able to export many of the goods which Czechoslovakia will especially need, such as cotton, woollen goods, fats and oils. There is no truth in the reports about a trade treaty between Czechoslovakia and Russia that have appeared in London newspapers. The Czechoslovak Government has denied them; negotiations about trade with Russia, it is stated, would be premature while the war still lasts. There is at present something of a contrast between the direction of Czech political moves and trade requirements. Politically, the Czechs look to the east. In economic matters, the structure of their trade causes them still to look to the west. Czechoslovakia used to sell no more than about one per cent. of its exports to Russia. It is hoped that in future export to Russia may be larger. But the limits of expansion will probably be dictated by Russia's ability to pay in cash, since Czechoslovakia will hardly be able to export on credit. Before the war the largest foreign markets for Czechoslovak goods were found in Germany, Austria, Great Britain and the United States. The rôle of Germany as a buyer will be greatly reduced after the war; and Czech economists think that, at least in the first years of peace, Czech exporters will have to look for new customers in the United States and in this country.

### Productivity in Industry

The Industrial Health Research Board which assists the Medical Research Council in promoting scientific investigations into problems of health and efficiency among factory workers, has issued a report on variations in labour productivity, based on a sample inquiry.\* In an earlier study, published in 1942, it was stated that, except as a temporary emergency measure, working hours in manual operations involving a fair amount of physical effort should not exceed 60-65 a week for men and 55-60 a week for women. As the experience of the last war had shown, long spells of work in excess of these limits eventually bring a fall in output through a reduction in efficiency and an increase of lost time and of spoiled work. The latest report is of particular interest since it is concerned with the effect of the reduction in working hours in the latter part of 1942 in a number of factories on war production; the investigation was carried out chiefly among women workers. The reduction in the weekly working hours of women in the majority of the factories examined varied from 3 to 8 per cent, and the reduced working week varied from 52 to 55 hours. It was found that, while on an average output per hour during the 12 weeks after the reduction was 4.1 per cent higher than before, the results for individual groups of workers varied considerably. Careful investigation showed that the shorter working week was only one of several factors responsible for the overall improvement in productivity. According to the report, the chief causes of fluctuations in output were changes in the type or design of product; mechanical difficulties and machine breakdowns; variations in the quantity and quality of the material used; progressive improvements in the methods and conditions of work; changes in the type and layout of machines; personal factors, such as dissatisfaction with the method or rate of payment, and occasional friction between the management and workers. Small but progressive improvements in the methods or conditions of work, accelerated in some groups by fairly large-scale measures of reorganisation, were found to have contributed substantially to the rise in productivity per head. The investigators reached this conclusion:—

The cumulative effect of gradual but almost imperceptible improvements has been very noticeable since the outbreak of war and the results obtained in this and in a previous investigation (Emergency Report No. 2) suggest that, of all the factors studied, technical improvements and reorganisation are the most likely to lead to an increasingly high and steady level of efficiency.

The conclusion is encouraging in that it reveals a steady improvement in productivity achieved through technical progress; but its real significance lies in the fact that it points the way to that increase in productivity which is essential if Britain is to remain in the vanguard of industrial nations and if the standard of living is to be raised after the war.

\* Emergency Report No. 5 of the Industrial Health Research Board: A study of Variations in Output by S. Wyatt. H.M. Stationery Office, 4d. net.

The *Federal Reserve Bulletin* for April contains an interesting analysis of consumers' incomes and expenditure in the United States during the war. Perhaps the most significant of the facts revealed is that "the supply of goods for civilians during the war period has been maintained." There has been a reduction in some items—especially durable goods—and increases in others. For example, the production of clothing for civilians in 1943, though lower than in 1942 and 1941, was 6 per cent above the average for 1935-39. The output of food last year exceeded the average for 1935-39 by 32 per cent; although large quantities of food were needed for military and lend-lease purposes, consumption per head of the civilian population was 6 per cent higher than in the years of comparison. The volume of transport and other services available to civilians was somewhat smaller last year than in 1941, but considerably above that of the preceding years. The analysis of civilian supplies suggests two conclusions. First, the enormous output of military stores by the United States has been achieved almost entirely by utilising its large "reserve" of productive capacity; the British war effort has involved a cut of one-fifth in civilian consumption. Secondly, the increase in the consumption of food and clothing is evidence of an improvement in the standard of living of the lowest income categories, brought about by full employment at good wages; Great Britain has achieved a similar result, but by way of strict rationing of a volume of consumer goods substantially smaller than before the war. America's wartime experience is a reflection of the high productivity of its industry and yet another reminder of the need for raising its level in this country.

Exceptional changes both in the size and composition of the London short loan fund have occurred since the beginning of the war. Disregarding that part of the fund which was used on the Stock Exchange—at no time an important element in it—the estimates of its size can best be made through a study of the balance sheets of the discount houses. In their latest balance sheets the big four showed short loans, deposits, etc., of £294,970,000. This represented 27 times their published capital and reserves. For the six smaller firms whose balance sheets are not published, an estimate of their borrowing can be made by multiplying their capital resources of £3,665,000 by 25, giving a product of £91,900,000. Thus at the date of the last balance sheet (for the most part December 31st last) the total short loan fund employed in the discount market amounted to about £387 million. That figure has to be reduced somewhat to allow for the fact that most of the discount houses include contingency accounts and even provision for accruing expenses with their deposits and short loans. Against this, it may be estimated that about £10 million of short money is lent to running brokers and market houses excluded from the above calculations. This is unlikely to be a complete offset to the first of these reservations, but it will not be far wrong to assume that the short loan fund employed in the discount market is now running at around £380 million. On December 31st last the clearing banks' money at call and short notice amounted to about £150 million. Allowing for a small proportion of this total employed outside the discount market it will be seen that the funds used by the discount market are at present obtained to the extent of little more than one-third from the clearing banks.

It is interesting to compare this position with that at the end of 1938. The published capital resources of the "big three" then amounted to £11,969,000 and their short loans, etc., to £175,494,000, giving a multiplier of 14.5. The first contrast shown by the comparison of the 1938 and 1944 figures, therefore, is the virtual doubling of the ratio of borrowed resources to capital resources. The ten private firms in the market at the end of 1938 had capital resources of about £3,400,000 and multiplying this by 15—a reasonable ratio for that period—their borrowed funds amounted to about £52,500,000. The total short loan fund in the discount market before the outbreak of the war seems, therefore, to have amounted to about £176 million. The clearing banks at the end of 1938 had money at call and short notice amounting to £159 million. In those days a far greater proportion of clearing bank short money was employed in the Stock Exchange than to-day when the *contango* has disappeared. Taking as a rough proportion the figures of 3:1 to measure the short loans made by the clearing banks to the discount and stock markets respectively, the amount lent to the former at the end of 1938 should seem to have been in the neighbourhood of £120 million. Thus, before the war, clearing bank money represented over 65 per cent of the discount market's borrowed funds, whereas the latest indications suggest a ratio of slightly under 40 per cent. This change in the composition of the short loan fund is but one of the many manifestations of the phenomenon of abnormal sterling area balances. Much of that money temporarily in London is being used in the short loan market. Examples of this abound. According to the published figures, the Commonwealth Bank of Australia is now the largest individual lender to the discount market. The Indian and Irish banks have on the market many times the sums they normally employed in this way before the war. This change in the composition of the short loan fund is a development to which, perhaps, insufficient attention has until now been paid by the market itself. Much of this additional money, on the basis of which the market has built up its holding of bills and bonds, is an unstable element in the short loan fund. As the overseas countries in question utilise their abnormal sterling balances, these funds, though they will not be cancelled, will tend to be withdrawn from the short loan market. They will make their way in large part from the overseas to the clearing banks, and there is no reason to suppose that the clearing banks will, after the war, keep a larger proportion of their resources on the money market than they have done hitherto. It would, therefore, be unwise to count on the permanent maintenance of the present favourable gearing of capital employed in the discount market where £1 of capital will attract between £25 and £30 of borrowed resources.

The banks have now closed their ranks for the new attack on the problem of agricultural loans. The Midland Bank, which refused to co-operate in the establishment of the Agricultural Mortgage Corporation when it was founded in 1928, has now decided to become a member bank. Its decision is based on the view "that financial measures forming part of the Government's policy of securing a healthy and well-balanced agriculture call for the united support of the banks." Another reason for the Midland Bank's change of mind is the new lease of life which is being given to the Agricultural Mortgage Corporation by the Agriculture (Miscellaneous Provisions) Bill now before Parliament. Certain provisions in this measure will enable the corporation to make long-term loans to agriculture for capital purposes at the favourable rate of  $3\frac{1}{2}$  per cent. Since the Corporation financed the bulk of its existing capital resources by 5 per cent and  $4\frac{1}{2}$  per cent debenture issues, this further reduction in the basic rate for loans will call for additional Government subsidies. The annual subsidy to the Corporation has amounted to £60,000 since 1934, the year when the basic loan rate was reduced to  $4\frac{1}{2}$  per cent in order to prevent the complete disappearance of the Corporation's business. The further reduction to  $3\frac{1}{2}$  per cent will involve an increase in the annual subsidy to a maximum of £150,000, and this is being sanctioned until the year 1959. The original shareholders in the Agricultural Mortgage Corporation were promised a maximum dividend of 5 per cent. The Bill proposes to reduce this maximum figure to  $3\frac{1}{2}$  per cent. Even this modest return to the shareholding banks seems remote since for many years to come the Corporation

must, by reason of its heavy debenture debt burden, depend on Government subsidies for making ends meet. The composition of the Corporation's board is being changed by the nomination of two additional directors by the Treasury. It has long been the contention of a particular school of thought that it only needs cheap and abundant money to make good farming. With the help of the taxpayer's money that proposition is about to be put to a prolonged test.

The Government's determination to promote a healthy and well-balanced agriculture in this country in the post-war years has received further confirmation from the setting up of two committees on agricultural education. One is a permanent committee, set up jointly by the Minister of Agriculture and the President of the Board of Education, to advise them on all aspects of agricultural education to be provided by local education authorities, and particularly on the educational policy and methods to be adopted at farm institutes. The other committee has been set up by the Minister of Agriculture to consider the character and extent of the need for higher agricultural education in England and Wales, and to make recommendations on facilities which should be provided to meet the need. This committee will deal with agricultural education at agricultural colleges and universities, and will take over the functions of the Ministry's wartime committee on higher agricultural education. Dr Loveday is chairman of both committees, indicating that agricultural education is being co-ordinated and visualised as a whole, from the elementary school to the university. It is gratifying to observe how much emphasis is being placed on agricultural education. Among the problems which the committees will have to solve is the bridging of the gap between the student straight from the agricultural college, well primed with theory, and the farmer, wise in experience, but conservative in method. It is not sufficient to provide an army of trained agriculturists if no preparations are made for their reception at the farms. Valuable educational work is at present being done among farmers by the county war agricultural committees. It is not, perhaps, too much to hope that some way will be found to

continue this education among the practising farmers if after the war these committees were to be disbanded. A healthy agriculture demands the application to the land of the best and latest knowledge.

Particulars are now available of the deal between the Rank interests and the British and Dominions Film Corporation. That company is to reduce its capital from 500,000 shares of £1 to the same number in shares of 12s. It is then to issue a further 810,000 such shares to the Rank group in exchange for 475,500 shares of £1 in D and P Studios. With existing holdings, direct and indirect, this will give British and Dominions 89.3 per cent of the capital of this concern. In the absence of full accounts, it is impossible to form any idea of the financial merits of the transaction, but it plainly gives the Rank group full control of British and Dominions. The group, of course, retains full control of D and P Studios, together with some 86 per cent of their financial interest in that concern and obtains roughly a 62 per cent interest in any financial benefits obtained by British and Dominions from any source other than D and P Studios. When the operation is complete, Pinewood Studio Films, which owns—or owned—50 per cent of the capital of D and P Studios, will be placed in liquidation, a welcome, if minor, simplification of structure. British and Dominions apparently own the Denham and Pinewood studios and hold for realisation assets at Elstree, valued at £50,000, which are at present let on a satisfactory basis. Other assets of the company are the D and P Studios holding, valued at £769,825, and net floating assets of £32,380. In view of the heavy losses of the past, the advantage to British and Dominions shareholders of association with the Rank group is evident. That group is, presumably, satisfied to extend its control over studio space.

Burmah Oil is fortunate in being able to maintain its ordinary dividend of 12½ per cent., a result which would

ONE HUNDRED AND TWENTY-SEVENTH REPORT OF THE BOARD OF DIRECTORS, to be submitted at the Ordinary General Meeting to be held on Wednesday, 28th June, 1944, at Winchester House, Old Broad Street, London, E.C., at noon.

The Directors have pleasure in submitting the Profit and Loss Account in respect of the unoccupied office for the year to 31st December, 1943, together with the Balance Sheet as at that date. In view of the continued occupation of the majority of the offices, the Profit and Loss Account covers only the results of these offices under the control of the Directors. Owing to the obscurity of the location in the Far East, the Directors regret that they are unable to recommend the payment of a Dividend, and have resolved that the profits for the year, £216,075 18s 11d., be transferred to Contingencies Reserve.

Yours faithfully,  
 W. G. Mitchell & Co. Chartered Accountants (offices).

The retiring Auditors, Messrs. Pent, Marwick, Mitchell & Co., Chartered Accountants, offer themselves for re-appointment.

By Order of the Board,  
A. MORSE, *Chairman*.

London, 8th June, 1944.

BALANCE SHEET as at 31st DECEMBER, 1943.

A. MORSE, Chairman.

|                                                                                                                 |     | £                 | s.         | d. |   | £ | s. | d. |  | £          | s. | d. |
|-----------------------------------------------------------------------------------------------------------------|-----|-------------------|------------|----|---|---|----|----|--|------------|----|----|
| Share Capital—Authorized and Issued:                                                                            |     |                   |            |    |   |   |    |    |  |            |    |    |
| 100,000 Shares of H.K. \$125 each, fully paid                                                                   | ... | H.K. \$20,000,000 | 1,239,583  | 6  | 8 |   |    |    |  | 2,532,436  | 1  |    |
| Reserve Funds                                                                                                   | ... |                   | 7,125,000  | 0  | 0 |   |    |    |  | 10,850,000 | 0  |    |
| Current, Deposits and Other Accounts including Contingencies                                                    | ... | £27,134,546       | 10         | 2  |   |   |    |    |  | 47,128     | 2  |    |
| Reserve                                                                                                         | ... | 368,747           | 2          | 1  |   |   |    |    |  |            |    |    |
| Bills Payable                                                                                                   | ... |                   | 27,503,293 | 12 | 3 |   |    |    |  |            |    |    |
| Liabilities in the Currencies of Countries in Enemy Occupation—                                                 |     |                   |            |    |   |   |    |    |  |            |    |    |
| Hongkong Currency Note in Circulation:                                                                          |     |                   |            |    |   |   |    |    |  |            |    |    |
| Authorized Note Issue against securities deposited with the Crown Agents for the Colonies, H.K. \$20,000,000... | ... | £1,859,375        | 0          | 0  |   |   |    |    |  |            |    |    |
| Excess Note Issue against Hongkong Government Certificates of Indebtedness, H.K. \$219,323,572                  | ... | 13,593,802        | 2          | 3  |   |   |    |    |  |            |    |    |
|                                                                                                                 | ... | £15,463,177       | 2          | 3  |   |   |    |    |  |            |    |    |
| Current Deposits and Other Accounts including Contingencies                                                     | ... | 33,983,851        | 12         | 4  |   |   |    |    |  |            |    |    |
| Reserve                                                                                                         | ... |                   | 49,412,928 | 14 | 7 |   |    |    |  |            |    |    |
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NOTES: 1. The figures included in the Balance Sheet in respect of Offices in enemy occupied territories have been taken from the last Returns received. In the case of certain Offices in enemy occupied territories no Returns have been received in London.  
2. No official information is available as to the steps taken by the enemy in attempting to liquidate or carry on the occupied Branches.  
3. The figures in respect of the Indian Offices have been taken from the Returns as at 30th November, 1943.  
4. Balances in the currencies of enemy and enemy occupied territories have been converted into Sterling at approximately the last quoted rates.  
5. There are contingent liabilities in respect of confirmed credits, guarantees given and forward exchange contracts entered into in the ordinary course of business.

We have examined the above Balance Sheet with the Books of the Corporation kept in London in which are incorporated the Returns received from the Offices abroad which have not been audited. The Assets in Enemy Occupied territories and other Assets unreliable owing to war are under present conditions incapable of valuation or verification. We have not verified the Balance of Remittances and Drafts in Transit as the detailed records of this item are not fully available in London. Subject to these observations and the notes appearing on the Balance Sheet we have obtained all the information and explanations we have required and in our opinion such Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Corporation's affairs according to the best of our information and the explanations given to us and as shown by the Books kept in London.

|                                                        | £       | s. | d. |                                                                                                                     | £       | s. | d. |
|--------------------------------------------------------|---------|----|----|---------------------------------------------------------------------------------------------------------------------|---------|----|----|
| To Balance transferred to Contingencies Reserve ... .. | 216,075 | 18 | 11 | By Profit after making provision for Bad and Doubtful Debts, except at offices in enemy occupied territories ... .. | 216,075 | 18 | 11 |
|                                                        | 216,075 | 18 | 11 |                                                                                                                     | 216,075 | 18 | 11 |

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seem to exceed the most sanguine expectations that could be entertained last year by the chairman, Mr. Robert Watson. The wholesale disposal of stocks and the bringing in of credit balances with subsidiaries, normally left at their disposal, disguised the effect of the loss of Burma on the 1942 accounts. But the present accounts, for the year ended December 31, 1943, cover the trading profit of only two wholly owned subsidiaries and of the tanker company. Their profits of £1,862,893 compare with trading profits of £3,444,389 for 1942. This result is not unsatisfactory, in the circumstances, and indicates the great demand, created by war developments in the Far East, for the products of the two subsidiaries still in business, the Assam Oil Company and the Tinplate Company of India. This same factor—the pressing expansion of war production—is partly responsible for the considerable increase of £377,122 in dividends and interest, which reflects a much higher dividend received from the Anglo-Iranian Oil Company. Altogether, gross profits amount to nearly £4 million against nearly £5,200,000. (Comparative figures for the past three years are set out on page 860.) Taxation, however, requires £779,740 less, due largely to the lower trading results. It is possible that, if anything, it has been overprovided for. Earned for ordinary thus works out at 12.9 against 16.4 per cent, which enables £100,000 to be allocated to general reserve while the carry forward is again strengthened. The chairman is able to say that, granted the continuation of present conditions, the 1943 results should be maintained, despite the complete loss for the time being, of considerable sections of the Company's business.

#### Cable Company's Strong Position

Callender's Cable and Construction Company, whose accounts for the last three years are compared on page 860, is, as its chairman, Sir Malcolm Fraser, points out, in a strong position from the viewpoint both of earning capacity and of capital reserves. Its profit after taxation for the year ending December 31, 1943, is £566,000 odd, or roughly the same as for 1942. But the fact that the redemption of the debenture stock was completed last year leaves earned for equity at 51.9 against 45.0 per cent. The ordinary dividend of 20 per cent is repeated, but not increased, thus enabling £175,000 to be allocated to the reserve for war contingencies, where it is especially earmarked for covering the reinstatement of employees now in the Services. The laudable aim is to end any anxiety that may be felt by absent employees about the transition period, but it is pointed out that expenditure under this head should be self-liquidating. If this should prove to be so a total war contingencies reserve of £675,000 will become available, and it is pointed out that this sum, added to the general reserve, amounts to rather more than the company's total issued capital. This strong capital position and the provisions available for employees' welfare has been made possible, as Sir Malcolm points out, by the renunciation of past profits by shareholders. Turning to post-war prospects, Sir Malcolm Fraser does not believe that there will be a scarcity of either raw materials or of shipping space. The real danger, he suggests, is that a sudden termination of Government contracts, resulting from its large accumulation of stocks, will find the company in ignorance of probable demand. The company could switch over from war to peace-time production without a week's delay, even though the cable required were of an entirely different character.

if only it knew the nature of the orders that will be placed. Co-ordination between industry and its potential customers, such that plans for the future can be prepared now, is rightly demanded. It is likely, however, that the termination of Government contracts will be more gradual than

suggested. In any case, the abandonment of controls after the war, which Sir Malcolm also wants, is the worst way to secure a smooth and balanced change-over to peace-time production. As was indicated in the White Paper on Employment Policy, the Board of Trade is to be responsible for advising industry on the nature of post-war demand. While its ability to do this is clearly limited at the moment, there is no reason why the co-ordination which Sir Malcolm wants should not be increasingly helped along from this quarter.

#### Radio Engineers Look Ahead

The report on the post-war scope and prospects of the radio industry, issued by the British Institution of Radio Engineers is a reflection of the confidence of the technicians in the future of a new industry which has made rapid technical progress during the war. During the last few years much effort has been expended in the field of communications; the progress achieved will, in the view of the engineers, have a "tremendous" influence in future designs of ultra short wave transmitters and receivers, as well as on the design and use of valves, aerial systems and cathode ray tube equipment. Recent developments in the use of high frequencies and the ability to restrict transmission to narrow paths by directional means will make it possible to use radio extensively for telephone services; institutions such as newspapers, for example, might operate their own communications systems. Electronic devices are already used extensively in industry; they include voltage regulators, speed and process controllers, motor controllers and welding timers, as well as equipment for the detection and control of radiant energy, the control of heat in resistance welding, and the control of temperature in resistive and inductive heating. On the entertainments side, there is great scope in television and in the improvement of broadcasting services. Fundamental research, it is held, should be prosecuted on a "far more vigorous scale," and to this end the Institution has proposed the formation of a British Radio Research Institute. Inevitably, the report is a technical one and concerned mainly with technical progress and its application. But the engineers are well aware of the cost factor; for example, they advocate standardisation wherever this is possible, as in valves and other components. Nor do they overlook the need for developing exports. In their view, the scope for expansion will be considerable; quite apart from the pent-up replacement demand, a new demand may arise as a result of the spread of the knowledge of the advantages and possibilities of radio.

#### Gas Research

The fourth annual report of the Council of the Gas Research Board provides an indication of the scope for research as well as of the progress that is being made. The recent establishment of the Board does not mean that the gas industry has not been aware of the need for research in the past; the industry, in fact, has been one of the most progressive in the matter of research and, as an article on page 815 in *The Economist* of June 17th showed, it has been able to hold its own in competition with other fuels. The Board's function is not so much to supersede research carried on by gas undertakings and manufacturers of plant and appliances as to supplement it, especially in the field of fundamental research. One of the most interesting problems which is being studied by the Board is the complete gasification of British coals; the results of this research have already shown that coals and semi-coke can be converted to gaseous and liquid hydrocarbons by the action of hydrogen under pressure. The idea of complete gasification, of course, is not new; but its commercial development might bring substantial economies.

#### Labour on Transport

In a report on the Post-War Organisation of British Transport, the National Executive Committee of the Labour

UNIVERSITY OF LONDON.—The Senate invite applications (1) for the University Chair of Economic History tenable at the London School of Economics and (2) for the Cassel Chair of Economics (with special reference to banking and currency), tenable at the London School of Economics. Salary not less than £1,250 a year in each case. Applications for the Chair of Economic History must be received not later than July 17, 1944, and for the Cassel Chair not later than August 14, 1944, by the Academic Registrar, University of London, Richmond College, Richmond, Surrey, from whom further particulars should be obtained.

Party has outlined a scheme of nationalisation involving central control and public ownership. The ownership of all transport undertakings—with the exception of "C" licensed goods transport—would be acquired by a National Transport Authority, on the basis of "fair and reasonable" compensation. A Council or Executive of the Authority would be appointed by and responsible to the Minister of Transport. Separate boards, working under the general direction of the National Transport Authority, would be set up for each of the various forms of transport—that is, for the railways, road haulage, road passenger transport, docks and harbours, canals, coastwise shipping and civil aviation. Public control and ownership are advocated as the only means of ensuring effective co-ordination, on which there is, of course, a wide measure of agreement. Like earlier reports advocating the nationalisation of other industries, the plan for transport lacks the factual basis which must be the starting point for any scheme of reorganisation. There is no evidence to suggest that the proposed scheme is the most likely to achieve maximum efficiency. To suggest that the wartime system of control should not be discarded "at the behest of profit-makers" begs the question. It is perhaps inevitable, though nevertheless a pity, that the National Executive Committee is choosing the political approach to the solution of technical problems.

#### The AEU National Committee

The major decision reached by the National Committee of the Amalgamated Engineering Union at its continued conference in Edinburgh was to press for a wage increase of 10s. a week on the base rates of all adult male workers. An alternative proposal, to seek a national minimum wage of £6 a week for skilled workers, was rejected. This decision is separate from the proposal to build up a new structure of engineering wages, which, as indicated in an article in *The Economist* last week, will be a long process—Mr. Tanner said that the Executive Council would probably not be able to formulate a detailed scheme in less than six months. The engineers' most recent claim for a 10s. a week increase was rejected by the employers—the National Arbitration Tribunal awarded an increase of only 4s.—so it seems improbable that the new claim will be successful when it is presented. More pressing is the question of closing the gap between men's and women's rates, and securing the payment of the "rate for the job." The AEU has been seeking evidence about the numbers of women employed on men's jobs, under the Extended Employment of Women Agreement, but according to its General Secretary, Mr. Ben Gardner, so far only 3,000 registrations have been made of jobs transferred from men to women, though there must be very many thousands in fact. The union is concerned about the position under the Restoration of Prewar Practices Act, and it seems that no machinery for registering departures from trade practices, as laid down under that Act, has in fact been set up. At the Conference, a resolution to prevent further entry of dilutees was abandoned, on the representations of the President that this might jeopardise the Second Front, but one, calling on the Executive Council to consider the menace to the standard of skilled workers of continued dilution after the war, was carried. Similar fears about the employment of dilutees and the evasion of the Restoration of Prewar Practices Act were expressed during the last war, but they proved to be groundless. As Mr G. D. H. Cole, in "Trade Unionism and Munitions," wrote:

It was anticipated during the war period that very great difficulty would arise in securing the effective restoration of pre-war practices on the conclusion of the war. In fact this was not the case. Restoration took place. . . . It was carried through . . . with far less friction than any one had supposed to be possible.

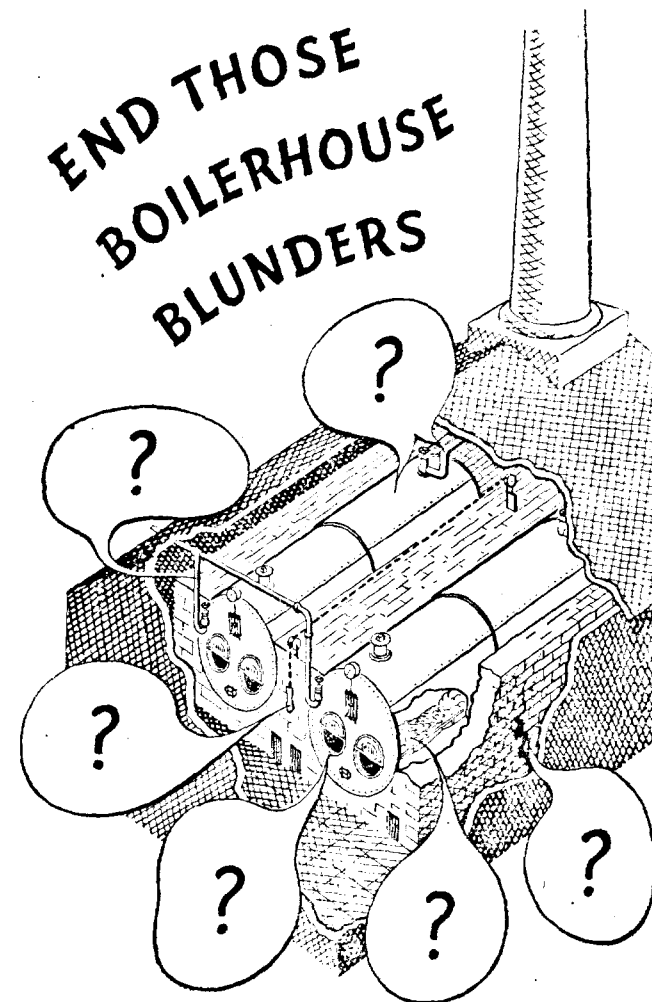
It remains to be seen whether history will repeat itself.

#### Hongkong and Shanghai Bank

The accounts of the Hongkong and Shanghai Banking Corporation for 1943 inevitably reveal a picture of suspended animation. Of the bank's eastern branches, only three, those at Calcutta, Bombay and Colombo, remain open to transact profitable business. The bank has an office in Chungking, but the fact that it has moved to larger premises last year should not be taken to suggest that this branch in Free

(Continued on page 859)

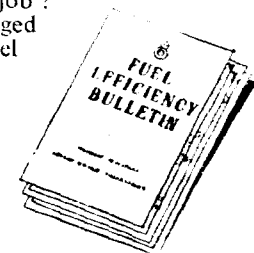
## END THOSE BOILERHOUSE BLUNDERS



MANAGEMENTS who put their boilerhouses in order will reap their reward in quick savings of coal—a safeguarding of their production next winter. If you have not thoroughly overhauled your plant, start now. Watch especially for the following points:

- ? Is there any leakage of air through boiler brickwork?
- ? Do the fire doors fit properly?
- ? Do the dampers work properly and are they easily controlled?
- ? Are the boiler heating surfaces clean and free from scale?
- ? Are exposed parts of the boiler and all steam mains, hot-water pipes and feed-water tanks properly lagged?
- ? Is the boiler feed water heated by 'waste' heat and can you increase its temperature by using hot condensate from steam traps?
- ? Is your stoker in need of expert instruction in any part of his job? (If so, it can easily be arranged through your Regional Fuel Efficiency Committee.)

CHECK YOUR ANSWERS WITH YOUR FUEL EFFICIENCY BULLETINS. Those you need are Nos. 1, 2, 9, 10, 20, 27. If you've mislaid them send TODAY to the Regional Office of the Ministry for further copies.



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For the Child's future —  
consider a  
**MAGNA CARTA POLICY**  
which affords protection should the  
father die during the child's minority.  
**NATIONAL PROVIDENT INSTITUTION**  
FOR MUTUAL LIFE ASSURANCE  
Founded 1855  
48 Gracechurch Street, London, E.C.3

## COMPANY MEETINGS

## HONGKONG AND SHANGHAI BANKING CORPORATION

## CONSERVATION OF LIQUID RESOURCES

## CHINA'S POST-WAR PROBLEMS

## MR A. MORSE'S STATEMENT

The ordinary general meeting of the Hongkong and Shanghai Banking Corporation will be held on 28th instant, at Winchester House, Old Broad Street, London, E.C.

The following is the statement of the chairman, Mr A. Morse, C.B.E., circulated with the report and accounts:—

## PROFIT AND LOSS ACCOUNT

We have been able to prepare a profit and loss account covering the results of our offices not in enemy occupation for the year ended December 31, 1943. Figures in respect of the offices in enemy occupation are, of course, not available, and it will no doubt be realised that as the bank's main field of operations is at present closed to us, the statement before you must be accepted merely as an account reflecting the results of our stewardship of the bank's assets outside enemy control.

The profit of £216,075 18s. 11d. has been arrived at after charging the whole of the running expenses of the free offices and also certain items relating to Far Eastern offices which we have had to provide for, although trading operations in that sphere are temporarily suspended.

## TWO IMPORTANT MATTERS

Among the important matters which your board have constantly in mind, I will refer to two which we consider to be of the utmost importance. One is the primary duty which rests on us of conserving and keeping intact the liquid resources under our control, which amount to a figure of some magnitude and represent a considerable proportion of the bank's total assets. The other is the question of maintaining our organisation in such a state that when conditions permit of resumption of trading in the Far East, we will be in a position to recommence business as speedily and as effectively as possible. We feel sure that our policy in these matters is in the ultimate interests of the shareholders. In pursuance of this policy, and having regard to the fact that it is impossible at present even to estimate with any degree of certainty as to what will be the eventual position of our occupied offices, the board have decided to transfer the balance of £216,075 18s. 11d. to contingencies reserve, and although this means that we are again unable to recommend the payment of a dividend, we know that our reasons will be fully appreciated by all shareholders.

## FAR EASTERN ASSETS

There is relatively little change in the balance-sheet figures during the year under review, and I think I need only mention that the position as regards the Far Eastern assets and liabilities remains substantially the same as it did a year ago, and although we have been able in the interval to realise nearly £700,000 of these assets, it is unlikely that any material reduction can be made in this item until we can resume possession of our occupied offices. The addition during the year of some £350,000 to the liabilities in currencies of enemy-occupied countries is mainly due to the fact that we have now obtained returns in respect of certain offices covering periods prior to enemy occupation, which were not

available when we prepared the 1942 balance sheet.

I regret that we have been unable to make arrangements to legalise the transfer of shares of the Bank on the Hongkong Share Register. The Register is in enemy hands, and our legal advisers have stated emphatically that until we obtain possession of it again, no legal transfers can be made of shares on that Register.

## THE CHUNGKING OFFICE

During the year our Chungking office moved to larger and more suitable premises. Our manager there keeps in close touch with the trend of developments and maintains excellent relations with the official and commercial community. Our offices at Calcutta, Bombay, and Colombo, which are the only other Eastern offices we have operating, continue to do a satisfactory business.

The official exchange rate of the Chinese dollar has throughout the past year remained at a middle rate of 3d. Since 1942, owing to the steadily increasing cost of living in China, this fixed rate has been causing hardship both to charitable and relief organisations dependent on foreign funds, and to foreigners, including diplomats, missionaries, relief workers, etc. The Chinese Government have partially met the situation by granting concessions to certain categories of foreign remittances.

## ECONOMIC SITUATION IN CHINA

As regards the economic situation in China, you all know that the war has caused serious dislocations. President Chiang Kai-shek himself referred in a speech last September to the "deep concern and anxiety" which existed. On March 8th the Government spokesman in Chungking stated that the general index of prices was 230 times the pre-war figure (i.e., of 1937), and the rise continues. It is difficult to evaluate such figures; allowances should be made because of the various steps taken by the Government to alleviate hardship by means of food and other subsidies, and consideration must also be given to the remarkable resiliency of China's internal economy. Yet the danger signals are serious.

China deserves all our sympathy, for no country could have come through the experiences which she has suffered in recent years, without financial strain or worse. Dr H. H. Kung, the Chinese Finance Minister, has had a long struggle against the steadily rising tide of inflation. However, China has the happy assurance that her allies, with their immense resources, will be standing by and, as time passes, their help both for war and post-war needs should be available in a far more practical way than is at present possible.

## HOPE OF INTERNATIONAL ACTION

I think that most business men interested in post-war trade hope for concrete international action to secure collaboration in regard to monetary problems and trade developments. It seems that this view is also widely held in China. You will remember that China adhered to the Moscow declaration of last October, which

recognised the necessity of establishing a general international organisation as soon as possible. Chinese experts have also taken part in the Hot Springs and Unrra conferences, as well as in the discussions which led up to the recent proposals for an "International Monetary Fund."

It is, therefore, to be expected that the Chinese Government will adhere to any joint measures which may eventually be worked out for the promotion of stable currencies and the expansion of world production and trade.

## RELAXATION OF RESTRICTIONS

Last September the Chinese Government made a welcome announcement in regard to the relaxation of restrictions on joint Sino-foreign enterprises. In practice there have rarely, I believe, been any serious difficulties about any such joint concerns, and I do not myself expect the adoption of abnormally restrictive legislation in regard to foreign investment and the operations of foreign companies in China. Such action would not help China's industrial expansion nor her overseas trade. Meanwhile, it is very necessary that the British merchant community should watch developments and in broad outline be agreed on how to set about post-war trading problems. I am glad that the China Association have been directing their energies towards this matter, as those of you who have read their last annual report will be aware.

We were all very glad to see the Chinese Goodwill Mission over here towards the end of last year. I am a great believer in the making of contacts in this way.

The paper restrictions prevent this review from being a more comprehensive one, but I wish to assure shareholders and customers that we are keeping in close touch with all developments in the East, and our information is at their disposal should they wish to direct enquiries to us.

## CALLENDER'S CABLE AND CONSTRUCTION COMPANY, LIMITED

## GOOD RESULTS

The forty-eighth annual general meeting of Callender's Cable and Construction Company, Limited, will be held on July 3rd next in London.

The following is extracted from the statement of the chairman (Sir Malcolm Fraser, Bt., G.B.E.) which has been circulated in full to stockholders, with the directors' report:—

It will be observed that the profit, after making provision for taxation, is £566,363; and that when we have debited depreciation at the same figure as last year (£80,000) and directors' fees, there remains a balance of £485,115.

After adding the balance brought forward from the previous year, £306,552, we have a total available of £791,667. Dividends paid during the year upon both classes of preference stock, and an interim on the ordinary stock, amount to £112,196, and leave us with a figure of £659,471.

Your directors have decided to transfer to reserve for war contingencies, etc., the sum of £175,000, earmarked as a contingent reserve for reinstatement of employees in the fighting services, under the Reinstatement in Civil Employment Act, 1944, to pay a final dividend upon the ordinary stock of 10 per cent., absorbing £112,391, and, in addition, a cash bonus of 5 per cent. (both less tax), on all the issued ordinary stock which would take another £56,196.

These altogether total £343,587, leaving a balance to be carried forward of £315,884—an increase of £9,332 on the preceding year. As the figures show, the general trade of the company has been satisfactorily maintained. Stockholders will, I believe, regard the results of the year with considerable satisfaction.

## J. LYONS AND COMPANY, LIMITED

## ANOTHER SATISFACTORY YEAR

## MR HARRY SALMON'S STATEMENT

The fiftieth ordinary general meeting of J. Lyons and Company, Limited, was held, on the 21st instant, at the Trocadero Restaurant, London, W.

## REPORT OF THE DIRECTORS

## FOR THE YEAR ENDED MARCH, 31, 1944

The directors report that the balance of the trading account for the year ended March 31, 1944, after providing reserve for contingencies, is £905,890, which, together with the balance of £399,579 brought forward from last year makes a total of £1,305,469 available for distribution. The sum of £490,353 has been paid or provided for dividends on Preference and Preferred Ordinary Stock to March 31, 1944, and the sum of £92,814 has been paid for interim dividends on Ordinary, "A," Ordinary and Proportional Profit Stock and "B" Proportional Profit Shares.

The Directors propose to deal with the balance by paying a final dividend of 3s. per £1 unit of Ordinary and "A" Ordinary Stock, absorbing £249,941, and a final dividend of 7.2d. per £1 unit or share respectively on the Proportional Profit Stock and "B" Proportional Profit Shares, absorbing £28,500. The balance to be carried forward to next account is £443,861.

The dividends received from subsidiary companies have been included in the company's trading account. In the aggregate the results of the subsidiary companies' trading show a profit. Losses of subsidiary companies so far as they concern this company have been dealt with in this company's accounts.

Messrs Geo. W. Booth and L. Gluckstein, ordinary directors, and Messrs. L. H. Lampitt and W. H. Gaunt, employee directors, retire and, being eligible, offer themselves for re-election.

Messrs Turquand, Youngs, McAuliffe and Company, the auditors, retire and are eligible for re-election.

(Signed) HARRY SALMON,  
M. SALMON,  
Managing Directors,  
CADBURY HALL, LONDON, W.14.  
June 5, 1944.

## MR HARRY SALMON'S STATEMENT

The accompanying report and accounts are those of the fiftieth year of the company. This is a landmark in its history; but, in the midst of the greatest war the world has known, the event loses some of its significance. I feel, too, that it is inappropriate to attempt to survey the company's growth and progress over that long period—a record of which its members may, I venture to think, justifiably feel proud.

## CONTINGENCY RESERVES STRENGTHENED

We must be satisfied that we have been able to continue a steady rate of dividend, though something less than the rate in pre-war periods, and that we have been able to add further to our contingency reserves, the need for which must, in the days to come, be greater than ever. We shall have a flood of contingencies to meet, at the end of the war, which will make great inroads on those reserves, for there are many things which we have had to leave undone during the war period, the cost of which cannot at present be calculated.

I do not think it necessary to comment on any of the figures in the balance-sheet.

A comparison of the assets and liabilities with those of last year is set out as usual, and the differences are no more than normal. The business has been maintained throughout the year, in so far as that has been possible, for output is limited by the material and labour available. It is obvious that the volume would have been greater but for these shortages. In the fifth year of war, we may, perhaps, hope that the need for further curtailment of business, by reduction of materials and transference of labour, will shortly have passed.

Apart from the contribution to the war effort which the nature of our business enables us to make—for feeding the nation is an important war task—we continue to carry out for Government departments various undertakings, the nature of which we cannot, of course, mention in detail. These undertakings, being outside the range of our ordinary activities, have entailed some dislocation which, in turn, has meant reorganisation and extra effort, not to be measured only by their volume.

## POST-WAR PROBLEMS

We have been giving attention to the many problems which will have to be solved when the war is over. I mentioned, last year, that control of distribution and concentration of production brought about by Government orders, had resulted in the exclusion of our products from certain parts of the country. The recovery of these lost areas of distribution will be one of these problems. There are others, even more important, such as the restoration of standards which, unfortunately, we have been forced to lower. But this will only mean getting back to where we were, and will not be enough; there must also be further improvement and development. In our view industrial efficiency, which will be so essential to the country after the war, can be maintained only on a basis of originality of thought and hard work, and we hope that freedom to exercise these qualities will be restored at the earliest date. We are convinced that under a system of Government controls this company's progress during the last fifty years would have been impossible; nor would the public have been so well served. In the meantime, the day-to-day running of our varied and complex business is a very arduous task, for every transaction demands greater vigilance and greater effort than in normal times.

## TRIBUTE TO STAFF

I want, once again, to pay a tribute to the staff who have given us their loyal support throughout the year. A happy relationship with them has always prevailed; indeed, the maintenance of it has been our constant care. It still prevails; not less among the newcomers than among the now greatly reduced number of pre-war employees.

I regret to have to say that, during the year, a number of our employees have lost their lives in the service of the country. I am sure members will share our deep sorrow in this loss and our sympathy with the bereaved families. We greet, in your name and in ours, the very large number of employees who are serving in the Armed Forces in all parts of the world—a number which has again increased since last year. We maintain touch with them, and have continued to assist them by allowances according to their needs and circumstances. They know, and appreciate, our interest in their welfare and that of their families. We look forward to the happy day when victory will return them to us.

## WHITEHALL ELECTRIC INVESTMENTS LIMITED

## TEN YEARS' ACHIEVEMENT

The twenty-second ordinary general meeting of Whitehall Electric Investments, Limited, will be held, on the 28th inst., at Winchester House, E.C.2.

The following is a summary of the report of the directors for the year to March 31, 1944:—

|                                                                                                                                                                                                                           |         |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|
| The consolidated gross income of the three companies amounts to £228,056 and the net income, after charging £17,510 for expenses, £55,259 for loss on realised investments and after transferring £32,701 to reserves, is | 122,586 |
| The provision for U.K. and Canadian income tax and the payment net of the preference dividend absorb a total of                                                                                                           | 102,385 |
| and the undistributed balance at £394,406 shows an increase in the year of                                                                                                                                                | 20,201  |

## CONSOLIDATED ASSETS

Consolidated assets have been valued by the directors at March 31, 1944, as follows:—

|                                                                                                                           |            |
|---------------------------------------------------------------------------------------------------------------------------|------------|
| West of England, at cost                                                                                                  | 865,000    |
| \$6 preferred stock of American and Foreign Power, at market price \$77½                                                  | 1,989,235  |
| Other electrical and non-electric investments, at market prices, except £15,571 at or under cost; and net floating assets | 1,085,512  |
|                                                                                                                           | £3,939,747 |
| The value of the net assets attributable to the company, excluding Athens, is                                             | 3,853,032  |
| Deduct therefrom the preference stock, namely                                                                             | 1,250,000  |
| Leaving for the ordinary stock, excluding Athens                                                                          | £2,603,032 |

Greece remains in enemy occupation and no information is available regarding the Athens undertakings.

## RECORD OF PROGRESS

The West of England companies may not give any information about their wartime activities; but it is considered opportune to record the progress made during the ten years prior to the war.

The area is mainly rural and sparsely populated, the number of inhabitants being only 151 per sq. mile and the industrial load relatively small. Nevertheless, by 1939 the companies were supplying over 41,000 consumers, which is equal to 70 per cent. of the total number of occupied premises. Consumption was raised in the decade from five million units annually to 26 million units, all alternating current at the standard voltages. There is a uniform system of tariffs, and up to the outbreak of war development was actively encouraged by facilities for rental, wiring and the hire of appliances.

The development during these ten years has enabled the companies to make their due contribution to the war effort and affords an example under private ownership of initiative, enterprise and achievement.



# MARKS AND SPENCER LIMITED

## JUBILEE YEAR—WONDERFUL GROWTH

### MR SIMON MARKS'S STATEMENT

The 18th ordinary general meeting of Marks and Spencer, Limited, was held, on the 20th instant, at the registered office of the company, Michael House, 82, Baker Street, London, W., Mr Simon Marks, D.Sc. (chairman and managing director), presiding.

The secretary (Mr B. W. Goodman, A.C.A.) read the notice convening the meeting and the report of the auditors.

The following is the statement of the chairman which had been circulated with the report and accounts, and was taken as read:

The following statement has been prepared for the information of shareholders in place of the chairman's speech at the annual meeting of the company on June 20, 1944.

Although this is our eighteenth annual general meeting, this year is, in fact, the jubilee of the foundation of Marks and Spencer. In 1894, fifty years ago, my father, Michael Marks, took Thomas Spencer into partnership in the business he had started some years previously, and with a capital of £753 the firm of Marks and Spencer came into being.

We are glad to have Mr I. M. Sieff with us again. He has returned from America, where he initiated and developed the company's export business. A substantial amount of dollars was made available to His Majesty's Treasury as a result of these activities, which have had to be suspended owing to the Government policy of limitation of production for export.

### ALLOCATION OF PROFITS

The net profits for the year (53 weeks' trading) are £1,574,029, compared with £1,457,467 last year (52 weeks' trading).

Before determining these profits we have made our usual provision for depreciation, and have allocated a further £50,000 to the deferred repairs reserve, which now stands at £250,000. The results include the profits from the trading operations of the Marks and Spencer Export Corporation since its inception.

Provision for taxation is £790,000, compared with £863,000 a year ago, but last year's figure included £150,000 to complete the provision required to meet income-tax payable in the future on profits earned to date. The company's tax liability on profits for the five years to date has not yet been finally determined, but it is considered that adequate provision has been made.

With £704,015 brought forward, there is available for distribution £1,488,044, which compares with £1,166,407 a year ago.

The directors propose a final dividend of 20 per cent. on the Ordinary and "A" Ordinary share capital, making 35 per cent. for the year, leaving £1,024,852 to be carried forward.

### RESERVES AND SURPLUS

Reserves and surplus, £3,636,152, compared with £3,300,020 a year ago.

Assets.—The freehold properties depreciation reserve which formerly stood on the liabilities side of the balance-sheet is shown as provision for depreciation and deducted from the freehold properties. This item capital assets, which are all shown after the provision for depreciation.

The increase in the amount invested in subsidiary companies represents the purchase of the share capital of a business which came into the market on the death of the principal shareholder.

Our investments in national securities at £1,207,600 have increased by £234,000 during the year, and we have earmarked another £200,000 for investment during the various "Salute the Soldier" weeks.

### GENERAL SURVEY

The stock-in-trade at £1,139,436 shows a decline of £160,637 compared with last year and is at the lowest level since 1936. The fall is the inevitable result of war-time restriction and regulation of production of consumer goods.

Within the limits set to initiative by utility production we have been able to make some improvements in quality and design, which should beneficially affect the range and standard of our goods after the war.

Over 1,000,000 square feet of space in our stores throughout the country are being utilised by the Government for a variety of war-time national purposes. This reduction of space, together with the decreased range and quantity of goods available, has caused us to reduce our counter footage by over 50 per cent. as compared with 1939.

There has been a further drop in our full-time staff, which now numbers some 9,000 as against 20,000 before the war. Of our pre-war staff, the great majority of whom are in the Services or engaged in other work connected with the national war effort, only 2,500 remain in our employ.

We have continued to maintain close and cordial relations with our suppliers. We are glad to say that by effective co-operation we have been able, together, to surmount many difficulties. We thank them for their valuable collaboration.

### WELFARE AND STAFF

We are maintaining our welfare services at as high a level as is possible in present conditions. A number of our employees are now receiving pensions from the Marks and Spencer Benevolent Fund, after long and faithful service with the company. This fund was established in 1936, primarily for the benefit of staff not covered by the group pension scheme inaugurated in the same year.

Over 1,500 of our men have joined H.M. Forces. They have suffered further casualties during the year and it is with deep regret that I have to inform you that up to date 56 have been killed in action, 10 are missing and 53 are prisoners of war. To their families we extend our deepest sympathy.

A number of distinctions have been awarded to our men in the Services and we congratulate them on the honours they have earned.

Our scheme of supplementary allowances for the men in the Forces continues in operation. We maintain contact as much as is possible with them, and we look forward to their speedy return.

I would ask you to join the board in thanking all members of the staff for their loyal service to the company in times of much difficulty.

The chairman then moved the adoption of the report and accounts and the confirmation and payment of the dividends recommended.

Mr Israel M. Sieff, B.Com., the vice-chairman and assistant managing director, seconded the resolution, which was carried unanimously.

The retiring directors having been re-elected, and the auditors re-appointed, Mr H. M. Wolff proposed a hearty vote of thanks to the chairman, directors and staff and in doing so congratulated the chairman on the honour he has received, and himself and the board for the excellent results achieved.

Mr Gordon Jacobs seconded the vote, which was cordially approved, and a brief acknowledgment by the chairman brought the proceedings to a close.

# LONDON AND MANCHESTER ASSURANCE COMPANY, LIMITED

## SATISFACTORY RESULTS

Mr A. H. Dawes, chairman, presiding at the seventy-fifth ordinary general meeting of the shareholders, held in London, on the 21st instant, in the course of his speech, said: I think you will consider the results very satisfactory.

The premium income for the year was £4,149,988, an increase of £245,172 over the previous year. The income from all sources passed the five million mark for the first time—the actual figure, £5,301,438, showing an increase of £304,562. The total funds advanced during the year by £1,878,526 to £27,279,546.

The new sums assured for the year in the ordinary branch at £2,716,430 exceeded the previous year's figure by £173,745. The premium income amounted to £1,730,385, an increase of £138,072. Claims by death (including £37,549 in respect of war claims) amounted to £248,666, compared with £257,172. The amount paid on maturity of endowment assurances was £814,836, an increase of £73,639. Surrenders were again lower at £24,339. The ratio of commission and expenses to premium income was slightly lower at 12.77 per cent. The ordinary branch fund at the end of the year amounted to £15,420,507, having increased by £835,041. The rate of interest earned on the fund, after deduction of tax, at £3 ros. 4d. per cent. was higher than for the previous year.

In the industrial branch the premium income amounted to £2,329,593, an increase of £108,961. Death Claims (including £34,372 in respect of war claims) amounted to £768,845, being £88,437 more than in the previous year. This increase was due mainly to the influenza epidemic experienced during the winter months. Until the middle of November the amount paid in death claims was almost the same as for the corresponding period of the previous year. Maturities amounted to £143,145 and surrenders to £10,674. A noteworthy feature was the further decline in the expense ratio—it fell from 32.1 per cent. to 30 per cent. The fund at the end of the year amounted to £10,738,087, showing an increase of £944,940. The rate of interest earned on the fund was £4 ros. 11d. per cent. gross and £3 17s. 4d. per cent. net.

The valuation of assurances has actually been made on a basis of 2½ per cent. interest throughout, coupled with the most modern tables of mortality. The surpluses disclosed after this strengthening, apart from the interim bonuses allowed during the year, are in the ordinary branch £1,313,356, including £942,337 brought forward, and in the industrial branch £415,789, including £153,405 brought forward.

It has been decided to pay on ordinary branch participating policies which become claims by death (except policies less than one year in force at date of death) or survival during the current year, an interim bonus at the rate of £1 per cent. on the sum assured in respect of each year's premium paid due between March 24, 1939, and March 24, 1944. In the industrial branch it has been decided to allow interim bonuses on the same basis as a year ago.

After reserving the sum of £55,000 for the trustees of the staffs' pension fund and transferring £100,000 to the investments reserve fund and £80,273 to the profit and loss account the balances of surplus £1,228,356 and £265,515 have been carried forward in the ordinary branch and the industrial branch life funds respectively.

The premium income in the fire and general branch amounted to £86,713, compared with £88,566 in the previous year. A profit of £5,340 has been carried to the profit and loss account.

# FORSTER'S GLASS COMPANY LIMITED

## WORKING TO CAPACITY

The twenty-fifth annual general meeting of Forster's Glass Company, Limited, was held, on the 22nd inst., in London, Colonel Charles E. Ponsonby, T.D., M.P. (the chairman) presiding.

The following is an extract from the chairman's statement circulated with the accounts: There is a decline in trading profit. Various causes have contributed to this—transport, materials and labour. It will be readily understood how restrictions of transport in all forms—often sudden and unexpected—affect our business. Not only do they involve additional handling and storage charges, but upset regular deliveries to our customers. Transport troubles also affect the return of empties, and this accentuates the shortage of packing materials. With regard to other raw materials for manufacture, the supply has not been unsatisfactory. While the factory has been working to full capacity, we (like all manufacturers) have suffered from shortage of labour.

The profit for the year, after meeting all expenses and after adjustment of taxation reserves, amounts to £57,095, as against £69,255 last year. The directors recommend the distribution of a dividend of 10 per cent. and a cash bonus of 5 per cent. on the ordinary shares, both less income tax, making a total distribution of 15 per cent. for the year (the same as last year).

The cash position at a first glance would appear to compare unfavourably with that of last year (£65,499, as against £161,101). A closer examination, however, reveals that

(Continued from page 855)

China is increasing its contribution to total earnings. The value of this office is to be assessed in terms of future profits. It maintains contact with the Chinese authorities and provides a springboard from which the bank will ultimately make its return to the ports where the bulk of the business and the profits are normally to be found. The statement of the chairman, Mr A. Morse, to shareholders stresses the difficulties through which China is now passing. He pointed out that on March 8th the general index of prices in Chungking was 230 times the 1937 figure, which suggests that the rate of inflation has been considerably stepped up in recent months. Even though exchange concessions have been made in personal and other remittances to China, these have in no way compensated for the depreciation in the domestic value of the currency, and considerable hardship has been caused to foreigners who have had to subsist on remittances from abroad. Mr Morse, however, recalled the astonishing traditional resilience of economic life in China. These powers of recovery, allied to the help that should reach China from the great powers after the war, should quickly restore the situation. The latest balance sheet of the bank shows an abnormal liquidity in free assets. Of total assets of £85,309,905, those in enemy-occupied territories or otherwise immobilised by the war amount to £40,785,847. Of the balance, £21,289,880 was at the end of last year invested in gilt-edged securities, £10,850,000 was lent at call and short notice and £2,532,436 was kept in cash. This may not represent a very remunerative state of affairs, but it is one from which the bank will find it easy to resume more active business when the opportunities for it recur. For the first time since the Japanese occupation of Hongkong it has been possible for the bank to prepare a profit and loss account. The account for 1943 shows a profit of £216,075, the whole of which is being transferred to contingencies reserve.

## Southern Rhodesian Production

The impact of the war on Southern Rhodesian industry has resulted in a well defined tendency toward self-sufficiency typical of many countries which find themselves cut off from former sources of supply. The recently published second report on the Census of Industrial Production, 1938-42, compiled by the Southern Rhodesian Government's Department of Statistics, surveys the progress of industrial development during those years. The figures refer only to the type of productive and repair

every other item of liquid assets shows an increase and that creditors and taxation liabilities both show decreases. Our liquid position has in fact been further strengthened during the year.

We are still receiving very heavy demands for our products, and are doing our utmost to meet those demands.

## CONSOLIDATED AFRICAN SELECTION TRUST, LIMITED

### MR. A. CHESTER BEATTY'S REVIEW

The adjourned nineteenth annual general meeting of this company will be held at Selection Trust Building, London, E.C., on the 29th instant.

The following is an extract from the report of the directors which embodies the annual statement by Mr A. Chester Beatty, the chairman. The net profit for the year ended June 30, 1943, was £912,230, compared with £440,427 for the preceding year, and the application of this sum is shown by the annexed appropriation account. Out of this profit a provision for taxation has been made totalling £494,000, as against £157,500 in the preceding year. This provision for taxation, which includes Excess Profits Tax, has had to be estimated on a somewhat uncertain basis as there is an outstanding tax question, and also the Excess Profits Tax standard has not yet been agreed with the authorities.

The incidence of Excess Profits Tax is such that, so far as can now be judged, the portion of the total profits which will remain available for distribution in any subsequent year when this tax is payable is unlikely to exceed an amount sufficient to pay somewhere about 1s., free of tax, per stock unit.

The total of the two dividends for the year of 1s., free of tax, compares with 7½d. for the previous year. An interim dividend of 4½d. per unit of stock, free of income-tax, in respect of the year ended June 30, 1944, was paid on June 12, 1944.

The 178,825 preference shares which remained outstanding were redeemed on July 31, 1943, at 22s. per share, in accordance with the preliminary announcement made in the directors' report for the year ended June 30, 1942. The effect of this redemption will be reflected in the accounts for the financial year to June 30, 1944.

## RIO DE JANEIRO CITY IMPROVEMENTS COMPANY LIMITED

The eighty-second ordinary general meeting of this company was held on June 14 in London, Lieut.-Col. Francis M. G. Glyn (the chairman) presiding.

The following are extracts from the chairman's statement circulated with the report:—After providing for all contingencies, there remains a profit for the year of £67,008.

The board has therefore decided to recommend a special bonus of 8½ per cent., free of income tax, relating to the arrears of drainage rents for the years 1933 to 1936. I must emphasise that this bonus is non-recurrent and is only available because the Brazilian Government acknowledged, in a fair and equitable manner, our claims for arrears of drainage rents payable in those years.

The report was unanimously adopted.

work normally found in the Colony in peace time. Production of a military nature has, of necessity, been disregarded. The accompanying table is taken from the report, and is a total of all factory and workshop trades.

### PRODUCTION IN FACTORY TRADES.

|      | No. of Establishments | Gross Output | Cost of Materials, Fuel, etc. | Net Output  | Nos. Employed | Salaries and Wages | Net Output per £100 Salaries and Wages |
|------|-----------------------|--------------|-------------------------------|-------------|---------------|--------------------|----------------------------------------|
| 1938 | 303                   | £'000 4,561  | £'000 2,465                   | £'000 2,095 | 14,794        | £'000 970          | £ 216                                  |
| 1939 | 292                   | 4,859        | 2,590                         | 2,269       | 15,166        | 1,038              | 219                                    |
| 1940 | 300                   | 5,768        | 3,194                         | 2,574       | 17,729        | 1,198              | 215                                    |
| 1941 | 303                   | 6,796        | 3,724                         | 3,072       | 19,891        | 1,201              | 256                                    |
| 1942 | 294                   | 7,811        | 4,293                         | 3,518       | 21,523        | 1,353              | 260                                    |

\* Excess of gross output over cost of materials, fuel, etc.

The figures do not take into account changes in prices, but there is no doubt that an increase in production has been achieved. This has been accomplished almost entirely by drawing upon native labour. Their numbers rose from 12,319 in 1938 to 18,833 in 1942, while Europeans in factory and workshop trades added only 215 to these numbers in the same period, to bring the total in 1942 to 2690. The most spectacular rise in net output is in the section covering oils, seed crushing, soap, perfumes, candles, polishes and allied trades. Net output rose from £44,936 in 1938 to £128,195 in 1942. Net output per £100 salaries and wages rose from £200 to £379 in the same period. Net output of the tobacco trades almost doubled, and other sections which show great progress are some branches of the food trades, the clothing trade and the metal manufacturing trades.

## Correction

In a Note entitled "Currency in France," on page 818 of *The Economist* of June 17th the following statement was erroneously attributed to the French authorities in London:

One learns that each British and American soldier has been provided with 200 francs in Bank of France notes, taken from reserves of paper money which exist abroad. Because of the small number of notes of small denominations in these reserves each British and American soldier has at the same time received a part of the sum allotted to him in military currency. This statement is part of an official communication from SHAEF.

(Company Results on page 860)

# RECORDS and STATISTICS

## INVESTMENT

### Stock Exchanges : London

"FINANCIAL NEWS" INDICES

| 1944       | Total<br>Bargains<br>in S.E.<br>List | Corres.<br>Day<br>1943 | Security Indices   |                   | Yields         |                |
|------------|--------------------------------------|------------------------|--------------------|-------------------|----------------|----------------|
|            |                                      |                        | 30 Ord.<br>shares* | 20 Fixed<br>Int.† | Old<br>Consols | Ord.<br>Shares |
| June 15... | 8,635                                | 4,816                  | 112.8              | 134.6             | 3.16           | 3.72           |
| " 16...    | 3,847                                | 4,129                  | 112.5              | 134.4             | 3.16           | 3.74           |
| " 19...    | 6,604                                | 4,977                  | 112.5              | 134.4             | 3.16           | 3.74           |
| " 20...    | 5,747                                | 3,819                  | 112.7              | 134.4             | 3.15           | 3.73           |
| " 21...    | 4,043                                | 4,140                  | 112.7              | 134.4             | 3.16           | 3.73           |

\* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1944: highest, 112.8 (June 15); lowest, 103.0 (Feb. 28). 20 Fixed Int., 1944: highest, 138.4 (Feb. 23); lowest, 134.0 (Jan. 3).

## New York

STANDARD STATISTICS INDICES  
DAILY AVERAGE OF 50 COMMON STOCKS

| 1944      | Average | Transactions | 1944       | Average | Transactions |
|-----------|---------|--------------|------------|---------|--------------|
|           |         |              |            |         |              |
| June 9... | 121.3   | 849,000      | June 13... | 124.1   | 2,331,000    |
| " 10...   | 121.3   | 727,000*     | " 14...    | 125.1   | 1,443,000    |
| " 12...   | 122.1   | 2,237,000    | " 15...    | 125.4   | 1,851,000    |

1944: High, 125.4 (June 15). Low, 113.8 (Feb. 8). \* Two-hour session.

(WEEKLY AVERAGES) (1935-36=100)

|                | 1944              |                    | May<br>31,<br>1944 | June<br>7,<br>1944 | June<br>14,<br>1944 |
|----------------|-------------------|--------------------|--------------------|--------------------|---------------------|
|                | Low<br>Mar.<br>15 | High<br>June<br>14 |                    |                    |                     |
| 37 Industrials | 95.1 (a)          | 103.5              | 101.0              | 100.8              | 103.5               |
| 32 Rails       | 88.9 (a)          | 101.3 (c)          | 101.3              | 97.9               | 99.8                |
| 40 Utilities   | 85.0              | 89.2               | 89.2               | 88.6               | 88.9                |
| 419 Stocks     | 95.6 (a)          | 101.0              | 99.1               | 98.8               | 101.0               |
| Av. yield %    | 4.84 (b)          | 4.60               | 4.84               | 4.77               | 4.63                |

\* Common Stocks. (a) Feb. 9. (b) May 3.

## Capital Issues

| Week ending<br>June 24, 1944                         | Nominal<br>Capital | Con-<br>versions | New<br>Money |
|------------------------------------------------------|--------------------|------------------|--------------|
| To Shareholders only                                 | £                  | £                | £            |
| By Permission to Deal                                | 25,000             | ...              | 40,000       |
| Particulars of Government issues appear on page 861. | 21,925             | ...              | 169,915      |

| Year† | Including<br>Conversions | Excluding<br>Conversions |
|-------|--------------------------|--------------------------|
| 1944  | £                        | £                        |
| 1943  | 818,806,444              | 807,707,963              |
| 1942  | 947,249,082              | 931,899,998              |

| Year† | Destination* |                          | Nature of Borrowing* |             |            |
|-------|--------------|--------------------------|----------------------|-------------|------------|
|       | U.K.         | Brit. Emp.<br>excl. U.K. | Foreign<br>Countries | Deb.        | Pref. Ord. |
| 1944  | 807,377,242  | 330,721                  | Nil                  | 803,765,429 | 2,015,289  |
| 1943  | 929,885,636  | 1,375,685                | 638,677              | 924,685,171 | 659,837    |
| 1942  | 929,885,636  | 1,375,685                | 638,677              | 924,685,171 | 659,837    |

\* Conversions excluded. † Includes Government issues to June 13, 1944, only. Above figures include all new capital in which permission to deal has been granted.

## Company Results

| Burmah Oil Company.             | Years to December 31, |           |           |
|---------------------------------|-----------------------|-----------|-----------|
|                                 | 1941                  | 1942      | 1943      |
| Trading profits of subsidiaries | £                     | £         | £         |
| Dividends and interest          | 3,530,711             | 3,444,389 | 1,862,893 |
| Total profit                    | 1,336,463             | 1,744,966 | 2,122,088 |
| Taxation                        | 4,867,894             | 5,190,676 | 3,986,525 |
| Fees and subscriptions          | 1,921,565             | 2,523,755 | 1,744,015 |
| Employees' fund                 | 18,226                | 15,243    | 12,375    |
| Preference dividends            | 95,655                | 101,500   | 74,673    |
| Ordinary stock:—                | 300,000               | 300,000   | 300,000   |
| Paid (gross)                    | 2,532,448             | 2,250,178 | 1,855,462 |
| Paid %                          | 1,717,064             | 1,717,064 | 1,717,064 |
| Paid %                          | 18.4                  | 16.4      | 12.9      |
| Taxation reserve                | 124                   | 12.5      | 12.5      |
| General reserve                 | 150,000               | ...       | ...       |
| Carry forward                   | 650,000               | 450,000   | 100,000   |
|                                 | 251,920               | 335,034   | 373,432   |

| CONSOLIDATED BALANCE SHEET |            |            |            |
|----------------------------|------------|------------|------------|
|                            | 1941       | 1942       | 1943       |
| Net fixed assets           | 1,162,878  | 1,155,620  | 1,133,362  |
| Net inter-company items    | 2,735,765  | 3,255,898  | 3,023,608  |
| Net liquid assets          | 19,884,184 | 19,918,354 | 20,346,697 |
| Gross liquid assets        | 27,136,872 | 28,378,473 | 29,333,628 |

The £1 ordinary shares, standing at 87s. 6d. ex dividend, yield £2 17s. 2d. per cent.

## FINANCE AND BANKING

**THE MONEY MARKET.**—The position in the money market has been comfortable, but without any superabundance of funds. With the end of June in sight, the banks are not buying bills on any sizeable scale, and the market's portfolios are increasing appreciably. Last week the market obtained a 40 per cent. allotment at the tender for Treasury bills, and the bills sold to the banks this week cannot have matched in volume the new bills that had to be taken up. The banks, however, have had ample resources to lend to the market. The TDR call on them this week amounted to £100,000,000, but was approximately matched by effective maturities. Floating debt borrowing has, therefore, been small, amounting to no more than the £20,000,000 excess of Treasury bills issued over current maturities. The Bank return shows an expansion of £11,759,000 to £179,936,000 in bankers' deposits, a movement in keeping with the conditions apparent in the short-loan market. A further reduction of £4,071,000 in the note circulation has contributed to this movement. The Salute the Soldier campaign is said to be unearthing a considerable amount of money previously hoarded in the form of notes.

**MONEY RATES, LONDON.**—The following rates remained unchanged between June 15th and June 22nd:—  
Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days, 1½%; 3 months, 1½%; 4 months, 1½-1¾%; 6 months, 1½-1¾%. Treasury Bills: 2 months, 1-1½%; 3 months, 1-1½%. Day-to-day money, 1-1½%. Short Loans, 1-1½%. Bank deposit rates, ½%. Discount deposit at call, 1%; at notice, 1%.

**Exchange Rates.**—The following rates fixed by the Bank of England remained unchanged between June 15th and June 22nd (Figures in brackets are par of exchange).  
**United States.** \$ (4.861) 4.021-031; mail transfers 4.021-031. **Canada.** \$ (4.861) 4.43-47; mail transfers 4.43-47. **Switzerland.** Francs (25.223) 17.30-40. **French Empire.** Francs 1974-2004. **Syria.** p. 8-81-85. **Sweden.** Krona (18.159) 1.1. 16-85-95. **Dutch West Indies.** Florin (12.11) 7.58-62. **Portugal.** Escudos (110) 99-80-100-20; mail transfers 99-80-100-30. **Panama.** \$4-02-04; mail transfers 4.02-04. **Brazil.** 83-64 cr. (buying); mail transfers 83-56. **Uruguay.** 7.6597 p. (buying).  
**Fixed Rates for Payment at Bank of England for Clearing Offices.** **Spain.** Pesetas 44-00. **Turkey.** Piastres 520. **Italy.** 71.25 lire.

**Market Rates.**—The following rates remained unchanged between June 15th and June 22nd.

**Egypt.** Piastres (971) 971-1. **India.** Rupee (184. per rupee) 174-18. **Belgian Congo.** Francs 1761-2. **China.** National \$3-34. **Iran.** R. 128-130. **Special Accounts** are in force for Chile, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London. Rate for payment into Argentine special account: 16-13 pesos.

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

## NEW YORK EXCHANGE RATES

| New York on    | June 14 | June 15 | June 16 | June 17 | June 19 | June 20 | June 21 |
|----------------|---------|---------|---------|---------|---------|---------|---------|
| Cables         | 402½    | 402½    | 402½    | 402½    | 402½    | 402½    | 402½    |
| London         | 90-500  | 90-430  | 90-250  | 90-250  | 90-375  | 90-310  | 90-180  |
| Montreal       | 25-50   | 25-50   | 25-50   | 25-50   | 25-00   | 25-00   | 25-00   |
| Zurich         | 24-88*  | 24-85*  | 24-85*  | 24-85*  | 24-88*  | 24-88*  | 24-88*  |
| Buenos Aires   | 5-16    | 5-16    | 5-16    | 5-16    | 5-16    | 5-16    | 5-16    |
| Rio de Janeiro | 4-09    | 4-09    | 4-09    | 4-09    | 4-09    | 4-09    | 4-09    |
| Lisbon         | 9-25    | 9-25    | 9-25    | 9-25    | 9-25    | 9-25    | 9-25    |
| Barcelona      | 23-86   | 23-86   | 23-86   | 23-86   | 23-86   | 23-86   | 23-86   |
| Stockholm      | 23-86   | 23-86   | 23-86   | 23-86   | 23-86   | 23-86   | 23-86   |

\* Official Buying Rate 29-78. † Free Rate. \$ Bid.

(Continued on page 864)

## Callender's Cable and Construction.

|                             | Years to December 31, |           |           |
|-----------------------------|-----------------------|-----------|-----------|
|                             | 1941                  | 1942      | 1943      |
| Profit after taxation       | £                     | £         | £         |
|                             | 424,958               | 564,042   | 566,363   |
| Depreciation                | 80,000                | 80,000    | 80,000    |
| Directors' fees             | 18,086                | 21,488    | 21,248    |
| Debiture interest           | 13,500                | 11,523    | ...       |
| Debiture redemption premium | ...                   | 30,000    | ...       |
| Preference dividends        | 56,000                | 56,000    | 56,000    |
| Ordinary shares:—           |                       |           |           |
| Paid (gross)                | 257,372               | 365,031   | 409,115   |
| Paid (gross)                | 168,587               | 224,783   | 224,783   |
| Paid %                      | 30.8                  | 45.0      | 51.9      |
| Paid %                      | 15                    | 20†       | 20†       |
| Employees' amenity fund     | ...                   | 50,000    | ...       |
| Contingencies reserve       | 200,000               | 50,000    | 175,000   |
| Carry forward               | 266,304               | 306,552   | 315,884   |
| Net fixed assets            | 843,021               | 802,182   | 760,744   |
| Net inter-company items     | 473,808               | 634,532   | 758,258   |
| Net liquid assets           | 2,923,391             | 2,593,754 | 2,715,799 |
| Gross liquid assets         | 4,671,745             | 4,295,451 | 4,520,302 |
| Sundry debtors              | 2,424,422             | 2,061,214 | 1,774,218 |

† Including special cash bonus of 5 per cent.

The £1 ordinary shares, standing at 110s. ex dividend, yield £3 12s. 9d. per cent.

## GOVERNMENT RETURNS

For the week ended June 17, 1944, total ordinary revenue was £36,810,000, against ordinary expenditure of £91,940,000 and issues to sinking funds of £100,000. Thus, including sinking fund allocations £1,940,027, the deficit accrued since April 1st is £731,699,000 against £802,315,000 for the corresponding period a year ago.

## ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

| Revenue                         | Estimate, 1944-45 | Receipts into the Exchequer (£ thousands) |                          |                          |                          |
|---------------------------------|-------------------|-------------------------------------------|--------------------------|--------------------------|--------------------------|
|                                 |                   | April 1 to June 19, 1943                  | April 1 to June 17, 1944 | Week ended June 19, 1943 | Week ended June 17, 1944 |
| ORDINARY REVENUE                |                   |                                           |                          |                          |                          |
| Income Tax                      | 130,000           | 131,835                                   | 134,049                  | 7,875                    | 11,877                   |
| Sur-tax                         | 80,000            | 7,602                                     | 6,436                    | 310                      | 380                      |
| Estate, etc.                    | 100,000           | 22,672                                    | 25,490                   | 1,714                    | 3,210                    |
| Duties                          | 19,000            | 1,690                                     | 1,052                    | ...                      | ...                      |
| Stamps                          | 500,000           | 4,671                                     | 5,223                    | 490                      | 740                      |
| N.D.C.                          | ...               | 75,355                                    | 88,758                   | 5,533                    | 8,212                    |
| E.P.T.                          | 1,000             | 120                                       | 80                       | 20                       | 10                       |
| Other Ind. Rev.                 | ...               | ...                                       | ...                      | ...                      | ...                      |
| Total Ind. Rev.                 | 200,000           | 243,946                                   | 261,088                  | 15,942                   | 24,429                   |
| Customs                         | 564,900           | 116,173                                   | 120,034                  | 10,769                   | 9,026                    |
| Excise                          | 472,900           | 86,800                                    | 94,300                   | 2,600                    | 2,400                    |
| Total Customs & Excise          | 1,037,800         | 202,973                                   | 214,334                  | 13,369                   | 11,426                   |
| Motor Duties                    | 27,000            | 1,838                                     | 2,079                    | ...                      | 131                      |
| P.O. (Net Receipts)             | ...               | ...                                       | 1,550                    | 3,800                    | Dr. 50                   |
| Wireless Licences               | 4,850             | 600                                       | 640                      | ...                      | ...                      |
| Crown Lands                     | 800               | 190                                       | 210                      | ...                      | ...                      |
| Receipts from Sundry Loans      | 7,350             | 867                                       | 1,148                    | ...                      | 182                      |
| Miscell. Receipts               | 24,000            | 11,935                                    | 10,559                   | 1,008                    | 693                      |
| Total Ord. Rev.                 | 3,101,800         | 462,349                                   | 491,608                  | 26,519                   | 36,810                   |
| SELF-BALANCING P.O. & Brdcastg. | 112,370           | 24,900                                    | 23,100                   | 5,300                    | 1,750                    |
| Total                           | 3,214,170         | 487,249                                   | 514,708                  | 31,819                   | 38,560                   |

| Expenditure                     | Estimate, 1944-45 | Issues out of the Exchequer to meet payments (£ thousands) |                          |                          |                          |
|---------------------------------|-------------------|------------------------------------------------------------|--------------------------|--------------------------|--------------------------|
|                                 |                   | April 1 to June 19, 1943                                   | April 1 to June 17, 1944 | Week ended June 19, 1943 | Week ended June 17, 1944 |
| ORDINARY EXPENDITURE            |                   |                                                            |                          |                          |                          |
| Int. & Man. of Nat. Debt        | 420,000           | 95,642                                                     | 100,262                  | 3,101                    | 3,440                    |
| Payments to N. Ireland          | 9,000             | 1,341                                                      | 1,328                    | ...                      | ...                      |
| Other Cons. Fund Services       | 7,000             | 284                                                        | 356                      | ...                      | ...                      |
| Total                           | 436,000           | 97,268                                                     | 101,946                  | 3,101                    | 3,440                    |
| Supply Services                 | 550,139           | 116,543                                                    | 111,942                  | 88,500                   | 88,500                   |
| Total                           | 986,139           | 213,811                                                    | 213,888                  | 91,601                   | 91,940                   |
| SELF-BALANCING P.O. & Brdcastg. | 112,370           | 24,900                                                     | 23,100                   | 5,300                    | 1,750                    |
| Total                           | 1,098,509         | 238,711                                                    | 237,000                  | 96,901                   | 93,690                   |

A change has been made in the method of showing an excess of Post Office Expenditure over Post Office Revenue. Such excess is now included as ordinary expenditure (under "Total Supply Services") instead of being shown, as up to July 24 inclusive, as a deduction from ordinary revenue.

After increasing Exchequer balances by £333,053 to £2,850,129, the other operations for the week (no longer shown separately) raised the gross National Debt by £55,696,632 to £20,324 million.

| NET RECEIPTS (£ thousands) |     |
|----------------------------|-----|
| Overseas Trade Guarantees  | 66  |
| NET ISSUES (£ thousands)   |     |
| P.O. and Telegraph         | 200 |

## FLOATING DEBT (£ millions)

| Date    | Treasury Bills | Ways and Means Advances | Treasury Deposits by Banks | Total Floating Debt |
|---------|----------------|-------------------------|----------------------------|---------------------|
|         | Tender         | Tap                     | Public Depts.              | Bank of England     |
| 1943    |                |                         |                            |                     |
| June 19 | 1110-0         |                         | Not available              |                     |
| June 18 | 1170-0         |                         | "                          |                     |
| Mar. 18 | 1170-0         |                         | "                          |                     |
| " 25    | 1170-0         |                         | "                          |                     |
| " 31    | 1170-0         |                         | "                          |                     |
| April 6 | 1170-0         |                         | "                          |                     |
| " 14    | 1170-0         |                         | "                          |                     |
| " 21    | 1170-0         |                         | "                          |                     |
| " 28    | 1170-0         |                         | "                          |                     |
| May 5   | 1170-0         |                         | "                          |                     |
| " 12    | 1170-0         |                         | "                          |                     |
| " 19    | 1170-0         |                         | "                          |                     |
| " 26    | 1170-0         |                         | "                          |                     |
| June 2  | 1170-0         |                         | "                          |                     |
| " 9     | 1170-0         |                         | "                          |                     |
| " 16    | 1170-0         |                         | "                          |                     |

## TREASURY BILLS (£ millions)

| Date of Tender | Amount  |             |          | Average Rate of Allotment<br><br>% | Per Cent Allotted at Min. Rate |    |
|----------------|---------|-------------|----------|------------------------------------|--------------------------------|----|
|                | Offered | Applied for | Allotted |                                    |                                |    |
| 1943           |         |             |          | s.                                 | d.                             |    |
| June 18 1944   | 90-0    | 160-8       | 90-0     | 20                                 | 0-69                           | 42 |
| Mar. 17        | 90-0    | 177-2       | 90-0     | 19                                 | 11-84                          | 31 |
| " 24           | 90-0    | 176-9       | 90-0     | 20                                 | 0-36                           | 36 |
| " 31           | 90-0    | 180-5       | 90-0     | 20                                 | 2-20                           | 25 |
| April 6        | 90-0    | 211-8       | 90-0     | 20                                 | 2-74                           | 27 |
| " 14           | 100-0   | 209-1       | 100-0    | 20                                 | 0-58                           | 30 |
| " 21           | 110-0   | 216-8       | 110-0    | 20                                 | 2-83                           | 35 |
| " 28           | 110-0   | 223-3       | 110-0    | 20                                 | 0-25                           | 37 |
| May 5          | 110-0   | 209-1       | 110-0    | 19                                 | 11-81                          | 32 |
| " 12           | 110-0   | 198-2       | 110-0    | 20                                 | 0-32                           | 41 |
| " 19           | 110-0   | 202-4       | 110-0    | 20                                 | 0-35                           | 40 |
| " 26           | 110-0   | 195-7       | 110-0    | 20                                 | 0-98                           | 46 |
| June 2         | 110-0   | 216-1       | 110-0    | 19                                 | 11-89                          | 28 |
| " 9            | 110-0   | 203-4       | 110-0    | 20                                 | 0-45                           | 38 |
| " 16           | 110-0   | 197-5       | 110-0    | 20                                 | 0-49                           | 40 |



## OVERSEAS BANK RETURNS

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

|                          | Feb. 1943 | Jan. 1944 | Feb. 1944 | Mar. 1944 |
|--------------------------|-----------|-----------|-----------|-----------|
| <b>ASSETS</b>            |           |           |           |           |
| Gold in bars             | 73.6      | 137.9     | 136.8     | 118.3     |
| Cash                     | 15.3      | 6.6       | 18.3      | 17.8      |
| Sight funds              | 117.9     | 76.4      | 79.1      | 81.3      |
| Commercial bills         | 28.4      | 29.5      | 27.2      | 24.1      |
| Treasury bills           | 20.9      | 21.1      | 21.1      | 21.1      |
| Time funds at interest   | 195.0     | 195.5     | 195.5     | 197.5     |
| Sundry bills and invest. |           |           |           |           |
| <b>LIABILITIES</b>       |           |           |           |           |
| Deposits:                |           |           |           |           |
| Annuity                  | 152.7     | 152.7     | 152.7     | 152.6     |
| German                   | 76.3      | 76.3      | 76.3      | 76.3      |
| Central Banks            | 15.1      | 6.1       | 6.4       | 7.0       |
| Other                    | 1.4       | 1.5       | 1.6       | 1.6       |
| Gold                     | 38.7      | 50.5      | 48.8      | 29.6      |

U.S. FEDERAL RESERVE  
Million \$'s

|                                             | June 17, 1943 | June 1, 1944 | June 15, 1944 | June 22, 1944 |
|---------------------------------------------|---------------|--------------|---------------|---------------|
| <b>RESOURCES</b>                            |               |              |               |               |
| Gold certifs. on hand and due from Treasury | 20,189        | 18,741       | 18,687        | 18,663        |
| Total reserves                              | 20,609        | 19,362       | 19,306        | 19,314        |
| Total cash reserves                         | 367           | 265          | 259           | 269           |
| Total U.S. Govt. secs.                      | 6,626         | 14,251       | 14,609        | 15,001        |
| Total loans and secs.                       | 6,650         | 14,499       | 14,860        | 15,185        |
| Total resources                             | 29,441        | 35,542       | 35,890        | 36,714        |
| <b>LIABILITIES</b>                          |               |              |               |               |
| F.R. notes in circ.                         | 13,656        | 18,532       | 18,649        | 18,738        |
| Excess m. bank res.                         | 1,630         | 700          | 800           | 1,100         |
| Mr. bank res. dep.                          | 12,511        | 13,045       | 13,358        | 13,715        |
| Govt. deposits                              | 6             | 307          | 262           | 154           |
| Total deposits                              | 13,775        | 15,299       | 15,553        | 15,896        |
| Total liabilities                           | 29,441        | 35,542       | 35,890        | 36,714        |
| Reserve ratio                               | 75.1%         | 57.2%        | 56.4%         | 55.8%         |
| <b>BANK AND TREASURY RESOURCES</b>          |               |              |               |               |
| Monetary gold stock                         | 22,407        | 21,264       | 21,212        | 21,211        |
| Treasury & bank currency                    | 4,030         | 4,101        | 4,101         | 4,104         |
| <b>LIABILITIES</b>                          |               |              |               |               |
| Money in circulation                        | 17,189        | 22,112       | 22,255        | 22,333        |
| Treasury cash and dep.                      | 2,284         | 2,665        | 2,592         | 2,480         |

CENTRAL BANK OF IRELAND  
Million £'s

|                      | May 20, 1944 | May 27, 1944 | June 3, 1944 | June 10, 1944 |
|----------------------|--------------|--------------|--------------|---------------|
| <b>ASSETS</b>        |              |              |              |               |
| Gold                 | 24.13        | 24.13        | 24.13        | 24.1          |
| British Govt. secs.  | 1.42         | 1.27         | 1.37         | 1.2           |
| Sterling balances    |              |              |              |               |
| <b>LIABILITIES</b>   |              |              |              |               |
| Notes in circulation | 28.30        | 28.17        | 28.30        | 28.2          |

SWISS NATIONAL BANK  
Million Swiss Frs.

|                      | May 15, 1943 | April 23, 1944 | May 15, 1944 | May 23, 1944 |
|----------------------|--------------|----------------|--------------|--------------|
| <b>ASSETS</b>        |              |                |              |              |
| Gold                 | 376.2        | 434.1          | 437.1        | 436.8        |
| Foreign exchange     | 66.1         | 78.5           | 76.3         | 87.2         |
| Discounts, etc.      | 89.5         | 65.3           | 55.1         | 52.2         |
| Advances             | 15.6         | 16.3           | 15.6         | 15.2         |
| Securities           | 64.8         | 64.2           | 64.2         | 64.2         |
| <b>LIABILITIES</b>   |              |                |              |              |
| Notes in circulation | 252.6        | 296.2          | 288.4        | 287.6        |
| Other sight liab.    | 232.6        | 238.0          | 242.5        | 246.2        |

## BRITISH WHOLESALE PRICES

|                                                                         | June 6, 1944 | June 20, 1944 |                                                             | June 6, 1944 | June 20, 1944 |
|-------------------------------------------------------------------------|--------------|---------------|-------------------------------------------------------------|--------------|---------------|
| <b>GRAIN, etc.</b>                                                      |              |               | <b>TEXTILES—continued</b>                                   |              |               |
| Wheat                                                                   | s. d.        | s. d.         | Cloth, Overall Cloth, 38½ in.                               | s. d.        | s. d.         |
| No. 1 N.Mt. 496 lb. f.o.b. St. J.                                       | 50 8         | 50 8          | 52 x 50, 22's & 16's                                        | 65 6         | 65 6          |
| Eng. Gaz. av. per cwt. (e)                                              | 16 1         | 16 3          | Drill, 30 in., 80 x 46, 12's & 10's                         | 94 3         | 94 3          |
| Flour per 280 lb.                                                       |              |               | <b>FLAX (per ton)</b>                                       |              |               |
| Straights d/d London                                                    | 38 3         | 38 3          | Livonian ZK                                                 | £ s.         | £ s.          |
| Barley Eng. Gaz. av. per cwt. (e)                                       | 27 3         | 26 10         | Pernau HD                                                   | Nom.         | Nom.          |
| Oats (e)                                                                | 16 5         | 16 2          | <b>HEMP (per ton)</b> —Manilla, spot                        |              |               |
| Maize, Argentine, per ton                                               | 10/0/0       | 10/0/0        | "J2"                                                        | Nom.         | Nom.          |
| <b>MEAT</b> —Beef, per 8 lb.—                                           |              |               | <b>JUTE (per ton)</b>                                       |              |               |
| English long sides                                                      | 5 4          | 5 4           | Daisee 2/3 c. and f. Dundee                                 | 41/0/0       | 41/15/0       |
| Imported hinds                                                          | 6 7          | 6 7           | Common 8 lb. cops. (per spindle)                            | 4 10½        | 4 10½         |
| Mutton, per 8 lb.—English                                               | 8 0½         | 8 0½          | 10½/40 Hessians, per yd.                                    | 0 6-88       | 0 6-88        |
| Imported                                                                | 5 2          | 5 2           | 8/40 Hessians, per yd.                                      | 0 5-30       | 0 5-30        |
| Pork, English, per 8 lb.                                                | 8 0          | 8 0           | 10/40 Calcutta Hessians, spot, Dundee, 100 yds.             | 50 1         | 50 1          |
| <b>BACON</b> —(per cwt.)—Wilts, cut side                                | 142 0        | 142 0         | 7½/40                                                       | 38 6         | 38 6          |
| <b>HAMS</b> —(per cwt.)—Green                                           | 147 0        | 147 0         | <b>SISAL (per ton)</b> —African, spot                       | £ s.         | £ s.          |
| <b>OTHER FOODS</b>                                                      |              |               | No. 1 delivered                                             | 38 0         | 38 0          |
| <b>BUTTER</b> (per cwt.)—All Grades, First hand                         | 151 4        | 151 4         | <b>WOOL (per lb.)</b>                                       |              |               |
| <b>CHEESE</b> (per cwt.)—Home Produced                                  | 99 2         | 99 2          | Lincoln wethers, washed                                     | 19½          | 19½           |
| Imported                                                                | 99 2         | 99 2          | Selected blackface, greasy                                  | 14           | 14            |
| <b>COCOA</b> (per cwt.)—Accra, g.f.                                     | 45 0         | 45 0          | Australian scrd. fleece 70's                                | 37           | 37            |
| Grenada fine                                                            | 81 0         | 81 0          | Cape scrd. average snow white                               | 29½          | 29½           |
| <b>EGGS</b> (per 120)—English                                           | 14 9         | 14 9          | N.Z. scrd. 2nd pieces, 50-56's                              | 24           | 24            |
| <b>LARD</b> (per cwt.)—Imported                                         | 64 0         | 64 0          | Tops                                                        |              |               |
| <b>POTATOES</b> (per cwt.)—English                                      | 4 6          | 4 6           | 64's warp                                                   | 45           | 45            |
| <b>SUGAR</b> (per cwt.)—Centrifugals, 96%, prpt. shimp. c.f. U.K./Cont. | 5 0          | 5 0           | 56's super carded                                           | 39           | 39            |
| <b>REFINED LONDON</b>                                                   |              |               | 48's average carded                                         | 31           | 31            |
| Granulated, 2 cwt. bags, domestic consumption                           | 49 10        | 49 10         | 44's prepared                                               | 29½          | 29½           |
| Granulated, 2 cwt. bags, domestic consumption                           | 30 11        | 30 11         | <b>MINERALS</b>                                             |              |               |
| West India Crystallised                                                 | 47 6         | 47 6          | <b>COAL</b> (per ton)—Welsh, best Admiralty                 | 39 4         | 39 4          |
| <b>TOBACCO</b> (per lb.)—Indian stemmed and unstemmed                   | 1 0          | 1 0           | Durham, best gas, f.o.b. Tyne                               | 34 11        | 34 11         |
| Rhodesian, stemmed and unstemmed                                        | 1 8          | 1 8           | <b>IRON AND STEEL</b> (per ton)—Pig, Cleveland No. 3, d/d   | 128 0        | 128 0         |
| stemmed                                                                 | 3 6          | 3 6           | Bars, Middlesbrough                                         | 213 6        | 213 6         |
| <b>TEXTILES</b>                                                         |              |               | Steel, rails, heavy                                         | 290 6        | 290 6         |
| Cotton (per lb.)—Raw, Mid-American                                      | 12.75        | 12.75         | Tinplates (home i.c. 14 x 20)                               | 29 9         | 29 9          |
| Giza, F.G.F.                                                            | 15.05        | 15.05         | <b>NON-FERROUS METALS</b> (per ton)—Copper (e)—Electrolytic | 62/0/0       | 62/0/0        |
| Yarns, 36's Ring Beams                                                  | 24.02        | 24.02         | Tin—Standard cash                                           | 300/0/0(f)   | 300/0/0(f)    |
| 42's Cop Weft                                                           | 23.06        | 23.06         | Lead (d)—Soft, foreign, cash                                | 25/0/0       | 25/0/0        |
| 60's Twist (Egyptian)                                                   | 33.00        | 33.00         | Spelter (d)—C.O.B., spot                                    | 25/10/0      | 25/15/0       |
| Cloth, per 100 yards—31 in. Printer, 64 x 64, 36's & 42's               | 43 3         | 43 3          | Aluminium, ingots and bars                                  | 110/0/0      | 110/0/0       |
| Cambrie Shirting, 32½ in. 72 x 60, 24's & 24's                          | 58 5         | 58 5          | Nickel, home delivery                                       | 190/0/0      | 190/0/0       |
|                                                                         |              |               | Antimony, English, 99%                                      | 120/0/0      | 120/0/0       |
|                                                                         |              |               | Wolfram, Empire                                             | 2/15/0       | 2/15/0        |
|                                                                         |              |               | Platinum, refined                                           | 9/0/0        | 9/0/0         |
|                                                                         |              |               | Quicksilver                                                 | 68/10/0      | 68/10/0       |
|                                                                         |              |               | <b>GOLD</b> (per fine ounce)                                | 168 0        | 168 0         |
|                                                                         |              |               | <b>SILVER</b> (per ounce)—Cash                              | 1 11½        | 1 11½         |

\* Nominal. (a) + 7s. per ton net paper bags, jute sacks charged 1s. 9d., credited 1s. 6d. on return. (b) Higher Pool prices in some zones. (c) Price is at buyer's premises. Including import duty and delivery charges. (d) Average for weeks ended June 6 and June 20. (e) Price at which Ministry of Supply supplies consumers delivered works.

## AMERICAN WHOLESALE PRICES

|                                                 | June 5, 1944 | June 20, 1944 |                                                   | June 6, 1944 | June 20, 1944 |
|-------------------------------------------------|--------------|---------------|---------------------------------------------------|--------------|---------------|
| <b>GRAINS</b> (per bushel)—Wheat, Chicago, July | 162½         | 157½          | <b>MISCELLANEOUS</b> (per lb.)—Cocoa, N.Y., Accra | 8.81         | 8.81          |
| Winnipeg                                        | 162½         | 157½          | Coffee, N.Y., cash—Rio, N.Y.                      | 9½           | 9½            |
| Maize, Chicago, July                            | 75½          | 75½           | Santos, No. 4                                     | 16½          | 16½           |
| Oats, Chicago, July                             | 109½         | 108½          | Cotton, N.Y., Am. mid., spot                      | 22.03        | 22.49         |
| Rye, Chicago, July                              | 109½         | 108½          | " Am. mid., July                                  | 21.08        | 21.55         |
| Barley, Winnipeg, May                           | 109½         | 108½          | Cotton Oil, N.Y., May                             | 14.31        | 14.31         |
| <b>METALS</b> (per lb.)—Copper, Connecticut     | 12.00        | 12.00         | Lard, Chicago, July                               | 1            | 1             |
| Tin, N.Y., Straits, spot                        | 52.00        | 52.00         | Petroleum, Mid-cont. crude, per barrel            | 117          | 117           |
| Lead, N.Y., spot                                | 6.50         | 6.50          |                                                   |              |               |
| Spelter, East St. Louis, spot                   | 8.25         | 8.25          |                                                   |              |               |

† Trading suspended.

Nominal.

## COMPANY RESULTS (June 6, 1944, to June 20, 1944)

| Company                             | Year Ended | Total Profit | Deprecia-<br>tion, etc. | Net Profit<br>after Deb.<br>Interest | Available for<br>Distribution | Appropriation |              |      |                     |                                  | Preceding Year  |               |              |
|-------------------------------------|------------|--------------|-------------------------|--------------------------------------|-------------------------------|---------------|--------------|------|---------------------|----------------------------------|-----------------|---------------|--------------|
|                                     |            |              |                         |                                      |                               | Prof.<br>Div. | Ord.<br>Div. | Rate | To Free<br>Reserves | + or -<br>in<br>Carry<br>Forward | Total<br>Profit | Net<br>Profit | Ord.<br>Div. |
| <b>Breweries, &amp;c.</b>           |            |              |                         |                                      |                               |               |              |      |                     |                                  |                 |               |              |
| Whitbread & Co.                     | Dec. 31    | 315,124      | £                       | 257,059                              | 598,323                       | 43,407        | 184,392      | 18   | £                   | + 29,260                         | 309,874         | 252,667       | 18           |
| <b>Coal, Iron and Steel</b>         |            |              |                         |                                      |                               |               |              |      |                     |                                  |                 |               |              |
| Butterley Co.                       | Mar. 31    | 333,542      |                         | 130,510                              | 195,552                       | 21,250        | 108,000      | 12   |                     | + 1,260                          | 408,817         | 166,033       | 12           |
| Madeley Collieries                  | Mar. 31    | 31,007       | 5,000                   | 12,785                               | 14,138                        | 6,562         | 3,500        | 4    | 2,500               | + 223                            | 18,195          | 5,973         | 4            |
| Manchester Collieries               | Mar. 31    | 490,630      | 150,364                 | 104,093                              | 214,714                       | 44,026        | 53,095       | 2½   |                     | + 6,972                          | 329,825(d)      | 101,285       | 2½           |
| Niddrie & Benhar Coal               | Mar. 31    | 80,572       | 25,761                  | 54,311                               | 98,034                        |               | 30,000       | 15   | 15,000              | + 9,311                          | 50,519          | 30,265        | 15           |
| Pease & Partners                    | Mar. 31    | 364,572      | 70,000                  | 242,656                              | 550,221                       | 62,500        | 139,591      | 8    | 40,000              | + 565                            | 399,562         | 244,964       | 8            |
| Stephenson (Robert) & Hawthorns     | Dec. 31    | 21,153       |                         | 19,453                               | 23,284                        |               | 13,750       | 5    | 5,000               | + 703                            | 20,977          | 18,566        | 5            |
| <b>Electric Lighting, &amp;c.</b>   |            |              |                         |                                      |                               |               |              |      |                     |                                  |                 |               |              |
| Southern Areas Electric Corporation | Dec. 31    | 30,226       | 122                     | 21,620                               | 41,662                        |               | 19,587       | 5    | 4,800               | - 2,767                          | 38,625          | 29,615        | 5            |
| <b>Financial, Land, &amp;c.</b>     |            |              |                         |                                      |                               |               |              |      |                     |                                  |                 |               |              |
| City of London Real Property        | April 12   | 200,687      |                         | 118,327                              | 309,613                       | 37,438        | 80,000       | 2    |                     | + 889                            | 179,578         | 2,755         | Nil          |
| Dick (W. B.) & Co. (Holdings)       | Mar. 31    | 30,453       |                         | 23,446                               | 35,396                        | 7,953         | 13,750       | 10   |                     | + 1,743                          | 26,336          | 19,437        | 10           |
| Grand Junction Co.                  | Mar. 31    | 76,000       |                         | 22,025                               | 40,363                        | 5,622         | 14,900       | 2    |                     | + 1,503                          | 71,305          | 21,533        | 2            |
| Howard & Bullough (Securities)      | Mar. 31    | 79,092       |                         | 38,750                               | 40,572                        | 7,500         | 31,250       | 5    |                     |                                  | 81,612          | 39,889        | 5            |
| Scottish Drapery Corporation        | April 19   | 72,795       |                         | 65,328                               | 160,773                       | 26,250        | 29,250       | 9    |                     | + 9,828                          | 71,461          | 64,470        | 9            |
| South-Eastern Gas Corporation       | Mar. 31    | 276,797      |                         | 193,304                              | 267,205                       | 87,755        | 101,148      | 4    |                     | + 4,401                          | 274,767         | 193,216       | 4            |
| Trust and Agency Co. of Australasia | Dec. 31    | 51,383       |                         | 28,144                               | 45,890                        | 20,000        | 5,725        | 2½   |                     | + 2,419                          | 52,193          | 30,008        | 2½           |
| <b>Hotels, Restaurants, &amp;c.</b> |            |              |                         |                                      |                               |               |              |      |                     |                                  |                 |               |              |
| Lyons (J.) & Co.                    | Mar. 31    | 905,890      |                         | 905,890                              | 1,305,469                     | 490,353       | 371,255      | 20   |                     | + 44,282                         | 905,305         | 905,305       | 20           |
| <b>Motor, Aviation, &amp;c.</b>     |            |              |                         |                                      |                               |               |              |      |                     |                                  |                 |               |              |
| Albion Motors Limited               | Dec. 31    | 128,419      |                         | 126,898                              | 188,884                       | 8,032         | 62,175       | 12½  | 50,000              | + 6,691                          | 127,210         | 125,564       | 12½          |
| Simms Motor Units                   | Dec. 31    | 169,193      | 12,631                  | 12,160                               | 30,663                        | 3,750         | 8,597        | 10   |                     | - 187                            | 111,892         | 7,268         | 10           |
| <b>Oil</b>                          |            |              |                         |                                      |                               |               |              |      |                     |                                  |                 |               |              |
| Burmah Oil Co.                      | Dec. 31    | 3,986,525    |                         | 2,155,462                            | 2,490,496                     | 300,000       | 1,717,064    | 12½  | 100,000             | + 38,398                         | 5,190,676       | 2,550,178     | 12½          |
| <b>Rubber</b>                       |            |              |                         |                                      |                               |               |              |      |                     |                                  |                 |               |              |
| Amalgamated Bruns Rubber Estates    | Mar. 31    | 644          |                         | Dr. 665                              | 8,929                         |               |              |      |                     | - 665                            | 626             | Dr. 577       | Nil          |
| Batavia Rubber & Tea                | Dec. 31    | 114          |                         | Dr. 762                              | Dr. 570                       |               |              |      |                     | - 762                            | 129             | Dr. 752       | Nil          |
| Berangon (Selangor) Rubber          | June 30    | 34           |                         | Dr. 528                              | Dr. 1,355                     |               |              |      |                     | - 528                            | 317             | Dr. 5,685     | Nil          |
| Bikam Rubber Estate                 | Dec. 31    | 2,794        |                         | Dr. 6,114                            | 42,368                        |               |              |      |                     | - 6,114                          | 3,330           | Dr. 8,374     | Nil          |
| Brush Rubber Estates                | Mar. 31    | 291          |                         | Dr. 442                              | 12,579                        |               |              |      |                     | - 442                            | 171             | Dr. 628       | Nil          |
| Bukit Tumpah Rubber                 | Dec. 31    | 151          |                         | Dr. 933                              | 6,267                         |               |              |      |                     | - 933                            | 176             | Dr. 1,459     | Nil          |
| Burma Estates                       | Mar. 31    | 8,225        |                         | Dr. 3,534                            | 17,768                        |               |              |      |                     | + 3,534                          | 94              | Dr. 2,060     | Nil          |
| Caledonian (Selangor) Rubber        | Mar. 31    | 557          |                         | Dr. 3,486                            | 1,374                         |               |              |      |                     | - 3,486                          | 677             | Dr. 114       | Nil          |
| Doloswella Rubber                   | Dec. 31    | 31,916       | 2,604                   | 14,289                               | 19,060                        |               | 13,824       | 6    |                     | + 465                            | 31,688          | 14,438        | 6            |
| Escoot Rubber                       | Sept. 30   | 317          |                         | Dr. 5,837                            | 6,568                         |               |              |      |                     | + 5,837                          | 4,530           | Dr. 28,861    | Nil          |
| Harpenden (Selangor) Rubber         | Mar. 31    | 710          |                         | Dr. 872                              | 7,522                         |               |              |      |                     | - 872                            | 471             | Dr. 1,630     | Nil          |
| Kepong (Malay) Rubber               | Dec. 31    | 2,928        |                         | Dr. 14,070                           | 15,332                        |               |              |      |                     | - 14,070                         | 3,132           | Dr. 16,416    | Nil          |
| Madingley (Malay)                   | Feb. 29    | 71           |                         | Dr. 607                              | 4,058                         |               |              |      |                     | - 607                            | 92              | Dr. 1,450     | Nil          |
| Martapura Rubber                    | Mar. 31    | 168          |                         | Dr. 639                              | Dr. 793                       |               |              |      |                     | - 639                            | 119             | Dr. 1,117     | Nil          |
| Nagolle (Ceylon) Rubber & Tea       | Dec. 31    | 13,690       | 864                     | 5,574                                | 7,126                         |               | 5,554        | 4    |                     | + 20                             | 21,679          | 9,754         | 5            |
| North Hummock (Selangor) Rubber     | Mar. 31    | 899          |                         | Dr. 245                              | 3,746                         |               |              |      |                     | - 245                            | 866             | Dr. 517       | Nil          |
| Rubber Estates of Ceylon            | Dec. 31    | 4,953        | 500                     | 2,929                                | 3,865                         |               | 3,675        | 2½   |                     | - 746                            | 9,381           | 4,969         | 2½           |
| Sampang (Java) Rubber               | Dec. 31    | 422          |                         | Dr. 380                              | 325                           |               |              |      |                     | - 380                            | 424             | Dr. 565       | Nil          |
| Sumatra Anglo-Dutch Estates         | Dec. 31    | 218          |                         | Dr. 8,526                            | Dr. 18,846                    |               |              |      |                     | - 8,526                          | 229             | Dr. 8,957     | Nil          |
| Trolar Estates                      | Nov. 30    | 343          |                         | Dr. 452                              | 2,524                         |               |              |      |                     | - 452                            | 821             | Dr. 590       | Nil          |
| United Sui Betong Rubber            | Dec. 31    | 10,058       |                         | 4,073                                | 156,783                       |               |              |      |                     | + 4,073                          | 6,582           | 5,461         | Nil          |
| <b>Shops and Scores</b>             |            |              |                         |                                      |                               |               |              |      |                     |                                  |                 |               |              |
| Jay's Limited                       | Jan. 31    | 751          |                         | Dr. 8,560                            | Dr. 80,400                    |               |              |      |                     | - 8,560                          | 456             | Dr. 15,690    | Nil          |
| Macwoods Limited                    | Jan. 31    | 27,964       | 1,158                   | 8,423                                | 12,034                        |               | 4,000        | 10   | 4,000               | + 423                            | 36,379          | 2,464         | 10           |
| Marks & Spencer                     | Mar. 31    | 2,126,771    | 246,521                 | 743,329                              | 1,447,344                     | 52,500        | 369,992      | 35   |                     | + 320,837                        | 2,020,970       | 554,567       | 35           |
| Meakles Limited                     | Jan. 31    | 37,782       | 7,843                   | Dr. 2,183                            | 41,976                        | 8,750         |              |      |                     | - 10,933                         | 50,410          | 6,938         | Nil          |
| <b>Tea</b>                          |            |              |                         |                                      |                               |               |              |      |                     |                                  |                 |               |              |
| Ambalmana Tea Estates               | Dec. 31    | 5,760        | 1,392                   | 1,853                                | 2,623                         |               | 2,019        | 4    |                     | - 166                            | 8,027           | 2,543         | 5            |
| Ceylon Tea Plantations              | Dec. 31    | 102,187      | 13                      | 51,153                               | 85,176                        | 10,578        | 37,600       | 10   |                     | + 2,975                          | 163,289         | 44,959        | 10           |
| Eastern Produce and Estates         | Dec. 31    | 52,047       |                         | 31,363                               | 70,090                        | 2,430         | 28,097       | 12½  |                     | + 836                            | 134,407         | 30,732        | 12½          |
| Pantiya Tea & Rubber                | Dec. 31    | 20,648       | 500                     | 1,416                                | 1,740                         |               | 1,250        | 4½   |                     | + 166                            | 18,444          | 1,310         | 4½           |
| Scottish Ceylon Tea                 | Dec. 31    | 33,273       |                         | 9,200                                | 11,782                        | 1,276         | 5,087        | 11   |                     | + 165                            | 55,211          | 8,733         | 10           |
| Yatiantota Ceylon Tea               | Dec. 31    | 15,511       | 2,000                   | 5,951                                | 8,522                         | 2,700         | 3,150        | 2    |                     | + 101                            | 28,436          | 8,831         | 4            |
| <b>Textiles</b>                     |            |              |                         |                                      |                               |               |              |      |                     |                                  |                 |               |              |
| Harnam (Thomas) & Sons              | April 1    | 37,767       | 4,000                   | 13,808                               | 42,307                        | 2,750         | 8,200        | 16½  |                     | + 2,858                          | 35,818          | 16,868        | 16½          |
| Hield Brothers                      | Mar. 31    | 101,159      |                         | 45,030                               | 127,546                       | 12,005        | 24,011       | 20   |                     | + 9,014                          | 106,840         | 45,010        | 15           |
| Forritts & Spencer                  | Mar. 31    | 80,801       | 13,161                  | 67,340                               | 96,118                        | 11,306        | 45,265       | 12½  | 10,000              | + 769                            | 80,710          | 66,317        | 12½          |
| <b>Tramway and Omnibus</b>          |            |              |                         |                                      |                               |               |              |      |                     |                                  |                 |               |              |
| British Electric Traction           | Mar. 31    | 767,962      |                         | 316,440                              | 2,520,686                     | 81,560        | 177,919      | 45   |                     | + 56,961                         | 760,293         | 309,915       | 45           |
| Ribble Motor Services               | Mar. 31    | 1,951,546    | 189,000                 | 133,672                              | 211,694                       | 13,000        | 120,000      | 10   |                     | + 672                            | 2,062,526       | 135,895       | 10           |
| Southdown Motor Services            | Mar. 31    | 881,812      | 103,592                 | 93,869                               | 123,633                       |               | 75,000       | 10   | 10,000              | + 8,869                          | 804,795         | 78,582        | 10           |
| <b>Trusts</b>                       |            |              |                         |                                      |                               |               |              |      |                     |                                  |                 |               |              |
| Abbotts Investment Trust            | April 15   | 52,536       |                         | 14,229                               | 27,059                        |               | 10,250       | 4    |                     | + 3,979                          | 48,847          | 12,485        | 4            |
| Bankers' Investment Trust           | April 30   | 74,556       |                         | 52,158                               | 105,726                       | 21,136        | 23,512       | 5    | 7,000               | + 510                            | 71,262          | 48,890        | 5            |
| Consolidated Trust                  | April 15   | 78,194       |                         | 40,791                               | 40,791                        | 23,275        | 16,447       | 8    | 1,069               |                                  | 77,230          | 40,118        | 8            |
| Investment Trust Corporation        | May 1      | 416,417      |                         | 156,189                              | 330,439                       | 45,811        | 83,979       | 13   |                     | + 6,564                          | 405,835         | 127,258       | 13           |
| Kelvin Investment Trust             | Sept. 30   | 11,172       |                         | 6,578                                | 12,403                        |               | 5,000        | 5    |                     | + 1,378                          | 12,550          | 6,192         | 5            |
| Reserves Securities Trust           | April 5    | 13,264       |                         | 10,845                               | 17,336                        | 2,334         | 7,031        | 5½   | 1,500               | - 20                             | 12,796          | 10,263        | 5            |
| Second London Scottish Amer. Trust  | April 30   | 60,351       |                         | 44,450                               | 77,198                        | 30,000        | 12,000       | 3    |                     | + 2,450                          | 55,986          | 42,307        | 3            |
| Second Mercantile Trust             | May 5      | 100,421      |                         | 31,529                               | 96,260                        | 12,708        | 15,250       | 6    |                     | + 3,571                          | 98,226          | 30,453        | 6            |
| Trust Union Limited                 | May 15     | 64,990       |                         | 46,215                               | 109,083                       | 11,053        | 24,567       | 10   | 10,000              | + 595                            | 61,268          | 41,482        | 10           |
| Westpool Investment Trust           | April 30   | 43,587       |                         | 16,759                               | 22,933                        |               | 15,846       | 7    | 5,000               | + 4,087                          | 42,113          | 15,605        | 7            |
| Witan Investment Co.                | April 15   | 218,150      |                         | 106,168                              | 218,376                       | 33,381        | 66,495       | 9    |                     | + 6,292                          | 207,686         | 101,408       | 9            |
| <b>Other Companies</b>              |            |              |                         |                                      |                               |               |              |      |                     |                                  |                 |               |              |
| Armstrong, Stevens & Son            | Mar. 31    | 32,998       | 4,899                   | 9,555                                | 23,069                        |               | 8,759        | 17½  |                     | + 796                            | 32,521          | 9,267         | 17½          |
| Associated Fisheries                | Sept. 30   | 156,612      |                         | 67,498                               | 86,025                        | 6,563         | 17,325       | 12   | 56,865              | - 13,255                         | 167,193         | 79,185        | 12           |
| Beaton & Son                        | Dec. 31    | 27,051       |                         | 12,683                               | 13,768                        |               | 7,500        | 15   |                     | + 183                            | 29,311          | 11,945        | 15           |
| British Alkaloids Limited           | Mar. 31    | 150,731      | 689                     | 22,892                               | 22,992                        | 2,948         | 7,166        | 5    | 6,000               | + 4,928                          | 134,277         | 19,207        | 274          |
| Callender's Cable and Construction  | Dec. 31    | 566,363      | 80,000                  | 290,115                              | 556,667                       | 56,000        | 224,783      | 10   |                     | + 1,647                          | 599,602         | 351,031       | 20           |
| Cope Brothers & Co.                 | Mar. 31    | 35,496       |                         | 27,897                               | 98,215                        |               | 26,250       | 14   |                     | + 1,647                          | 34,726          | 11,927        | 14           |
| Low and Gate Limited                | Sept. 30   | 236,975      | 20,000                  | 56,402                               | 121,812                       | 22,500        | 30,034       | 15   |                     | + 3,868                          | 179,060         | 61,277        | 15           |
| Denny, Mott & Dickson               | Mar. 31    | 122,027      |                         | 81,777                               | 122,724                       | 52,800        | 20,400       | 6    |                     | + 3,577                          | 106,469         | 75,295        | 6            |
| Derbyshire Stone Limited            | Dec. 31    | 51,663       |                         | 38,250                               | 95,073                        | 11,715        | 21,300       | 10   |                     | + 5,235                          | 50,045          | 40,026        | 10           |
| Detrend Stamping                    | Feb. 29    | 61,071       | 2,000                   | 23,776                               | 70,844                        |               | 13,050       | 15   | 5,000               | + 5,726                          | 59,946          | 22,401        | 15           |
| Forster's Glass Co.                 | Mar. 31    | 83,468       | 20,412                  | 47,095                               | 74,190                        | 13,125        | 25,781       | 15   | 5,000               | + 3,189                          | 98,313          | 50,005        | 15           |
| Francis (F.) & Sons                 | Dec. 31    | 83,497       | 8,418                   | 23,750                               | 47,928                        | 5,042         | 14,000       | 14   |                     | + 4,708                          | 77,485          | 16,100        | 14           |
| Griffith Hughes Proprietaries       | Mar. 31    | 87,600       |                         | 82,948                               | 90,934                        | 27,500        | 60,000       | 8    |                     | + 4,552                          | 79,021          | 74,355        | 6            |
| Holbrooks Limited                   | Mar. 31    | 74,470       |                         | 17,470                               | 37,597                        | 1,961         | 12,562       | 7½   | 5,000               | + 2,053                          | 59,799          | 22,789        | 7½           |
| Hopkinson's Limited                 | Jan. 31    | 104,892      | 28,754                  | 74,043                               | 167,026                       | 12,250        | 30,625       | 17½  |                     | + 31,168                         | 94,760          | 62,598        | 17½          |
| Angus & Co.                         | May 1      | 50,651       |                         | 20,605                               | 49,418                        | 1,350         | 18,417       | 13½  |                     | + 1,446                          | 53,833          | 14,441        | 13½          |
| Kerry's (Great Britain)             | Feb. 29    | 133,499      | 4,922                   | 51,077                               | 59,881                        | 5,500         | 11,567       | 10   | 13,910              | + 842                            | 83,249          | 17,932        | 10           |
| King (Geo. W.) Limited              | Dec. 31    | 90,187       |                         | 18,342                               | 30,011                        |               | 12,500       | 12½  | 5,000               | + 842                            | 83,249          | 18,316        | 12½          |
| Laundry Services                    | Dec. 31    | 7,959        |                         | 3,260                                | 7,544                         | 2,062         |              |      |                     | + 1,198                          | 5,519           | 1,960         | Nil          |
| London Electric Wire Co. & Smiths   | Dec. 31    | 122,514      |                         | 96,654                               | 224,722                       | 30,000        | 51,305       | 7½   | 15,000              | + 159                            | 150,379         | 99,329        | 7½           |
| Talkin Tiles (Burslem)              | Feb. 29    | 14,309       |                         | 611                                  | 10,611                        | 2,400         | 3,000        | 10   |                     | + 4,789                          | 6,628           | 4,562         | 7½           |
| Eluishi (William) Proprietors       | Dec. 31    | 15,434       |                         | 13,876                               | 22,465                        | 9,000         | 1,125        | 15   | 4,000               | + 649                            | 15,475          | 13,844        | 15           |
| Arkinson & Cowan                    | Dec. 31    | 79,662       | 1,677                   | 44,324                               | 77,018                        | 16,937        | 18,147       | 5    | 10,000              | + 760                            | 74,259          | 36,423        | 5            |
| do de Janeiro City Improvements     | Dec. 31    | 249,077      |                         | 249                                  |                               |               |              |      |                     |                                  |                 |               |              |

(Continued from page 860)

## INDUSTRY AND TRADE

**Milk Marketing Board.**—During the year ended March 31, 1944, the Milk Marketing Board paid £97,120,563 to wholesale milk producers, against £88,052,530 in the previous year. The total number of wholesale producers increased by 2,679 to 128,429, and registered producer-retailers decreased by 2,172 to 55,943. The Board's expenditure rose by £39,486, or the equivalent of 8 per cent.

**Standards Review.**—The British Standards Institution has begun the publication of a quarterly, *Standards Review*, which will be obtainable by non-members at 2s. per copy. The first number contains articles on the work of the Institution, on standardisation in housing, organisation, packaging and electrical equipment. The review has been issued "in response to many suggestions that the work of the Institution be given greater publicity." It will include also information on the progress of standardisation overseas.

**This Year's Acreage.**—The dry winter and spring has affected crops in many parts of the country, and this year's harvest is not expected to produce bumper crops. On the other hand, the area

under crops exceeded last year's records, as can be seen from the accompanying table. Although the area under wheat smaller, the acreage is larger than was expected. The wheat has not affected wheat as much as some other crops. Hay and root crops are expected to be lighter. This year's potato acreage is approximately the same as last year's, but efforts have been made to improve yields in areas not specially suitable for the crop. Volunteers for the harvest are urgently needed, since this year no help can be expected from the Services.

## CROPPING IN ENGLAND AND WALES

|                  | 1943<br>('000 acres)    | 1944       |
|------------------|-------------------------|------------|
| Tillage .....    | 11,531                  | 11,610     |
| Wheat .....      | Over 3,250              | Over 3,000 |
| Potatoes .....   | 950                     | 950        |
| Sugar beet ..... | Slightly less than 1944 | 420        |
| Flax .....       | "                       | 51         |

"The Economist" Sensitive Index.—There was no change in the index during the week ended June 21st. The complete index (1935=100) was 158.6; crops 135.6; and raw materials 185.5.

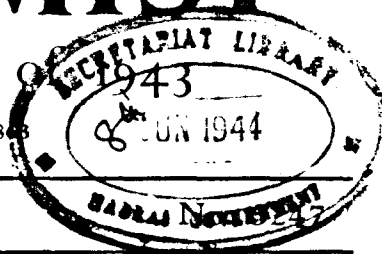
## THE ECONOMIST

Commercial History &amp; Review

The Eighty-First of the Series which began in 1863

Vol. CXLVI

SATURDAY, MARCH 18, 1944



## CONTENTS

| UNITED KINGDOM                    | PAGE | OVERSEAS COUNTRIES     | PAGE | OVERSEAS COUNTRIES—Continued | PAGE |
|-----------------------------------|------|------------------------|------|------------------------------|------|
| Industry and Trade .....          | 1    | United States .....    | 4    | Italy .....                  | 8    |
| Agriculture .....                 | 1    | Canada .....           | 5    | German Europe .....          | 9    |
| Manpower and Labour Conditions .. | 1    | Australia .....        | 6    |                              |      |
| Commodity Prices .....            | 2    | New Zealand .....      | 6    |                              |      |
| The Stock Exchanges .....         | 2    | South Africa .....     | 7    |                              |      |
| New Capital Issues .....          | 3    | Northern Ireland ..... | 7    |                              |      |
| Industrial Profits .....          | 3    | Eire .....             | 7    |                              |      |
| The Money Market .....            | 3    | India .....            | 7    |                              |      |
| Foreign Exchanges .....           | 4    | The Soviet Union ..... | 8    |                              |      |
| The Bullion Market .....          | 4    | Portugal .....         | 8    |                              |      |

## United Kingdom

## Industry and Trade

If the process of mobilising Britain's resources for war was largely completed in 1942, the past year has been one of sustained and total effort probably unequalled in its history.

The civilian sector of industry and trade had to give up such resources as it could still spare without depriving the population of the essentials of life. The minimum need for food, clothing and other essentials was met; this distribution was probably as fair as it could be made in times of war. Price control ensured that even the lowest income categories could purchase their share of the small supply of essential goods and services; efficient rationing ensured distribution according to needs rather than money demand.

The war sector of the British economy rose to new heights of achievement, in output as well as in flexibility. War production could not be raised by another 50 per cent as between 1941 and 1942, but it reached a record over the whole field of munitions.

As important as the total volume of munition output was the production of the types required in the proportions needed by the Services. During 1943, as Mr Lyttelton, Minister of Production, has pointed out, the emphasis in production has shifted more and more, in accordance with changing strategic needs, to the newest types of aircraft, weapons and devices of every kind. The fulfilment of changing demands called for a high degree of adaptability and flexibility on the part of workers and managers. The number of workers was increased by 203,000 in the manufacture of aircraft, and by 64,000 in naval construction and other Admiralty work, while those engaged on the production of equipment for the Army was reduced.

The reduction in merchant shipping losses and the growing volume of shipbuilding in North America has ensured a steady flow of the raw materials required for the fulfilment of the production schedules of civilian goods and munitions. On the other hand, coal, the main home-produced raw material, was in short supply; production in 1943 was smaller than in 1942.

## Agriculture

The dispute between the National Farmers' Unions and the Government over prices in the winter of 1943-4 generated much political heat. It appears, however, that farmers were in fact more concerned over the Government's still unannounced plans for post-war agriculture than the details of the prices then under discussion. Much interest was shown during the year in unofficial plans; memoranda on this subject were published by the Royal Agricultural Society, the Central Landowners' Association, the National Farmers' Union, the Council of Agriculture and the Conservative Agricultural Committee. The Luxmoore report dealt with the future of agricultural education; the Forestry Commission produced a plan for post-war forestry; the Hill Sheep Committees for England and Wales and for Scotland reported in favour of further Government assistance to restore and maintain the hill sheep industry.

## Manpower and Labour Conditions

The stringency in manpower which was already beginning to be felt in 1942 became more marked in 1943. Two measures in particular indicate the strain placed on labour resources: the extension of women's registration age to 50 and the decision to conscript men for the mines as an alternative to service in the armed forces.

The extent of mobilisation at the end of the year can be seen from the following facts: Out of a total adult population of 33.1 million available for work (i.e., those aged between 14 and 60) 22½ million were engaged in the Services or in vital employment. Of these 15 million were men and 7½ million women, while a considerable proportion of the remainder were housewives or engaged in voluntary service. There was a further expansion in the numbers of women employed. It was estimated that 90 per cent of the single women and over 80 per cent of the married women without children between 18 and 40 were engaged on work of national importance. Whereas in 1940

## UNEMPLOYMENT AND TRADE DISPUTES IN GREAT BRITAIN

|                 | Registered Unemployed |          | Trade Disputes* |       |
|-----------------|-----------------------|----------|-----------------|-------|
|                 | 1942                  | 1943 (a) | 1942            | 1943  |
|                 | 000's                 | 000's    | 000's           | 000's |
| January .....   | 194                   | 99       | 59              | 37    |
| February .....  | 188                   | ...      | 28              | 34    |
| March .....     | 136                   | ...      | 43              | 122   |
| April .....     | 127                   | 80       | 63              | 68    |
| May .....       | 118                   | ...      | 306             | 178   |
| June .....      | 106                   | ...      | 356             | 112   |
| July .....      | 107                   | 73       | 42              | 97    |
| August .....    | 114                   | ...      | 37              | 139   |
| September ..... | 104                   | ...      | 53              | 327   |
| October .....   | 101                   | 74       | 337             | 157   |
| November .....  | 95                    | ...      | 93              | 365   |
| December .....  | 87                    | ...      | 90              | 151   |
| Average .....   | 123                   | 83       | 125             | 147   |

(a) From March, 1942, figures are exclusive of men classified as unsuitable for ordinary industrial employment, and women unsuitable for normal full-time employment.

\* Number of working days lost.

women represented only 12 per cent of the labour force in aircraft production, the proportion had been increased to 40 per cent in 1943. In munitions industries as a whole, including shipbuilding, about a third of the workers were women.

Unemployment figures showed a substantial reduction. The average for the year was 93,408, compared with 125,311 in 1942—the lowest figure for nearly 20 years. About 8½ million workers were covered by Essential Work Orders.

Important changes in the production programme, in order to meet operational requirements, came into effect and overriding priority was given to aircraft production. This involved a large-scale transference of productive resources and a curtail-

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Commercial Register No. 1, Cairo

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Reserve Fund ... 2,500,000

Currency Reserve ... 2,000,000

Reserve Liability of Proprietors under the Charter ... 4,500,000

£13,500,000

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CAPITAL FULLY PAID ... £2,400,000

RESERVE FUND &amp; BALANCE carried forward ... £2,259,161

DEPOSITS &amp; CREDIT BALANCES

as at 29th Feb., 1944 ... £62,235,580

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£12,000,000

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Reserve Fund ... \$24,000,000

Total Assets over ... \$400,000,000

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ANNUAL INCOME EXCEEDS - £14,500,000

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(1943 Accounts)



ment of the Ministry of Supply programme. Recruiting for the Women's Auxiliary Services and the Women's Land Army was suspended, the comb-out of workers in less essential industries and services was accelerated, and wherever possible labour was directed into aircraft factories. The numbers engaged on aircraft work increased by 203,000 during the year. There was also an increase of 64,000 in the numbers engaged on naval construction. The changes, on balance, were carried out smoothly, but a certain amount of hardship was inevitably incurred over the transference of labour in individual cases.

There was some increase in industrial unrest, which was due not so much to wages grievances as to an increase in general war strain. Most of the stoppages were of short duration. In 1943, 1,810,000 working days were lost as a result of trade disputes, affecting about half a million workers, compared with 1,530,000 days lost in 1942. Over half the stoppages occurred in coal-mining, but one of the longest was that of 7,000 engineers at Barrow in October, which cost nearly 100,000 working days. There was little change in industrial relations; the number of joint production committees increased to about 3,000. An important development was the creation of national conciliation machinery for the coal-mining industry.

Increases in rates of wages were granted in most of the principal industries. In agriculture, the national minimum was raised to 65s. a week; the National Arbitration Tribunal awarded engineers a 6s. increase for timeworkers, the consolidation of part of the national bonus in the basis rate and an

#### WAGES AND COST OF LIVING

|                 | Wages (a) |      | Cost of Living (b) |      |
|-----------------|-----------|------|--------------------|------|
|                 | 1942      | 1943 | 1942               | 1943 |
| January .....   | 132½      | 139½ | 200                | 199  |
| February .....  | 133½      | 139½ | 200                | 199  |
| March .....     | 133½      | 142  | 200                | 199  |
| April .....     | 134       | 142½ | 199                | 198  |
| May .....       | 134       | 143½ | 200                | 199  |
| June .....      | 137½      | 143½ | 199                | 198  |
| July .....      | 138       | 144  | 200                | 200  |
| August .....    | 138       | 144  | 201                | 199  |
| September ..... | 138       | 144  | 200                | 198  |
| October .....   | 138       | 144  | 200                | 199  |
| November .....  | 138½      | 144½ | 200                | 199  |
| December .....  | 138½      | 145½ | 200                | 199  |
| Average .....   | 136       | 143  | 200                | 199  |

(a) Index (1924=100) compiled by Prof. Bowley, eliminating seasonal fluctuations.  
(b) Ministry of Labour Index for 1st of month (July 1, 1914=100).

addition to the pieceworkers' minimum percentage; railway workers were awarded a flat rate increase of 4s. 6d. a week. Other industries in which increases were granted include cotton spinning and weaving, clothing, food, drink and tobacco, chemicals, building and contracting, and distributive trades. The only industry in which there was no general change in rates was coal-mining, though the miners applied at the end of the year for higher minimum wages.

There were few changes in normal working hours, though less overtime was worked than in earlier years of the war. The

general working-class cost of living showed little change, owing to the stabilisation policy adopted by the Government.

Increased attention was paid during the year to industrial health and welfare. An important conference on Industrial Health was called by the Minister of Labour in April. By August (latest date for which figures are available) there were 10,462 works canteens in operation, including canteens on docks and building sites. By the end of the year there were 881 colliery canteens, covering 96 per cent of the miners, though only about half this number provided full meal services.

A great deal was done, largely on the initiative of the Minister of Labour himself, to raise the standards of the lower-paid sections of the working-class and to extend the principle of national minimum wages. The Catering Wages Bill, introduced in February, was designed to improve the pay and working conditions of catering workers. The Hetherington Committee was appointed to make recommendations for improving the wages and conditions of domestic staff in hospitals and institutions; the Rushcliffe Committee did the same for nurses in hospitals and public health service. The recommendations of both these Committees were accepted by the Government.

Apart from their effect on recruitment for such jobs as domestic service in institutions and nursing, which were given high priority by the Ministry of Labour, these improvements have a long-term significance. Two other measures initiated during 1943, the Reinstatement in Civil Employment Bill and the Disabled Persons Bill, provide further evidence of the increasing attention which was paid during the year to the problems of the demobilisation period and the transition from war to peace.

### Commodity Prices

THE trend of costs and prices remained upwards in 1943, but the rate of increase has generally been small, thanks to the efficiency of price control in essential civilian goods and military stores.

The Economist's index of wholesale prices, given in detail on page 16, as well as the Board of Trade's, were only slightly higher at the end of 1943 than a year earlier. Coal is one of the few important raw materials with a more than average rise in price, due mainly to higher wages unaccompanied by an increase in productivity.

The Ministry of Labour's cost of living index remained virtually unchanged throughout the year, though this has meant an increase in the subsidy required for its stabilisation.

Wage rates, as distinct from earnings, have shown a further small rise. According to the Ministry of Labour, the average level of full-time weekly wage rates in all industries for which information is available was between 4 and 5 per cent higher at the end of 1943 than a year before.

Changes in the average prices of manufactured goods are not recorded by monthly index numbers, but there are indications that price control has remained effective, both for essential civilian goods and munitions.

Where money demand was free to exert its pressure, as in luxuries and in existing uncontrolled durable goods, substantial price advances have indeed been recorded; but those exceptions merely emphasise the continued success of price control over the broad field of goods and services.

## Finance and Investment

### The Stock Exchanges

POSSIBLY the feature of the British stock market during 1943 was the virtual stability of the general level of fixed-interest securities taken as a whole. The old year ended with the average yield on industrial equities rather above that on industrial preferences, according to the figures of *The Actuaries' Invest-*

| Security                            | Year 1943 |         |        |         |         |          |         |
|-------------------------------------|-----------|---------|--------|---------|---------|----------|---------|
|                                     | Jan. 6    | April 7 | June 9 | July 21 | Sept. 1 | Sept. 22 | Dec. 31 |
| 2½% Consols .....                   | 83        | 82½     | 80½    | 80      | 79½     | 78½      | 79½     |
| 3½% War Loan .....                  | 105½      | 106     | 103½   | 103½    | 103½    | 104½     | 103½    |
| L.M.S. 1923 4% Pref. Stk. ....      | 64½       | 62      | 62½    | 62½     | 61½     | 59½      | 62½     |
| G.W.R. Ord. Stk. ....               | 58        | 59      | 62     | 60½     | 61½     | 59½      | 62      |
| Bass, Ratcliff & Gretton (L) ..     | 157½      | 161½    | 159½   | 161½    | 163½    | 163½     | 167½    |
| Distillers (L) ..                   | 86½       | 83½     | 85½    | 87½     | 88½     | 90½      | 88½     |
| Courtaulds (L) ..                   | 45½       | 49½     | 49½    | 55½     | 55½     | 55½      | 53½     |
| Imperial Chemical (L) ..            | 37½       | 39½     | 38½    | 39½     | 38½     | 38½      | 38½     |
| Murex (L) ..                        | 105½      | 107½    | 105½   | 102½    | 102½    | 102½     | 100½    |
| Cunard Steamship Ord. (L) ..        | 21½       | 21½     | 20½    | 22½     | 23½     | 23½      | 24½     |
| United Steel Co's Ord. (L) ..       | 2½        | 2½      | 25½    | 26½     | 24½     | 25½      | 24½     |
| Rolls Royce Ord. (L) ..             | 106½      | 105½    | 101½   | 107½    | 108½    | 110½     | 105½    |
| Marke & Spencer "A" (5/-) ..        | 46½       | 47½     | 50½    | 50½     | 57½     | 59½      | 54½     |
| Brit.-Amer. Tobacco Ord. (L) ..     | 100½      | 98½     | 98½    | 105½    | 110½    | 110½     | 105½    |
| Imperial Tobacco Ord. (L) ..        | 7½        | 7½      | 7½     | 7½      | 7½      | 7½       | 7½      |
| Anglo-Iranian Oil Ord. (L) ..       | 81½       | 89½     | 86½    | 97½     | 107½    | 107½     | 115½    |
| Blyvoors (10/-) ..                  | 43½       | 67½     | 68½    | 87½     | 87½     | 88½      | 80½     |
| Harrisons & Croftfield Defd. (L) .. | 65½       | 63½     | 63½    | 68½     | 75½     | 76½      | 75½     |
| Gaumont British Ord. (10/-) ..      | 12½       | 15½     | 15½    | 14½     | 15½     | 16½      | 18½     |

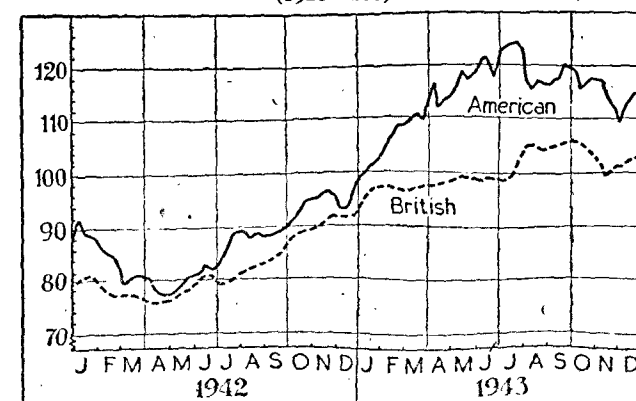
\* Ex. dividend.

ment Index. January saw the position reversed; by August the equity yield was well below the other, and not until the November recession did it rise well above once more. On the year both these yields fell by 0.04 per cent. As to prices, the

#### BRITISH AND AMERICAN INDUSTRIAL SHARE PRICES DURING THE PAST TWO YEARS

British: *Financial News* Index of 30 Ordinary Shares (July 1, 1935=100)

American: *Standard Statistics* Index of 50 Common Stocks (1926=100)



rise was, absolutely, very similar to that of 1942, but the bulk of the net appreciation occurred in the first half of 1943, whereas the whole of the 1942 rise came about in the second half of that year. Apart from twin humps and the resultant reactions in July and October, the rise was fairly continuous. At present the curve is flattening out and tending to run parallel with that for fixed-interest securities. Meanwhile, the American experience has not been very dissimilar, but there the 1943 rise was, absolutely, rather greater than that of 1942. With the approach of final victory, the trend of prices has been more and more dependent upon estimates of the Government's intentions for the period of post-war transition and of the success which they will meet. Information on any progress which may have been made has so far been slight. News of actual intentions, or even guesses as to what these may be, will influence special securities from time to time, but the general level of prices is not likely to rise appreciably until it is clear that distributable profits will be allowed to increase materially.

### New Capital Issues

As will be seen from the figures below, the temporary setback to the general level of borrowing experienced in 1942 was reversed last year. Of new borrowing, whether by issues or by "permission to deal," there is a rise in every category, and, with the sole exception of Empire borrowing, the latest figures exceed those of 1941. The feature is, of course, the renewed expansion in Government issues, which exclude, however, floating debt and tax reserve certificates. It seems probable that by now the production of munitions has reached its maximum, so that no further expansion in borrowing is to be looked for on that account. There is no certainty that price rises have ceased, and this may continue to push up the cost of production for our own purposes, and for reverse lease-lend. The expansion of activity under heads other than Government issues is too small to suggest any real relaxation in conditions governing such operations, and none has occurred. The sharp fall in conversions reflects the incidence of maturities as well as the fact that the rise in the general level of fixed-interest securities was virtually halted shortly after the beginning of the year.

#### TOTAL BORROWINGS BY OFFERS TO PUBLIC AND TO SHAREHOLDERS ONLY (Million £)

| Calendar Years | British    |                    |        |            | Empire | Foreign | Total Issues | Index 1928=100 |
|----------------|------------|--------------------|--------|------------|--------|---------|--------------|----------------|
|                | Government | Home Corporations* | Others | Total Home |        |         |              |                |
| 1928           | 83.9       | 14.9               | 164.8  | 263.6      | 63.2   | 42.3    | 369.1        | 100            |
| 1935           | 88.0       | 51.1               | 81.6   | 220.7      | 25.2   | 0.2     | 256.1        | 64             |
| 1936           | 60.2       | 79.5               | 90.6   | 230.3      | 24.8   | 0.7     | 255.8        | 69             |
| 1937           | 95.8       | 43.7               | 84.7   | 224.2      | 21.1   | 6.3     | 251.6        | 68             |
| 1938           | 75.9       | 24.9               | 62.2   | 163.0      | 24.3   | 2.8     | 180.1        | 49             |
| 1939           | 36.8       | 12.1               | 26.7   | 75.6       | 15.8   | 0.3     | 91.7         | 25             |
| 1940           | 1070.8     | Nil                | 1.4    | 1072.2     | 0.2    | Nil     | 1072.4       | 293            |
| 1941           | 1497.5     | Nil                | 0.4    | 1497.9     | 2.9    | Nil     | 1500.8       | 408            |
| 1942           | 1457.1     | Nil                | 0.3    | 1457.4     | 0.4    | Nil     | 1457.8       | 398            |
| 1943           | 1586.3     | Nil                | 1.8    | 1588.1     | 1.5    | 0.1     | 1589.7       | 431            |

\* Including County and Public Board Loans.

#### TOTAL BORROWING, INCLUDING STOCK EXCHANGE "Permission to Deal" (Million £)

| Calendar Years | British    |                    |        |            | Empire | Foreign | Total Issues |
|----------------|------------|--------------------|--------|------------|--------|---------|--------------|
|                | Government | Home Corporations* | Others | Total Home |        |         |              |
| 1939           | 36.8       | 12.1               | 66.2   | 115.1      | 25.5   | 2.2     | 142.8        |
| 1940           | 1,070.8    | Nil                | 16.6   | 1,087.4    | 1.3    | Nil     | 1,088.7      |
| 1941           | 1,497.5    | Nil                | 8.0    | 1,505.5    | 4.2    | 0.1     | 1,509.8      |
| 1942           | 1,457.1    | Nil                | 9.2    | 1,466.3    | 0.8    | 0.1     | 1,467.2      |
| 1943           | 1,586.3    | 1.7                | 12.5   | 1,600.5    | 2.7    | 0.6     | 1,603.8      |

\* Including County and Public Board Loans.

#### CONVERSION ISSUES (Million £)

|                    | 1938 | 1939 | 1940  | 1941 | 1942 | 1943 |
|--------------------|------|------|-------|------|------|------|
| British Govt. .... | Nil  | Nil  | 352.8 | Nil  | Nil  | Nil  |
| Other .....        | 23.6 | 26.0 | Nil   | 54.4 | 47.2 | 24.7 |
| Total .....        | 23.6 | 26.0 | 352.8 | 54.4 | 47.2 | 24.7 |

### Industrial Profits

FOR the first time since the outbreak of war, the profits of companies, as published, but after deducting debenture interest, show a rise on those of the same concerns for the preceding year. The rise is small, but it means that the index, which had fallen from 120.7 for 1938 to 90.0 for 1942, rose last year to 93.1 per cent. Actually recalculated gross profits appear now to be on the up-grade. Dividends are increasing, and the share of net profits distributed is rising. The quarterly published figures show a decline only in the first quarter, with very moderate rises in the others. The poor showing of the rubber

industry exercised a depressing effect on the early figures. It should be pointed out that, if gross profits are substituted for published profits, the share of the total going to shareholders is falling, although the absolute amount of distributions is rising.

#### COMPANY REPORTS PUBLISHED IN CALENDAR YEARS 1933-43

|      | No. of Companies | Net Profits*           |                                | "Chain" Index 1938=100 |
|------|------------------|------------------------|--------------------------------|------------------------|
|      |                  | Current Year's Reports | Same Companies, Preceding Year |                        |
| 1933 | 1,945            | £ Mn. 141.4            | £ Mn. 140.8                    | 100                    |
| 1934 | 1,975            | 168.8                  | 144.8                          | 73.9                   |
| 1935 | 2,116            | 203.2                  | 175.3                          | 85.7                   |
| 1936 | 2,186            | 239.1                  | 212.2                          | 96.5                   |
| 1937 | 2,279            | 281.4                  | 240.3                          | 113.9                  |
| 1938 | 2,389            | 327.7                  | 284.4                          | 120.7                  |
| 1939 | 2,342            | 327.5                  | 291.4                          | 110.8                  |
| 1940 | 2,260            | 208.1                  | 216.3                          | 104.6                  |
| 1941 | 2,041            | 175.6                  | 198.6                          | 84.9                   |
| 1942 | 2,002            | 168.7                  | 176.7                          | 90.0                   |
| 1943 | 2,071            | 167.9                  | 162.3                          | 93.1                   |

\* After Debenture Interest. † 1940 to 1943 figures are not strictly comparable with previous years.

#### QUARTERLY CHANGES IN PROFITS\* 1933-43

|      | 1st Quarter |                              | 2nd Quarter |                              | 3rd Quarter |                              | 4th Quarter |                              |
|------|-------------|------------------------------|-------------|------------------------------|-------------|------------------------------|-------------|------------------------------|
|      | No. of Cos. | Profits Change on Prev. Year | No. of Cos. | Profits Change on Prev. Year | No. of Cos. | Profits Change on Prev. Year | No. of Cos. | Profits Change on Prev. Year |
| 1933 | 562         | -8.9                         | 612         | +3.3                         | 307         | -5.5                         | 464         | +30.3                        |
| 1934 | 547         | +5.3                         | 642         | +18.2                        | 318         | +27.7                        | 468         | +32.9                        |
| 1935 | 592         | +14.6                        | 694         | +17.8                        | 345         | +12.2                        | 485         | +16.9                        |
| 1936 | 569         | +13.3                        | 739         | +10.6                        | 382         | +14.3                        | 496         | +15.2                        |
| 1937 | 628         | +11.9                        | 765         | +19.9                        | 337         | +19.2                        | 549         | +20.2                        |
| 1938 | 646         | +10.5                        | 805         | +12.9                        | 374         | -1.4                         | 564         | -4.4                         |
| 1939 | 656         | -9.0                         | 793         | +8.2                         | 345         | -7.9                         | 548         | -7.1                         |
| 1940 | 552         | -4.1                         | 722         | +5.0                         | 428         | -16.8                        | 558         | -3.7                         |
| 1941 | 439         | -9.0                         | 497         | -12.5                        | 498         | -17.6                        | 607         | -7.5                         |
| 1942 | 426         | -10.5                        | 426         | -4.1                         | 480         | +0.2                         | 569         | -4.0                         |
| 1943 | 465         | -1.0                         | 535         | +4.3                         | 518         | -8.6                         | 553         | +2.4                         |

\* After Debenture Interest. † 1940 to 1943 figures are not strictly comparable with previous years.

#### DIVISION OF PROFITS (FOURTH QUARTER COMPANIES)

| Reports Issued during Fourth Quarter | Proportion of Profits (after Deb. Interest) |                   |                                   | Rate of Payment on each Class of Capital |            |                     |                  |
|--------------------------------------|---------------------------------------------|-------------------|-----------------------------------|------------------------------------------|------------|---------------------|------------------|
|                                      | Paid in Pref. Div.                          | Paid in Ord. Div. | Put to Reserve or Carried Forward | Debenture                                | Preference | Earned for Ordinary | Paid on Ordinary |
| 1933                                 | 23.4                                        | 64.3              | 12.3                              | 5.04                                     | 8.2        | 6.2                 | 5.2              |
| 1934                                 | 19.6                                        | 59.9              | 20.5                              | 4.95                                     | 3.7        | 9.9                 | 6.8              |
| 1935                                 | 19.0                                        | 55.2              | 25.8                              | 4.84                                     | 4.5        | 11.6                | 7.9              |
| 1936                                 | 17.5                                        | 53.5              | 29.0                              | 4.75                                     | 4.9        | 14.2                | 9.2              |
| 1937                                 | 15.7                                        | 51.6              | 32.7                              | 4.59                                     | 5.4        | 18.2                | 11.2             |
| 1938                                 | 13.9                                        | 48.8              | 37.3                              | 4.47                                     | 5.0        | 18.7                | 10.6             |
| 1939                                 | 16.0                                        | 46.1              | 37.9                              | 4.47                                     | 4.8        | 14.9                | 8.2              |
| 1940*                                | 23.6                                        | 61.4              | 15.0                              | 4.80                                     | 6.8        | 12.1                | 9.8              |
| 1941*                                | 29.5                                        | 64.1              | 16.4                              | 4.90                                     | 6.4        | 10.9                | 8.4              |
| 1942*                                | 25.6                                        | 50.0              | 24.4                              | 4.90                                     | 6.4        | 14.1                | 9.4              |
| 1942†                                | 20.9                                        | 56.8              | 22.3                              | 4.70                                     | 6.2        | 13.9                | 10.0             |
| 1943†                                | 20.6                                        | 57.7              | 21.7                              | 4.70                                     | 6.3        | 14.5                | 10.6             |

\* 1940 to 1943 figures are not strictly comparable with previous years.  
† Whole year. New basis.

### The Money Market

EXPANSION of currency and credit again provided the background for the history of the money market in 1943. Clearing bank deposits averaged £3,275 million in 1942 and £3,677 million in 1943. Almost the whole counterpart of that expansion of credit was provided by increased holdings of Treasury Deposit Receipts, which by the end of the year had become the largest of the banks' assets, taking precedence of investments, which themselves had ousted advances from first place in 1941. To maintain this expanding pyramid of credit the authorities automatically provided the required basis of bank cash. It follows that at no time was the operation of credit policy originated through the money market. The disturbances that occurred in the market were the result of temporary disequilibria between the heavy income and expenditure of the Government, and these temporary disturbances were quickly and smoothly remedied by appropriate open-market operations initiated by the Bank of England. At no time was the money market forced to borrow from the Bank at penal rates during the year, but on many occasions the Bank went to the assistance of the market in a variety of ways. Given this ready assistance whenever the credit position showed the slightest indication of tightening, the structure of money and discount rates remained rigidly fixed throughout the year. The money market was always able to finance its requirements of bill money from the

clearing banks at 1 per cent, while the Treasury bill rate kept steadily at about  $\frac{1}{2}$  over this figure.

The main feature in the history of the discount market last year was the number of amalgamations and increases of capital. These furthered a policy of concentration which has had official inspiration for some years past and which has accompanied the gradual change of the discount market from a bill to a bond market. The change in the main character and interest of the market has called for a stronger capital structure. This has been provided by amalgamations and by the influx of new capital. Some of the additional capital has come from insurance companies, while in one interesting case it was provided by a hire-purchase finance company.

## Foreign Exchanges

No changes occurred last year in the official list of exchange rates quoted in London. The equivalent of such a change occurred in the autumn, when a 50 per cent concession was granted to certain diplomatic and personal remittances to Chungking. This was the result of the big rise in the Chinese cost of living and of the fact that the fixed Chinese exchange rate had remained oblivious of the changes in the true parity of the currency. The concession was later increased to 100 per cent. With the invasion of Italy a rate of 400 lire to the £ was fixed by the Allied military authorities. The invading armies took their own military currencies with them, while, in addition, a supply of "Amgot" lire notes was also part of the invasion equipment and was put into circulation. In the New Year, the francs circulating in ex-de Gaulle territories and in North Africa were unified and given an exchange value of 200 francs to the £. Paraguay last year introduced a new unit of account, the guarani. The Belgian and Dutch Governments entered into a formal monetary agreement providing for the stabilisation of their currencies and for clearing balances of mutual indebtedness. This bilateral agreement was stated to be without prejudice to wider international exchange agreements into which the Belgo-Dutch grouping could readily be merged. The steady improvement in the Brazilian exchange position made it possible last year for the Bank of England to tackle the problem of blocked cruzeiro balances held for residents of the UK. Thanks to the accumulation of sterling balances on Brazilian account, an arrangement was made providing for the compensation of these balances against blocked cruzeiro assets. The balance of payments of the UK with other countries in the sterling area has continued heavily unfavourable to this country, and this has again reflected itself in a persistent accu-

mulation of abnormal sterling balances. India continues to provide the main creditor, but Eire, Canada, Australia, New Zealand, Argentina and the Middle East countries have all contributed their quotas to this phenomenon.

## The Bullion Market

THE London bullion market remained quiet and featureless during 1943. Gold was held at the official price of 168s. per ounce, with sovereigns at 39s. 3d. each. Small amounts of gold were sold to the Bank of England from non-residents' holdings. The Bank also made available small quantities of gold required for essential industrial purposes. Silver was held throughout the year at 23½d. per ounce. At this price the Bank of England sold metal for essential industrial requirements. During the first half of the year the silver thus sold on official account was of Indian origin and represented metal acquired from the Indian Government's reserves both in London and in India at earlier dates. These reserves were exhausted in the summer of 1943, and from then onward their place was taken by United States and Canadian silver. As early as April, 1943, it was announced that requests had been made by the British to the US Government for shipments of silver. These were made on lend-lease terms—but with the special provision that an equivalent amount of silver be retransferred to the United States after the end of the war. Canada's silver shipments have been made available under the agreement for pooling resources and have thus passed without the creation of any debt.

The real interest in bullion has switched from the London and New York markets, where prices are rigidly fixed, to the Indian and Middle East countries, where prices have moved freely and have established themselves at high premia over the London and New York parities. The feature of these free markets has been the development of heavy official sales of gold effected in each of them by the appropriate central bank. The gold in question has been provided by Great Britain and the United States, and one of the objectives of these sales has been the mopping up of redundant purchasing power created by abnormally high allied expenditure in these countries. In India the gold sold on official account has gone to meet this expenditure. The price of gold in Bombay, which touched the equivalent of £19 an ounce, has been falling under the pressure of these official sales, and had settled down to the equivalent of £14 an ounce by the end of the year.

There has been no official selling of silver, but the substantial hoards of the metal in India have provided an adequate stock in trade for the free market, where the price has fluctuated around a mean of Rs. 127 per 100 tolas.

## Overseas Countries

### United States

IN 1943, the American economy supplied goods and services to the war effort in an amount that corresponded to its maximum peacetime output, and, at the same time, aggregate civilian consumption continued in excess of the highest peacetime volume. The problems of obtaining adequate supplies of raw materials and of providing sufficient industrial facilities for war needs had been largely mastered by the end of 1943, but manpower shortages became increasingly restrictive during the course of the year.

These overall achievements were not accomplished without many severe adjustments in the distribution of employment and consumption. With full employment and with individual incomes far in excess of the amount of goods and services available for consumption, increasingly severe controls over supplies, prices, and manpower were necessary in order to assure full accomplishment of the war programme, and equitable distribution of available civilian supplies, and to restrict the development of inflationary price advances. Application of these controls was made difficult by political and other pressures of organised special-interest groups. Notwithstanding the strong economic and political pressures, the controls applied, together with the public's willingness to save large amounts, were generally effective in keeping price increases down to moderate proportions. The cost of living index continued its previous rise during the early part of 1943, but subsequently levelled off at about 25 per cent above the pre-war level.

**War Production.**—Expenditures of the Federal Government for war purposes reached a peak of about \$7½ billion a month by the middle of 1943, and continued close to that level during the remainder of the year. The total for the year 1943 was \$82 billion, compared with \$50 billion in 1942 and \$13 billion in 1941. Schedules called for a somewhat greater rise in expenditures, but scattered instances of reduced prices, cut-backs in programmes, and inadequate capacity for some products resulted in actual expenditures somewhat below schedules. As planned, and there were some cut-backs in ammunition output, as munition equipment was further expanded. About two-thirds of the total physical volume of the output of factories and mines, according to estimates of the Federal Reserve Board, was for

war purposes, and there was an increase of about 50 per cent in war products over 1942.

**Civilian Supplies.**—Consumer expenditure on all types of goods and services, according to Department of Commerce estimates, rose to a level of about \$90 billion a year early in 1943, and continued at that level during the remainder of the year. This compares with \$62 billion in 1939 and, even after allowance for the rise in prices, represents a larger volume of goods and services than in peacetime, although a somewhat smaller volume than in 1942. Private expenditures for capital purposes were negligible in amount in 1943, compared with \$11 billion in 1939.

The physical volume of the production of manufactures and minerals for strictly civilian purposes has declined since 1941, according to estimates of the Federal Reserve Board, and in 1943 was less than three-fourths of the 1939 output. Total consumption, however, was able to remain at about the maximum peacetime level, owing to increases in the production of non-manufactured foods, and the use of services, and to drains upon previously accumulated stocks. Consumer goods have been scarce because of increased consumption by a great number of people who, in normal times, received low incomes, while the fixed-income groups, including many in the higher brackets, have been unable to obtain as much as usual.

**Construction.**—Expenditures for construction declined sharply from the high level of 1942, reflecting sharp reductions in the construction of military and naval installations and of publicly financed industrial plants, as well as a further decrease in private residential building. For the year as a whole, construction expenditures were somewhat larger than in 1939, but at the end of 1943 the level of activity was considerably lower. Publicly financed housing construction was in somewhat larger volume in 1943 than in the previous year. Both publicly financed and privately financed housing construction was limited to that needed for essential workers in congested war-production areas, and a large part of the private building was financed by Government-guaranteed loans.

**Agriculture.**—The physical volume of agricultural production in 1943 was estimated by the Department of Agriculture as slightly larger than the record output of 1942. The total yield of crops was somewhat smaller than in the previous year, but larger than in other years, while the output of livestock and livestock products increased further. Prices of farm products continued to rise during the first half of the year, but in the latter

half some farm prices declined. Although operating costs also increased somewhat, the net income of farm operators increased to the record figure of \$12.5 billion in 1943, from \$10.2 billion in 1942 and \$4.5 billion in 1939.

**National Income and Savings.**—Individual incomes in 1943 totalled about \$142 billion, according to Department of Commerce estimates, compared with \$116 billion in 1942 and \$71 billion in 1939. The rate of increase slackened somewhat in the latter part of the year, and it is likely that at the beginning of 1944 individual incomes were at the rate of about \$150 billion a year. After payment of about \$18 billion in personal taxes in 1943, compared with only \$3 billion in 1939, and consumption expenditures of \$90 billion, there remained a surplus of \$34 billion available to individuals and unincorporated business for savings. This compares with \$27 billion in 1942 and \$6 billion in 1939. Most of the additional income has gone to the greatly enlarged number of factory workers and Government employees, including those in the armed forces, and to farmers. Amounts received in the form of interest, dividends, rents, royalties, and profits of individuals and partnerships have increased less rapidly.

In addition to the large volume of savings by individuals and unincorporated business, corporations have also accumulated substantial surpluses which are being held in the form of liquid assets. These accumulations have arisen from large retained earnings, depreciation and other reserves, with reduced expenditures on plant and equipment.

Both corporations and individuals have used their savings largely to purchase Government securities and to increase their cash holdings. There has been some debt retirement and also some continued increase in insurance and pension reserves, the proceeds of which have been in turn largely invested in Government securities. Holdings of Government securities by investors other than banks increased by about \$32 billion in 1943, following an increase of \$24 billion in 1942; bank deposits of individuals, partnerships, and corporations increased by about \$18 billion in 1943 and \$10 billion in 1942; and currency in circulation increased by over \$5 billion in 1943 and \$4 billion in 1942. Altogether the accumulation of liquid savings by businesses and individuals during 1942 and 1943, according to estimates of the Federal Reserve Board, amounted to nearly \$100 billion, of which probably \$60 billion represent individual savings and the remainder the accumulations of businesses. These funds are available for use at any time and are a powerful potential for inflation. They also provide a cushion to ameliorate the effects of possible post-war declines in income and employment.

**Government Finance.**—Rising war expenditures by the Federal Government during 1943 were accompanied by an even more rapid increase in tax receipts, resulting from the imposition of additional taxes and the inauguration of withholding taxes on current incomes. The deficit in the last half of the year was less than in the two preceding half-year periods. The Federal Government borrowed \$57 billion in the course of the year, compared with \$48 billion in 1942.

**Banking and Credit.**—Banking conditions in 1943 continued to reflect primarily the influence of Government finance. Bank holdings of Government securities, including those of the Federal Reserve Banks, increased by \$25 billion in 1943, compared with \$23 billion in 1942, representing respectively 44 per cent and 49 per cent of the total increase in the outstanding Government debt. There was little net change in bank loans.

The continued demand for currency on the part of the public, and the need for required reserves to back the growing volume of deposits, caused a continued drain on bank reserves. Reserves held in excess of legal requirements declined from over \$2 billion early in the year to about a billion at the end, and other reserve funds needed were supplied through the Reserve Bank's open-market purchases of Government securities, which amounted to about \$5 billion.

In addition to supplying needed reserves, Federal Reserve operations were also directed toward maintaining the prices and yields of Government securities at prevailing levels. These cover a wide range of yields, varying from  $\frac{1}{8}$  of 1 per cent on short-term Treasury bills to 2 per cent on ten-year bonds, which are purchasable by banks, and 2½ per cent on 20- to 25-year bonds, not purchasable by banks. In view of this wide range of yields and of the publicly announced policy of maintaining prices at existing levels, there was a growing tendency on the part of banks and other investors to buy the higher-yield issues and to sell to the Reserve Banks the lower-yield securities. Thus, in the latter half of the year, the commercial banks reduced the amount of their bills while adding to other types of securities in their portfolios. The Federal Reserve Banks, on the other hand, bought short-term bills and certificates of indebtedness and sold Treasury notes and bonds. Bank portfolios, nevertheless, continued to be dominated by short-term securities.

## Canada

**War Production and Trade.**—The past year was one in which economic activity reached a top limit at about double that of 1939, so the problem of further expansion became secondary to that of adjusting production to changing war needs while maintaining a high rate of output. As the year ended, Mr C. D. Howe, Minister of Munitions and Supply, said:

Our war production is at its peak and is being subjected to frequent changes and adjustments which cause temporary readjustments in employment.

The department's objective of \$3,500 millions' worth of munitions and war supplies in 1943, it is believed, was achieved. To the end of November, 1943, Canadian exports were valued at \$2,700 million, an increase of \$600 million over the corresponding period of 1942, and of \$305 million over the entire export total of the previous year. Commodity imports for 11 months were \$1,600 million, of which \$1,312 million originated in the United States and \$120 million in the United Kingdom. Canadian exports in the 11-month period were \$1,019 million to the USA and \$943 million to the UK. The Canadian active balance of trade in 1943 was the highest in history. Aggregate external trade, exclusive of gold, was valued at \$4,294 million in the 11-month period, an increase of \$673 million over the corresponding period of 1942.

A comparison produced by the Wartime Information Board gave the value of exports from Canada in this war to the end of December, 1943, of munitions, strategical materials and foodstuffs at \$6,700 million. The figure for the last war was \$1,003 million. The figure for this war did not include items amounting to \$2,275 million of production for Canada's own armed forces at home and abroad, nor foodstuffs exported to the United States since that country entered the war.

**Manpower.**—Each month in 1943 brought an increase in employment in war plants, and the recorded employment in all lines in Canada of 1,952,000 persons, including 511,000 women, in October, 1943, is regarded as a peak not likely to be exceeded. New employment since the war started was thought to have absorbed 1,000,000 persons, a figure including the armed forces. The stage where 60 per cent of the population over 14 years of age was in military service or at work had been reached. Housewives were among the main groups omitted from this estimate.

The required intake of the armed forces, of 15,000 a month, was not reached in the later months. The policy of giving round figures while protecting many salient details has permitted publication of main war groupings as follows: men in armed forces, 725,000; women, 37,800; peak employment in direct and indirect war work 1,100,000, including 260,000 women.

**Agriculture.**—Canadian agricultural production values, when finally computed, were expected to be somewhat less than the figure of \$2,079 million recorded in 1942. The Department of Agriculture estimated the value of field crops in 1943 at \$1,102 million, compared with \$1,204 million in 1942.

While wheat production was 293.6 million bushels, compared with 556.1 million in 1942, the Canadian surplus stood at 670 million bushels on October 1, 1943. For 1944 the wheat farmers are asked to plant no more in wheat than they did in 1943, when the acreage was 17,488,000. Four years ago the Canadian wheat acreage was 28,726,000, and, while this has declined, substantial increases have been attained in coarse grains. An important change in wheat marketing policy occurred last September, when wheat trading was discontinued in the Winnipeg market and the Canadian Wheat Board was directed to acquire all commercial stocks of wheat at an initial price of \$1.25 a bushel, compared with the previous guaranteed minimum of 90 cents.

Marketing and processing of meat products exceeded all previous records in 1943. The meat-packing industry produced 1,577 million pounds of products. Supply of 675 million pounds of bacon to the United Kingdom was completed in 1943, and an agreement for 900 million pounds in 1944 and 1945 had been reached. Efforts to exceed this figure were put in hand. By April 1, 1944, it was expected the shipment of 150 million pounds of cheese to the United Kingdom would be completed. Egg production in Canada increased by 20 per cent in 1943. Apart from wheat, production of flour mills is being increased to provide 1,000,000 tons of flour for the United Kingdom.

**Aggregate figures of the Canadian chartered banks at the end of October, 1943, were as follows:**

| (Millions of dollars)  |       | Change from<br>prev. Year |      |
|------------------------|-------|---------------------------|------|
| Deposits—Demand .....  | 1,827 |                           | +218 |
| Time .....             | 1,961 |                           | +252 |
| Others .....           | 319   |                           | +33  |
|                        | 4,107 |                           | +503 |
| Foreign deposits ..... | 601   |                           | +73  |
| Assets—                |       |                           |      |
| Securities .....       | 2,870 |                           | +491 |
| Loans—Canada .....     | 1,076 |                           | —27  |
| Abroad .....           | 167   |                           | —4   |
|                        | 4,113 |                           | +460 |

Federal expenditures in 1943-4 were estimated at \$5,500 million, a figure reasonably close to actual expenditures. For eight months of the fiscal year, to November 30, 1943, the Federal Government spent \$3,121 million, or \$1,369 million more than its revenues other than the proceeds of loans. The fifth victory loan, falling in that period, yielded \$1,383,275,250 from 3,008,336 cash applications. Earlier in the calendar year of 1943 the fourth victory loan yielded \$1,308,985,500.

At the year's end Mr Ilsley, the Finance Minister, said: "Our economic mobilisation, after long years of urgent development, has been largely completed." In the field of price control, the index based on pre-war levels, stood at 118.5 on November 1, 1943, compared with 117.7 on November 1, 1942.



**Mining.**—The single greatest mining development in Canada in 1943 was the Steep Rock iron ore project, from which commercial production will begin shortly. Despite a lower output, gold remained the single biggest item of value in Canadian mineral production. Gold production was 3,649,671 fine ounces, valued at \$140,512,334. Total mineral production was valued at \$524,426,850, a decline of \$42,300,000 from 1942. Production increased in copper, nickel, lead and zinc.

Manpower shortages reduced the output of fuels, though a compensating factor developed in an unusually mild winter season of 1943-44. Production of coal declined 5 per cent, and 1943 output was 17,878,778 tons. Crude petroleum production was 9,938,000 barrels, 3 per cent below 1942, but this figure did not include oil production in the new Northwest Territories field. Value of structural materials, cement, lime and stone, declined 12 per cent.

**Finance.**—The Canadian national income increased more than 18 per cent in 1943. The Bureau of Statistics estimated the cumulative total of the first 11 months of the year at \$8,072 million. The indicated national income for the year was in the neighbourhood of \$9,000 million. This high level was due to heavy munitions production, a record volume of exports, deficit financing, and a considerable advance in money supply both in bank deposits and the circulating media. Bank notes in public circulation rose to \$745 million in November, compared with \$595 million in November, 1942.

## Australia

(Except where stated to the contrary, currency figures in this article are expressed in Australian pounds.)

**Finance.**—The national income in the financial year 1942-43 was officially estimated at £1,223 million, and the total expenditure of the Commonwealth Government amounted to £670.3 million, including £561.7 million military and £108.6 million non-military expenditure, compared with an original budget estimate of total expenditure of only £549 million. The Budget for 1943-44 provides for an expenditure of £715 million, including £570 million for military purposes and £145 million civilian expenditure; the increase in the latter figure is mainly due to higher expenditure for the social services and for price-pegging measures. The 1943-44 revenue is expected to be £312 million (compared with last year's £267.5 million); £300 million are to be raised by public loans and £103 million by Treasury bills. The revenue increases will be mainly due to a reform in the income tax law of March, 1943, which provides, *inter alia*, for a reduction in the tax-free minimum income for bachelors from £156 to £104 per year. The Treasurer, in his Budget speech in September, 1943, pointed out that the response to war loans, though improving, is still far short of what is possible. Deposits in Australian cheque-paying banks increased from £482.7 million in the second quarter of 1942 to £616.5 million in the second quarter of 1943; between June 30, 1942, and 1943, savings banks deposits rose from £274.3 million to £358.1 million, and subscriptions to War Savings Certificates from £26.2 million to £35.1 million.

**Industry and Trade.**—Nearly 99 per cent of all trade union members are in employment, and the total number of employed wage and salary earners, outside rural and domestic employment, was fairly stable, at between 1,880,000 and 1,890,000, in the first half of 1943. The index of factory employment (based on 1928-29 = 100) increased from 165 in May, 1942, to 170 in May, 1943, while the index for employment in retail stores (based on July, 1933 = 100) fell, during the same period, from 126 to 112; a decrease in employment also took place in other branches of commerce and finance, as well as in transport, building and even in mining. Sales of electricity in the six State capitals, was only £272,000 in 1942-43, compared with £1,128,000 in the preceding year. The total value of the retail trade in Sydney during the three months ended May, 1943, was 9.8 per cent below the level of the same period in 1942, in spite of higher prices, but it was still considerably above the pre-war level. The manufacture of fighter aircraft was started on a large scale; but a larger proportion of industrial capacity has now been devoted to the production of agricultural machinery. The shipbuilding Commission has been occupied with repair work. A Government of Australian secondary industries.

**Price Policy.**—The main Australian price indices (all based on 1928-29 = 1,000) have developed as follows:

|                                           | Export Prices | Primary Production Prices | Whole-sale Prices | Retail Prices  |
|-------------------------------------------|---------------|---------------------------|-------------------|----------------|
| June, 1942 (for retail prices: Apr.-June) |               |                           |                   |                |
| June, 1943 (for retail prices: Apr.-June) | 902<br>973    | 952<br>975                | 1,231<br>1,268    | 1,060<br>1,121 |

A new Price Stabilisation Scheme, with the object of maintaining the cost of living at the level of April, 1943, is reported to be working smoothly.

**Food and Agriculture.**—In addition to tea and sugar, rationing was introduced during the year. In June, 1943, butter was rationed (½ lb. per week) and eggs in July; meat was rationed in January, 1944 (over 2 lb. per week). Australia, in spite of its depleted agricultural labour force, is now feeding the equivalent of 12 million people, and a programme for an increasing output of meat, dairy produce and vegetables, in order to fulfil its obligations to the American forces and to Britain, now holds first priority in the national war effort. On the other hand, the area under wheat in 1943-44 is one million acres smaller than in 1942-43 and six million acres smaller than in 1938-39. The wool clip amounted to 3,521,000 bales in 1942-43, compared with 3,578,000 bales in the preceding year, but, owing to higher prices, this clip brought in the unprecedentedly high revenue of £73.5 million.

## New Zealand

(Except where stated to the contrary, currency figures are expressed in New Zealand pounds.)

**External Trade.**—The external trade figures show striking changes during the past year. Normally, exports must exceed imports by about £12 million to ensure a balance of external payments. Taking the years ending September 30th, in 1942 the excess of exports was £30.72 million, while in 1943 imports exceeded exports by £24.06 million. War conditions account for most of the changes. Last year, a few months' abundant shipping cleared out stocks after a good season and exports reached a record high figure. This year the season has been less favourable, the spring late and wet, and stocks awaiting export are more nearly normal, while some exportable goods are diverted under reverse lend-lease to the United States' forces in New Zealand. In addition, owing to shortages of fertilisers and manpower and to the greater attractions of rival occupations, there is some decline in farm production for export. The increase in imports, which include lend-lease and defence materials, indicates heavy receipts from abroad of goods formerly in shorter supply, both on lend-lease and ordinary account. Despite the markedly adverse balance of trade, the movements of exchange funds held overseas by all the banks give no indication of any large movement in the balance of payments. The trade figures for the past five years compare as follows:—

| Year ended<br>Sept. 30th | EXTERNAL TRADE<br>(£ millions) |         |             |         |
|--------------------------|--------------------------------|---------|-------------|---------|
|                          | In New Zealand Currency        |         | In Sterling |         |
|                          | Exports                        | Imports | Exports     | Imports |
| 1939.....                | 57.72                          | 53.94   | 46.21       | 43.20   |
| 1940.....                | 68.01                          | 47.57   | 54.41       | 38.06   |
| 1941.....                | 68.58                          | 45.34   | 54.86       | 37.07   |
| 1942.....                | 82.52                          | 51.80   | 66.02       | 41.44   |
| 1943.....                | 66.26                          | 90.32   | 53.01       | 72.25   |

**Banking and Finance.**—Money has continued to expand during the year, mainly on account of the Government's use of bank credit to finance its deficit. An increase of £25 million in Government securities, etc., held by the Reserve Bank and the trading banks was offset to some extent by a reduction of £5 million in net funds held overseas, and advances to private customers remained practically unchanged. The note circulation, of which probably half appears to be closely held, increased by £6.5 million and total bank deposits by £16 million. But returns of bank debits indicate that free deposits are now circulating only about half as rapidly as before the war, or, alternatively, that only half are circulating at the pre-war rate. Money is abundant, but controls limit its expenditure in most channels. Investment opportunities are limited, interest rates are low, share prices are rising, and the latest war loan, for £35 million at from 2½ to 3 per cent, was over-subscribed. The major items in the bank returns at the end of September, 1939, and in the last two years are summarised below.

| End of September                                         | COMBINED BANK RETURNS<br>(£ millions) |               |               |               |
|----------------------------------------------------------|---------------------------------------|---------------|---------------|---------------|
|                                                          | 1939                                  | 1942          | 1943          | War Increases |
| <b>Liabilities:—</b>                                     |                                       |               |               |               |
| Note circulation.....                                    | 13.42                                 | 22.59         | 29.07         | +15.65        |
| Total deposits.....                                      | 68.88                                 | 103.40        | 119.59        | +50.71        |
| <b>Totals.....</b>                                       | <b>82.30</b>                          | <b>125.99</b> | <b>148.66</b> | <b>+66.36</b> |
| <b>Assets:—</b>                                          |                                       |               |               |               |
| Investments, Advances to Government, and securities..... | 35.16                                 | 59.00         | 84.10         | +48.94        |
| Other advances.....                                      | 53.63                                 | 42.40         | 42.14         | -11.49        |
| Net Overseas Funds.....                                  | 8.57                                  | 40.39         | 35.06         | +26.49        |
| <b>Totals.....</b>                                       | <b>97.36</b>                          | <b>141.79</b> | <b>161.30</b> | <b>+63.94</b> |

Public finance has changed little in the last two years. For 1943-44, total receipts, including £88 million from taxation, £68.5 million from loans, £40 million from lend-lease receipts, and £6.4 million from other items, are estimated at nearly £203 million, or £4 million less than was recorded last year.

Estimated expenditure is £12 million greater, and totals £208 million, including £148 million for defence and slight increases in expenditure on social security, the consolidated fund, and public works. Surpluses carried forward from last year should more than cover the excess of this year's expenditure over revenue. The results for the first half of the present financial year indicate that all the accounts are conforming closely with the estimates. In the field of private finance, reductions in bank advances, mortgages outstanding, etc., indicate that the abundance of money is being used in part to reduce liabilities and increase liquidity.

The Government's stabilisation plan has been continued throughout the year with reasonable success. While many imported goods, both for consumption and production, have been closely controlled and in limited supply, and much local production has been diverted to defence purposes, price and wage control and rationing have succeeded in distributing the limited supplies equitably and in keeping consumers' prices fairly stable. Complaints against shortages which should be preventable are common; appeals for higher wages or special rations are made by various groups; the prices of farm produce are low relative to other groups; and farmers complain of their inability to meet rising costs, occasioned by higher import prices, indirect taxation, and greater labour costs in other industries.

## South Africa

**Finance.**—Mr Hofmeyr's 1944 Budget speech, the fifth since the beginning of war, constituted a compliment to what he called the "resilience" of the country. The estimate for national expenditure in 1944-45 has taken another big jump to £180 million (compared with an estimate of £100 million in 1943-44), of which as much as £112,288,500 is to be paid for out of revenue; of this £102.5 million goes for defence, and £16.75 million on capital works and housing, while another million added to the bill for social services is regarded as a sign that the Government plans for social improvement are only waiting for the end of the war. Mr Hofmeyr's warning, however, that such plans would be completely neutralised if redistribution of wealth were not accompanied by a rise in the National Income, underlined the central problem of social policy in the Union. The Government would not be able to go on borrowing at the present rate of £50 million a year, he said, without instituting a disastrous decline in the value of money. At the moment the Government is attempting to attack inflation in land values. By altering the basis of farmers' income-tax, the Government hopes to curtail the activities of the mushroom, or townsman, farmer, who has been evading tax liable on surplus income derived from normal business sources by buying up farms and stock. This will also, incidentally, help the meat shortage by eliminating cattle-hoarding.

**Trade.**—War conditions continue to limit severely the volume of overseas trade. Minerals for war take precedence of fruits, wine, and wool in priorities for shipping-space. Exports of citrus fruits to the United Kingdom declined still further in 1943, though shipments of jam, fruit pulp and fruit juices have been greatly expanded. The wool market has maintained its activity as a result of the British-South African Wool Agreement, though movement in the related hide-and-skin market was restricted.

**Agriculture and Industry.**—Increased production for war has been achieved, even, as in some parts normally dependent on imported fertilisers, at the expense of soil fertility. The area of cultivated land has been increased and most crops have done well. Maize, suffering from drought in 1942, and likely in 1944 to suffer equally from an excess of rain in the planting season, did well in 1943, and wheat production almost came up to the domestic demand. An enquiry into the severe market shortages of meat revealed that the supply position was sound and the livestock population little reduced in numbers. Shortage had resulted from a heavy demand for draught oxen and heavy stocking of farms newly acquired by the "townsman-farmer" class. Land values increased, and agriculture generally, with the exception of fruit-growers, had a prosperous year. The demand of the Union and Allied armed forces for increased quantities of munitions, transport, food, clothes and other war supplies has further stimulated secondary industry in South Africa. Development has been assisted by an Overseas Supply Mission which visited the Union during the year, while the civilian market, cut off from overseas supplies, added to the demands on home production. In the food industry, particularly, there have been important developments, and the production of canned fruits, jam and dehydrated vegetables has been greatly expanded.

## Northern Ireland

The general improvement in trade and employment which had characterised 1942 continued in 1943, and by October the number of unemployed persons over 18 had fallen to 11,305, although there has been some slight increase since then, partly seasonal in character. There has been an increasing concentration of manpower and resources on direct war production.

**Finance.**—The financial relations of Northern Ireland and Great Britain are always complicated, but especially so in war-

time. The Northern Ireland Budget for 1943-1944 shows an estimated expenditure of £19,914,000 and an estimated revenue of £31,825,000. After allowing for a small surplus of £111,000, the estimated Imperial contribution for the year is placed at £31,800,000. As a wartime arrangement a datum line has been agreed with the British Treasury to represent normal peacetime expenditure in Northern Ireland. The effect is virtually to stabilise the Budget. The total revenue of Northern Ireland, in excess of the datum line, from whatever source—but ignoring certain self-balancing items—is regarded as the Imperial contribution. On the other hand, expenditure over the datum line is regarded as expenditure due to war causes, and, as such, is recouped by Northern Ireland from Imperial votes of credit. The receipts from this source are placed at £3,568,000 in the current year.

**Agriculture.**—The wartime expansion in agricultural production continued during the year, and the maximum expansion in the acreage ploughed has now been secured. Efforts in 1944 will be concentrated on an increase in yields through the greater employment of fertilisers. Favourable growing weather was experienced for the 1943 crops, although conditions were less favourable for harvesting. The production of oats, the principal cereal crop, is stated to be nearly 50 per cent greater than in 1939; flax has increased more than fourfold compared with that before the war. The decline in pig numbers continues, and the pig population is now stated to be only two-fifths of pre-war numbers, but poultry is estimated to have increased by 50 per cent above 1939. Cattle numbers have been maintained, while cows and heifers in milk are stated to be 10 per cent above pre-war numbers.

## Eire

The area under tillage increased by 7,586 acres over 1942, but the area under wheat declined by 65,494 acres. Further measures, including an extension of the area compulsorily tilled and an increase in the guaranteed price, have been taken to encourage the production of wheat. The estimated value of the agricultural output rose from £76 million in 1941-2 to £86 million in 1942-3, but the volume declined by 7.7 per cent owing to difficulties in procuring fertilisers, feeding-stuffs and other raw materials. The index number of the volume of production of transportable goods (1936 = 100) in the third quarter of 1943 was 80.7. Severe unemployment was avoided owing to the very large volume of emigration. The cost of living rose by 70 per cent since August, 1939. Wages have been fairly successfully stabilised. Real wages have therefore substantially declined. The external trade was as follows:—

|              | (£'000) |        |
|--------------|---------|--------|
|              | 1942    | 1943   |
| Imports..... | 34,630  | 26,102 |
| Exports..... | 32,666  | 27,477 |

The invisible account was very active owing to the increase in emigrants' remittances. Eire consequently acquired a large increase of external balances. The net sterling assets of the Irish banks rose to the record figure of £110 million. Bank deposits expanded as the result of the impossibility of finding profitable use for money, owing to the reduction of imports and the slowing down of investment. In the first nine months of the current financial year revenue increased from £25.2 million to £28.2 million, and expenditure from £29.4 million to £31.9 million. The deficit of £3.7 million was met by the sale of savings certificates, ways and means advances, and the repayment of advances from the local loans and other funds.

## India

**Industry and Trade.**—Throughout 1943, Indian industrial output was almost wholly diverted to war purposes. Cuts in imports, however, have begun to stimulate production for domestic needs, and led to a recent Government pledge to increase supplies of consumer goods. Many of the usual production statistics are no longer available, but the output of the principal industries in 1943 would appear to be lower than in 1942, if only because coal and transportation shortages have been more pronounced than in previous years. It seems likely that the high-water mark of the combined output of all Indian industries was reached in July, thereafter declining sensibly but with production going up again by December. Overseas trade was restricted throughout 1943 to essential exports and imports. Latest available figures show that for the first five months of the 1943-44 administrative control the balance of trade in merchandise in India's favour amounted to Rs.39.14 crores, which compares with Rs.32.12 crores for the corresponding period of 1942-43. Imports and exports during the period from April 1, 1943, to August 31, 1943, totalled Rs.43.21 crores and Rs.82.35 crores respectively, compared with Rs.46.30 crores and Rs.78.42 crores during the corresponding period of 1942, whereas imports for the same period of 1941 were shown at Rs.85.06 crores and exports at Rs.88.44 crores. Of total imports of all kinds, for April to

August, 1943, Empire countries accounted for Rs.20.09 crores, against Rs.27.81 crores in 1942, and other countries for Rs.23.12 against Rs.18.49 crores in 1942. Imports from the U.S.A. and Egypt increased from Rs.1.57 crores and Rs.67.03 lakhs in 1942 to Rs.2.06 crores and Rs.2.76 crores respectively, while United Kingdom imports dropped from Rs.2.94 crores to Rs.1.70 crores, and Canadian imports from Rs.80.89 lakhs to Rs.1.70 lakhs. Total exports during April to August, 1943, at Rs.79.37 crores, were Rs.5.44 crores higher in the corresponding previous period, the United Kingdom taking Indian goods of the value of 22.78 crores, against Rs.21.60 crores, and the USA Rs.14.68 crores, against Rs.10.42 crores.

**Finance.**—The chief feature of India's finances in 1943 has been the fight against inflation, wherein the authorities are entitled to claim at least partial success. From January 1, 1943, to December 4, 1943, the note issue rose from Rs.591.77 to Rs.839.19, an increase of Rs.247.42 for 51 weeks, against an increase in the note issue of Rs.297 crores in 1942. This slowing down of rates of increase suggests that the Government's anti-inflationary drive is having some effect. Sterling securities increased from Rs.412.83 crores on January 1, 1943, to Rs.722.83 crores on December 24th, representing a monthly payment to India of over Rs.25 crores on account of war goods and services. Gilt-edged markets have been steady throughout, most prices having advanced in the second half of year; 3½ per cent. paper, for instance, which was quoted at Rs.94.0 in December, 1942, was up to Rs.97.8 by the end of 1943. The Reserve Bank steadily raised the tap selling rates of paper throughout the year, while successive issues of 1953-55 Defence Loan at a slightly less favourable yield has been an annual convention since the beginning of the war. Provincial Government loans have received slightly less general support.

**Agriculture.**—Between January, 1943, and September, 1943, the Economic Adviser's General Price Index (August 19, 1939, = 100) rose from 195.6 to 236.3; the index of the wholesale price of rice advanced from 218 to 847 during the same period, the peak point of 1035 having been reached in August. The increase in the price of rice is not representative of agricultural products as a whole, which revealed considerable variations. By the end of April, 1943, the price index of wheat stood at 308, against 216 a year earlier; that of groundnuts was 303, against 117; sugar 127, against 143; raw cotton 242, against 105; and raw jute 219, against 120. Even the rise in the price of rice was not uniform throughout India, for, during 1943, it rose six to seven times above the pre-war level in Bengal, but only two to three times in Madras. The Secretary of State's recent estimate places the new acreage of food crops in 1943 at 12 million.

## The Soviet Union

**Industry.**—Information about the state of Soviet industries in 1943 has been very scanty. Official reports have spoken in general terms about a continued increase in the output of weapons and munitions. The year was the most difficult of the war so far as the supply of industry with fuel and raw materials was concerned. During the first half of 1942 the coal basin of the Donetz was still in Soviet possession and at least partly exploited. For the greater part of 1943 it was occupied by the Germans, and when in the autumn it was regained by the Russians, the destruction made coal output on a large scale impossible. Similarly, the shortage of iron ore caused by the loss of Krivoi Rog was still felt, though it was partly mitigated by the opening and expansion of new mining centres in the eastern territories. Even so, there was an indisputable stabilisation of conditions in the evacuated industries on the Volga, in the Urals and in Siberia, and consequently also a steadier rhythm of production than in the previous year. (The most remarkable achievements of 1943 were the completion of new furnaces at Magnitogorsk, described as "the largest in Europe," and the opening of the Pechora railway which connects central Russia with the sub-Arctic raw material area of Komi.) While the armament industries worked at high pressure they also had to satisfy some of the pressing civilian needs. During the second half of the year some sections of armament plants were reconverted to the production of agricultural implements.

**Finance.**—The figures of Russia's wartime budgets were published for the first time in January, 1944. The table below compares expenditure and revenue for 1943 with the figures for 1940, the last year before Russia's entry into the war.

| (In Billions of Roubles)        |      |      |
|---------------------------------|------|------|
|                                 | 1940 | 1943 |
| Revenue                         |      |      |
| Turnover Tax                    | 108  | 210  |
| Expenditure                     | 105  | 71   |
| Defence                         | 174  | 210  |
| National Economy                | 56   | 124  |
| Social and cultural development | 37   | 31   |
|                                 | 43   | 37   |

The crucial features are:

- The decrease in the yield from the turnover tax, in spite of an increase in its rate. The yield of the turnover tax is the most important index of consumption.
- The increase in defence expenditure from 56 to 124 billion roubles. Compared with the rise in the war expenditure

of other belligerent nations, this increase is not very spectacular. This is due to the fact that already in 1940 defence absorbed about one-third of the budget. In addition, expenditure on "national economy," that is, on the construction of new plant, was by its very nature also expenditure on defence.

(c) The drastic decrease in expenditure on "national economy" reflects the reduced scale and scope of industrial construction in 1943 compared with the rate of industrialisation before the war.

**Agriculture.**—The position in agriculture was hardly easier than in 1942. Reliable reports about the harvest are not available. But it is known that 1943 was a year in which the fertile regions on the Volga suffered from drought, and that dislocation in the mechanised equipment of Soviet agriculture was further aggravated, which explains the conversion of some sections of tank factories to the production of ploughs and spare parts for tractors. The year has also seen the liberation of the Caucasus, the Don region and the Ukraine, the three richest agricultural areas of the Soviet Union. The recovered larders were, however, found to be devastated and more or less empty. The chief preoccupation in the second half of the year was the redistribution of herds and tractors. More than one and a half million cattle were moved from the east to the freed provinces; but despite that redistribution the farms in the liberated provinces received only a small fraction of their pre-war cattle population.

## Portugal

In spite of a general improvement in commerce in 1943, the Portuguese economy is being progressively crippled by inflation and black market trading. An all-round increase in wages has been far outrun by rising prices. Government bonds are in constant demand, and the majority of the consolidated liabilities have been successively converted to pay only 3 per cent. Poor harvests, higher-priced imports, and an entirely ineffective rationing system have led to much criticism of the *quermios*, or trade groups, which run the rationing system entirely in their own interests.

### Trade and Finance:

(1 conto = approximately £10)

|                        | Total Imports<br>Contos | Total Exports<br>Contos |
|------------------------|-------------------------|-------------------------|
| January-November, 1942 | 2,137,018               | 3,414,169               |
| January-November, 1943 | 2,770,209               | 3,578,730               |

Total exports of tin and wolfram for the first nine months of the year are published:—

|               | 1,000 Kilo<br>Tons | Valued in<br>Contos |
|---------------|--------------------|---------------------|
| Wolfram: 1942 | 3,864              | 1,163,242           |
| 1943          | 6,305              | 770,334             |
| Tin: 1942     | 1,610              | 198,064             |
| 1943          | 2,148              | 333,531             |

There has been a heavy increase in the currency in circulation, attributable mainly to the extensive black market trade in metals, and to the activities of the black market in general. The actual circulation continues to be covered by gold and gold credits held abroad.

|                  | Notes in<br>Circulation | Pseudo<br>Liabilities at<br>Sight of Bank<br>of Portugal |
|------------------|-------------------------|----------------------------------------------------------|
| October 31, 1939 | 2,349,980               | 926,768                                                  |
| October 28, 1942 | 5,032,997               | 6,198,638                                                |
| October 27, 1943 | 6,541,267               | 7,555,132                                                |

**Banking.**—There continue to be sharp increases in deposits, sight and time, and but little change in discounts and advances.

(In Contos)

|                  | Deposits<br>(Sight and<br>Time) | Discounts<br>and<br>Advances |
|------------------|---------------------------------|------------------------------|
| October 31, 1943 | 19,660,500                      | 5,510,300                    |
| October 31, 1942 | 16,926,500                      | 5,122,300                    |
| October 31, 1939 | 5,644,200                       | 4,345,200                    |

## Italy

THE collapse of Fascism in the middle of the year was preceded by a grave economic crisis which was the combined result of exhaustion through war, disorganisation by heavy Allied air-raids and increasing social tension. In the first half of the year, price control became utterly ineffective. The inflation of prices caused open opposition in business circles against Fascist state

control and the ineffective policy of subsidies. In northern Italy, air-raids resulted in a general run on the banks and a heavy withdrawal of deposits, which in its turn made it difficult for the Government to obtain credit. As revenue covered only about one-third of expenditure, this inevitably resulted in a big currency inflation. By the time of Mussolini's downfall, the currency in circulation was already more than 100 billion lire, that is, five times as much as in 1939 and four times as much as in June, 1940, when Italy entered the war.

Italy's war budgets were published for the first time after Mussolini's downfall:—

(In Millions of Lire)

| Year      | Total<br>Expenditure | Extraordinary<br>Expenditure | Revenue | Deficit |
|-----------|----------------------|------------------------------|---------|---------|
| 1940-1941 | 107,223              | 57,735                       | 34,234  | 72,989  |
| 1941-1942 | 118,669              | 71,318                       | 41,223  | 77,446  |
| 1942-1943 | 135,158              | 81,019                       | 48,884  | 86,274  |

According to Fascist estimates, the national income of Italy had risen from 90 to 170 billion lire in the course of the war. Thus, in the year of the Fascist collapse, the Budget nominally absorbed about 80 per cent of the current national income. The public debt amounted to 451 billion lire in June, 1943. The floating debt was 43 per cent of the total debt; and payment of interest amounted to 35 per cent of the national revenue.

In the second half of the year the economic chaos was aggravated both in northern and central Italy, under the German occupation, and in southern Italy under Allied occupation. During their retreat the Germans applied the "scorched earth" tactics from which Naples suffered very badly. In the whole of Italy, the administration showed signs of a breakdown. Food distribution became disorganised, black markets flourished, and famine appeared in many regions. In northern Italy, the threat of social disturbances led to the doubling of wages, while the "wages stop" was still maintained in the south. The exchange rate for the lira was fixed at 400 lire for one pound.

## German Europe

TERRITORIALY, German-occupied Europe has become much smaller. The agricultural and industrial resources of Western Soviet Russia are no longer available even potentially. Allied bombing of Western Germany and the greater part of Germany's large towns reached new heights of intensity, so that, in addition to being on the defensive on all military fronts, the German economy had to be adapted to almost ceaseless large-scale bombing. The so-called total mobilisation announced in February, although largely designed as a political campaign, completed the concentration of all industrial activities for war purposes. Great numbers of small shopkeepers and independent artisans had to close down their businesses. Civilian consumption was reduced to the barest minimum, and during the course of the year all essential industrial activities came under the command of A. Speer, the Minister for Weapons and War Production. Essential manufacturing industries from the Ruhr area and other heavily bombed towns in Western Germany were moved to Central and South-eastern Germany, to the Sudetenland, Bohemia, Silesia and occupied Poland. By these means, the German war economy was able to carry on, in spite of the loss of conquered territory and the large-scale bombing. The major production centres of the continent, in industry as in agriculture, remained in German hands. The utmost effort was exacted from the German population, as well as from millions of foreign workers. No decisive shortage in raw materials, munitions, weapons or military equipment could be observed. The air war, the large movements of people and armies all over the continent, impeded production. But though there were critical phases, the general situation always allowed some respite for reorganisation.

**Manpower.**—The number of foreign workers employed in Germany increased during the year by roughly 4,000,000 to more than seven and a half million. If prisoners of war and foreign workers employed by the Todt Organisation in occupied countries are included, a total of perhaps 12 million foreign workers are under direct German command. The labour force in the occupied countries was depleted, and most of these and the satellites report shortages of labour. Only the most essential industries are maintained outside Germany. At the end of the year, the manpower resources of the continent were fully stretched and the greatest economy of men in the Wehrmacht, as well as in agriculture and industry, could be observed.

**Agriculture.**—For the first time during the war, all continental countries reported an average cereal harvest. In Germany and in most of the other countries, bread rations were increased, and reached, with some exceptions, the amounts of

the first year of the war. In contrast, root crops, particularly potatoes and vegetables, were far below the average. The general shortage of feeding-stuffs, especially for pigs, was therefore more pronounced than during 1942. Early in the year, pig-breeding was encouraged in Germany and in most of the occupied countries. During the autumn and winter, the number of pigs had to be reduced again; but herds of cattle, particularly dairy cows, remained fairly stable. Although a determined effort has been made to increase the cultivation of oilseeds in all countries, the lack of fats, which is characteristic of the continental food situation, could not be improved. The staple diet on the continent, German included, consists of cereals, potatoes, and vegetables, and supplies cannot be increased. Only a minimum supply of fertilisers was maintained. The number of draught animals further decreased, but more tractors have been adapted to use generator gas.

**Industry.**—The output of coal, iron and steel has been largely maintained. Longer working hours and the direction of more foreign workers into key industries, combined with another drastic cut in coal supplies for civilian use, made it possible to meet the demands of war industries. Hydro-electric power stations further increased their output, and the production of natural and synthetic oil seems to have been sufficient for essential purposes. The compulsory rationalisation of working processes was continued. Efficiency competitions, and the campaign to induce workers to suggest improvements in working methods and economies in materials was intensified. Production is limited by the available number of skilled workers.

The system of Committees and Rings, created by Minister Speer, has given several thousands of engineers absolute technical control in all war factories. The introduction of fuel and employment engineers, who enforce economies in the consumption of fuel and supervise the distribution of labour, is now the general rule. Shock production—that is, the direction of material, capacity and labour for particular manufactures—became the most characteristic feature of industrial activity in 1943. A greater variety of substitutes in all industries has come into use, particularly in the metal-working sections.

**Finance.**—Prices and wages, which in Germany have hardly changed since the beginning of the war, have now been almost entirely stabilised in the occupied and satellite countries, but although price indices show no great changes in most occupied countries, the real prices are made on the black markets, so that price stabilisation, as in Germany, is only nominal. Germany's system of war finance showed no change. No new taxes were introduced, and total revenue remained on the 1942 level. In spite of the capitalisation of the house-rent tax, more borrowing was necessary to meet war expenditure. The public debt rose as follows:—

### REICH DEBT

(Rm. milliards)

|                 | August,<br>31, | December,<br>31, | October,<br>31, |
|-----------------|----------------|------------------|-----------------|
|                 | 1939           | 1942             | 1943            |
| Long-term debt  | 25.01          | 87.6             | 105.6           |
| Short-term debt | 12.32          | 98.0             | 137.0           |
| Total debt      | 37.33          | 185.6            | 242.6           |

During the first ten months of 1943 the average monthly increase amounted to Rm. 5,700 million, against Rm. 4,000 million in 1942. At this rate of increase, the total debt at the end of 1943 can be estimated at Rm. 254,000 million. The trend towards a proportionately greater increase in short-term borrowing continued, and there was a correspondingly greater rise in the notes in circulation, from Rm. 24,375 million to Rm. 33,683 million, an increase of Rm. 9,308 million, against Rm. 5,950 million in 1942. Notes in circulation have now increased by 310 per cent compared with August, 1939. In most of the occupied countries, notes in circulation rose from between 300 and 400 per cent during the same period, but the accumulation of the national debt in occupied and satellite countries during the war has remained far behind the seven-fold increase in Germany's debt.

**Continental Trade.**—A rough estimate suggests that the volume of foreign trade between the different countries of the continent decreased again in 1943 and is now below 50 per cent of the volume of the total foreign trade of these countries before the war. Germany's share has been both proportionately and actually increased, so that its foreign trade is not far below the level of 1938. During 1943, Germany made a great effort to increase its exports to neutral countries. Deliveries of coal, iron, steel and chemicals to Sweden and Switzerland were either maintained or even increased compared with 1942. Export and import prices showed a proportionately greater advance than internal prices. Large clearing credits in south-eastern countries were used for the redemption of loans in German hands, and in occupied countries clearing credits were transformed into national debt of the countries concerned.



# Industry and Trade

## Foodstuffs

THE few changes that occurred in individual rations are given on page 11; otherwise, the Ministry of Food continued unaltered its previous arrangements. There was an increasing number of canteens in approved factories and collieries and of British restaurants in urban areas; there were 2,144 of the latter at the end of July, 1943, serving 618,000 meals daily. Stricter control was exercised over the transport of foods, including certain soft fruits and vegetables, and considerable progress was made with the rationalisation of retail deliveries of bread, groceries and milk, in order to economise in manpower and petrol. Plans for feeding Europe were drawn up by the United Nations Relief and Rehabilitation Administration, and principles of a permanent nutrition and production policy were laid down by the international conference on essential agricultural products held at Hot Springs, Virginia, in June. A draft constitution for a Permanent Organisation of Food and Agriculture has been submitted to the participating Governments. The Combined Food Board, at Washington, continued its functions as the co-ordinator of the purchases and distribution of the Allies' food supplies.

### Imports

**Cereals.**—The following statistics of wheat production and stocks in the four major exporting countries are compiled from the *Corn Trade News*:—

|                   | Production   |              |              | Estimated Stocks on Aug./July 1 |              |            |
|-------------------|--------------|--------------|--------------|---------------------------------|--------------|------------|
|                   | 1941/2       | 1942/3       | 1943/4       | 1942                            | 1943         | 1944       |
| USA.....          | 943          | 981          | 836          | 627                             | 618          | 240a       |
| Canada.....       | 312          | 593          | 294          | 424                             | 601          | 420        |
| Argentina.....    | 224          | 235          | 291          | 198                             | 270          | 170        |
| Australia.....    | 167          | 156          | 96           | 122                             | 187          | 160        |
| <b>Total.....</b> | <b>1,646</b> | <b>1,965</b> | <b>1,517</b> | <b>1,371</b>                    | <b>1,676</b> | <b>990</b> |

(a) Assuming net imports of 100m. bushels.

The 1943 harvests were generally considerably smaller than those of 1942, as restrictionist policies encouraged the planting of a smaller acreage; the Argentine crop now being harvested may be an exception. The dominating feature of the past year was the tremendous use of wheat to feed the increasing animal populations of North America. In the United States, some 390 million bushels of wheat were expected to be so used in 1943-4, compared with a normal use of 100-200 million bushels; in addition, 100 million bushels were allocated for alcohol production. American import duties were temporarily suspended in December to encourage a still greater inflow of cereals from Canada. Wheat prices rose sharply in the spring, and by the end of the year had exceeded 170 cents a bushel (No. 1 Hard Cash Winter Wheat at Chicago), the highest level since 1925. The target area has been stepped up from 54.2 million acres in 1943 to 67 million acres in 1944; the target for maize has been similarly raised from 96.3 to 100.3 million acres. The huge 1942 wheat crop left Canada with a record carry-over of 600 million bushels in August, 1943; the new crop, estimated at just half of that of the previous year, was harvested from 17.5 million acres, compared with 21.6 million acres in 1942; the yield was only 16.6 bushels per acre, against 27.3 bushels previously. This low yield accentuated the shortage in the eastern provinces of feed grains for the greatly increased head of livestock. About 50 million bushels of grain were moved eastward in 1942-3 under the Freight Assistance Programme, which provided for a small subsidy for this purpose; in the current season the general arrangements have been similar, but the subsidy has been removed from the higher grades of wheat in order to reserve them for human consumption. For the large stocks of wheat held in Canada are being drawn upon by the United States as well as by the other Allies, and this increasing demand has been reflected in the rise in price. "Dollar wheat" was quoted at Winnipeg in June and the quotations moved steadily upwards through the summer, until the futures market was closed by order on September 28th; the price paid to farmers for the 1943 crop has been fixed at 125 cents per bushel, compared with 90 cents in the previous season. A fixed price applies for neutrals have been sold at higher prices, ranging to 140 cents per bushel and over. Canadian exports of wheat and flour in million bushels, compared with 222.0 million bushels in 1941-2. Australian wheat acreage in 1943 was limited by state measures and the guaranteed price of 4s. per bushel was paid only on the first 3,000 bushels marketed by each grower; any surplus was accumulated of wheat which could not be shipped, coincided with a severe drought, and the crop being harvested is expected to be less than 60 per cent of its predecessor. In addition, the

Indian famine has, it is believed, meant a considerable volume of wheat and flour exports, and with higher internal consumption, both for the Allied forces and by animals, a considerable fall in wheat stocks is probable by next summer. A higher price and an easing of the acreage restrictions have both been promised for the next harvest.

The striking failure of the Argentine maize crop in 1943 was reflected in the low level of exports, which totalled 178,000 tons in the first 11 months of 1943, compared with 219,000 tons in 1942 and 1.9 million tons in 1940. The Grain Board was forced to release 500,000 tons of wheat for feed in the latter part of 1943, and 2,000,000 tons were released for fuel to supplement the reduced imports of coal. The ten per cent reduction in the wheat area planned for the current harvest was cancelled. Thus in these four major exporting countries the increasing demand for wheat, mainly for non-human use, has at the moment outstripped production, and a considerable fall in stocks is probable in 1944. There is no question of any absolute shortage of wheat for human consumption, such as existed in 1917-18; it is doubtful if the four chief wheat-producing countries will be called upon for exports exceeding 400, or at the most 450, million bushels, while their combined carry-over at the end of the 1943-4 cereal year, even assuming an abnormal use of wheat for feed, is likely to be about 1,000 million bushels. But the large animal populations overseas, kept to provide the growing demand for livestock products, are absorbing wheat and other cereals faster than they are at present being grown.

**Meat and Dairy Produce.**—No statistics have been published of British supplies, either imported or home produced, nor of the exports of other Allied nations. In most of these countries, however, unmistakable symptoms of scarcity developed in 1943, in spite of increased output. Low levels of unemployment, high earnings, the increasing proportion of the population enlisted in the armed Services with a standard of diet above the average and the necessity to provide stocks for post-war relief all contributed to increase the demand for meat, cheese, eggs and milk. Canada introduced meat rationing in May, after earlier measures to control slaughtering. The census of livestock in June showed a record number of pigs—8.15 million, against 4.29 million in 1939—and a further increase in cattle numbers to 9.6 million. But rising prices and local shortages of feed grains have reduced the profit margin on livestock production, and the marked increase in pig and cattle slaughtering in the winter of 1943-44 (which caused a temporary glut of meat) indicated a reversal of the upward trend in animal numbers. The 1944 contract for bacon exports to the UK was reduced to 450 million lb. against the target of 675 million lb. in 1943. Shortages of livestock products also developed in the United States, where a system of points rationing was introduced to safeguard supplies for the Services and for export under Lease-Lend. Although numbers of cattle, pigs and hens increased during 1943, there are signs that this movement has been checked, partly by higher prices and more stringent supplies of feeds and partly by the shortage of farm labour and machinery. Similar developments occurred in Australia and New Zealand, which were called upon in the course of 1943 to feed increasing numbers of allied troops engaged in the Pacific War. Australian output of all livestock products is likely to be seriously affected by the disastrous bush fires early in 1944. It was announced that the Ministry of Food had again contracted to purchase all the meat exports of Argentina on behalf of the United Nations.

### Home Production

As more than one million acres of arable land were obtained in 1942-43 from the ploughing of grassland, the area of arable land in the UK must have approached 19 million acres in 1943, compared with nearly 13 million acres in 1939. In order to economise still further in shipping, the area under wheat was expanded by 900,000 acres; sales between August 1st and February 19th totalled 4.4 million quarters in 1943-44, against 2.7 and 1.5 million quarters in the same periods of 1942-43 and 1939-40 respectively. This increased output and the growing use of combines (of which 2,000 were employed for the 1943 harvest) led to considerable difficulties over the handling, drying, and storage of grain. Both barley and oats were used in 1943 as bread grains in varying proportions, with a maximum of ten per cent. In July, a four-year plan was announced for agriculture; no further increase in the arable acreage would be attempted, but the ploughing of old grassland and the reseeded of cropped fields would be continued in order to enlarge the supplies of animal fodder. Greater emphasis was to be placed on improving livestock and the restocking of land for post-war needs. A White Paper on Milk Policy announced the payment of 4d. per gallon extra for TT milk, the inspection of all dairy herds at least once a year, and the compulsory pasteurisation of all milk sold for human consumption (except for milk from accredited herds) in areas to be designated. In view of the official policy for improving milk supplies, it was unfortunate that the payment on a quality basis for milk sold wholesale had to be postponed indefinitely, owing

### Rationing

THERE were few changes in food rations during 1943, except for cheese; the allowance for the ordinary consumer was reduced from 8 oz. per week to 6 on January 10th, to 4 on February 7th, and to 3 on May 2nd. The special allowance for vegetarians and certain classes of workers was reduced from 1 lb. to 12 oz. per week on January 10th. The minimum allocation of liquid milk to the ordinary consumer was raised from 2 to 2½ pints per week on March 14th, to 3 on April 25th, to 4 on May 2nd; it was then reduced to 3 on July 4th, to 2½ on July 23rd, and to 2 on November 7th. A double allowance of jam was available for three four-weekly periods in the autumn to absorb surplus stocks of canned jam; the normal ration remained at 1 lb. per period throughout the year. For jam making, 1 lb. of sugar was issued in July in addition to the normal ration of 8 oz. per week; a further 1 lb. could also be obtained instead of jam from April 4th. From September 19th the jam and sugar rations were made fully interchangeable. The other rations, which remained unchanged, were bacon 4 oz., butter 2 oz., margarine 4 oz., cooking fats 2 oz., meat 1s. 2d., tea 2 oz. per person per week. The number of points remained at 20 per period; no new products were included in the points rationing scheme in the course of the year, and a few minor ones were removed; various changes were made in the points value of individual foods, in order to adjust demand to changes in supply. The points banking system was introduced on September 19th to facilitate traders' dealings in points. New arrangements were made in July for the special allowances for pregnant women; the presentation of a certificate of pregnancy enabled the holder to obtain a second ration book entitling her to an extra half ration of meat and the current non-priority allowance of milk in addition to the priority allowance of one pint per day. She could also obtain two eggs per allocation, three packets of dried egg, and the children's allowance of oranges. The special distribution of fruit juices and cod-liver oil to babies was continued.

### Price Control

THE maximum price of tea was raised by 4d. per lb. in January, 1943, and that of sugar for domestic use by 1d. per lb. in September; these increases were designed to offset the fall in the price index for clothing caused by the greater sales of utility garments and thus to keep stable the combined cost of living index. The index of retail food prices, as calculated by the Ministry of Labour, is given below:—

INDEX OF RETAIL FOOD PRICES

|                      | Sept., 1939 | Dec., 1942 | Mar., 1943 | June, 1943 | Sept., 1943 | Dec., 1943 | Jan., 1944 |
|----------------------|-------------|------------|------------|------------|-------------|------------|------------|
| July, 1914=100.....  | 138         | 164        | 165        | 165        | 166         | 168        | 168        |
| Sept., 1939=100..... | 100         | 119        | 120        | 120        | 120         | 122        | 122        |

In reply to a question in the House of Commons in February, 1944, it was stated that the annual cost of food subsidies was then £205.8 million. The individual items were: bread, flour and oatmeal, £60.4 million; meat, £23.1 million; potatoes, £28.6 million; eggs, £11.3 million; domestic sugar, £10.5 million; milk production, £10.5 million; cheese, £3.7 million; bacon, £1.6 million; other (including the National Milk Scheme and the Milk in Schools Scheme), £56.1 million.

### Raw Materials

THE raw material position of the United Nations underwent a decisive change during 1943. In the early months of the year the supply picture was one of widespread and pronounced scarcity, which in some instances threatened the fulfilment of the war production schedules. For the most critical materials, such as copper, aluminium and rubber, special Combined Committees were formed to break the existing bottlenecks, and increased attention was paid to raw material conservation, in which considerable progress was achieved.

In the early summer the supply position improved gradually and by September a better balance between supplies and requirements was attained. At the end of the year the production of the majority of raw materials exceeded essential demand, so that stocks began to accumulate; the only materials in short supply were crude rubber, paper, some types of timber and certain special oils. Apart from the suspension of the working of some marginal mineral deposits in the United States, secured through the discontinuation of the Government premium payments to these mines, production was kept at the largest possible scale throughout the year. At the beginning of 1944, however, the first steps towards a curtailment of production were taken. They include the forthcoming cut in the Northern Rhodesian copper output by 20 to 25 per cent and the closing of a number of United States aluminium reduction plants.

There were a number of reasons for the much improved raw material supply position in the second half of the year. The majority of raw material expansion projects, initiated in 1942, were completed or at least brought very near to completion,

which resulted in increased supplies. These increased supplies were reflected in deliveries to war plants, as the shipping position, through the successful offensive against submarines and increased new ship constructions, showed a decisive improvement. Command over the main battlefields in 1943 helped the Allies to secure more "battle scrap." On the demand side, requirements of raw materials for the construction of war factories greatly declined, so that a much greater part of total supplies was available for the production of munitions. Towards the end of the year the munition production programmes approached their peak and in some instances it proved possible to reduce the volume of production.

The pooling of resources was fully maintained throughout the year and greatly facilitated the solution of the raw material supply problems. There was no relaxation of raw material controls, and despite the improved supply position, allocations for civilian uses were not materially improved, especially as a pronounced shortage of manpower required maximum restriction of output in civilian industries. While the control system of the United Kingdom did not require any further strengthening during 1943, the United States Government introduced its "Controlled Materials Plan" (referred to in last year's *Commercial History*) on July 1st, after having subjected it to a preliminary practical test in the second quarter of 1943. This plan, together with the smooth working of the "Production Requirements Plan" (in operation since October 1, 1942) assisted in overcoming the difficulties of raw material distribution in the United States and thus proved of great value to the regulation of all United Nations'

supplies. The policy of price stabilisation was maintained in 1943, both in this country and the United States; no important changes in prices took place. The prolonged controversy over the stabilisation of prices between the United States Government and Congress was in the main confined to foodstuffs and ment and services.

Towards the end of the year future problems, such as production for relief and the readjustment of raw material production after the war, began to attract increased attention. These problems are likely to become issues of primary importance in 1944. One decision of future importance can be recorded, that is the new approach to the problem of international commodity regulation. The international rubber regulation agreement of 1938 terminated on December 31, 1943. In contrast to the other pre-war Government restriction schemes, which had terminated earlier in the war, it has not been extended for a longer period. Four months' grace has been given to the existing Rubber Regulation Committee to form a new Committee on which all Governments interested in rubber or rubber substitutes, whether as producers or consumers, can take part. The new Committee will have no regulatory powers over production and exports, including new plantings; it is expected that it will work out plans for the post-war regulation of rubber in a way which will assure the long-term interests of the rubber producing and consuming industries and will have due regard to the well-being of the inhabitants of the producing areas. The full significance of this move cannot yet be assessed, but it may prove the end of the former methods of commodity restrictions.

## Coal

THE chief difficulties with which the coal-mining industry had to contend in 1943 were a declining manpower and a contracting productivity per shift worked. In the early months of the year—thanks to the recall of ex-miners from the Forces and munition works, the upgrading of underground miners and the transfer of surface workers to underground employment, the option to recruits to choose the mines instead of the Forces, a reduction in the number of workmen leaving the industry through sickness other than silicosis, and an increase in the number of juvenile entrants—the improvement in the supply of labour recorded in 1942 was maintained, and in March the peak figure since 1940 of 714,000 was reached. With the exhaustion, however, of these labour reserves recruitment was steadily overtaken by natural wastage. In the second half of the year the decline was aggravated by the operation of the Pneumokoniosis Compensation Scheme and the autumn influenza epidemic, and notwithstanding the employment of more men at the coal face, the total number of workers on colliery books in the December quarter averaged approximately 702,000, compared with nearly 712,000 in the first three months of the year. It was therefore decided in December to place work in the mines on an equality with service in the armed Forces, and to direct men—chosen by ballot—into the coal industry.

Relatively more serious in their combined effects on production were increased absenteeism, the working of fewer shifts per week, and a further serious reduction in the output per man-shift worked. The official provisional returns for 1943 give a coal-face rate of absenteeism of 15 per cent (6 per cent voluntary and 9 per cent involuntary), compared with 12.81 per cent the previous year and with a pre-war rate of approximately 8 per cent. To this abnormally high rate is chiefly attributable a fall in the weekly average number of shifts worked from 5.33 to 5.13, and a drop in the average output per man-shift worked at the coal face from 57.20 cwt. in 1942 to 56.90 in 1943, compared with 59.60 cwt. in 1939. There was a slight loss of production through wagon shortage and other transport difficulties.

Such was the manpower and productivity background of the industry last year, and it fully explains the fall in the national output from 212.6 million tons (pithead weights) in 1942 to 206.7 million tons in 1943, a loss, however, that was partly compensated by an outcrop production of about 4½ million tons, against 2½ million tons. The commercial disposals in the inland and export trades were approximately 4 per cent less than in 1942, and of the sales, exports accounted for roughly 4 per cent as in the previous year. Essential industries suffered little supply inconvenience, but the maximum allowances for domestic consumption were lower than they have been at any other period since the war, and in November and December were restricted to 6½ cwt. per month in the north and 4 cwt. in the south. The output bonus scheme failed to fulfil expectations, and the Greene Board and the Ministry of Fuel and Power, with the acquiescence of the miners, recommended its replacement by a pit bonus scheme. The owners revived the considerations that had originally led to the adoption of a district instead of a pit scheme, and suggested instead a continuance of the district scheme supplemented by an extra attendance bonus of 2s. 6d. for five shifts and 5s. per week for six shifts.

The only important change in the Government's method of operational control was the combination of pits into groups under a new Production Director for each group appointed by the state, and responsible solely to the Regional Controller, but affecting neither the ownership nor the existing financial structure of the undertakings concerned. This scheme is now in the course of application, and a solution of the manpower problem is being sought through the conscription of youths of military age for service in the mines. There was no alteration in prices other

than that of the 1s. per ton which became operative on January 1, 1943, but the income of the Coal Charges Account fell far short of the financial needs of the industry. On February 1, 1944, there was an average rise of 3s. per ton in the price of coal and of a corresponding increase from 5s. to 8s. per ton in the levy payable by colliery owners into the central pool in order to repay Treasury advances, to provide for the financial effects of the Pneumokoniosis Scheme and the Workmen's Compensation Act, and to secure the owners the credit balances promised by the Government, but which in 1943 fell appreciably short of the standard figure of 1s. 9d. per ton for the industry as a whole.

Apart from minor local variations, wage rates were stationary throughout the year, but earnings per person employed averaged over 19s. per man-shift worked, compared with 11s. 6d. in the first half of 1939; under the pressure of a labour agitation over control and wages, which persisted almost throughout the year and which involved the industry in a loss of approximately 900,000 tons through disputes, juveniles were granted at the beginning of 1944 a weekly minimum wage scale ranging from 38s. 6d. at 14 to 80s. at 20 years of age (underground), and adults a national weekly minimum for underground workers of 100s. and for surface workers of 90s. Overtime rates were raised to a minimum national level of one-and-a-third and week-end rates to double time, and a new agreement secured for all miners 12 days' holiday during the year, including six days with pay based on average earnings in the preceding year. Continued progress in welfare arrangements was made during the year and the expenditure on research greatly increased.

## Oil

INCREASED military demand resulted in a substantial extension in oil production. The United States recorded a new peak output in 1943 of 1,500 million barrels, compared with 1,387 million barrels in 1942 and the previous maximum of 1,402 million barrels attained in 1941. Despite this record rate of production, the oil shortage in the Eastern States of the country continued throughout the year, and since the autumn of 1943 a growing scarcity of supplies made itself felt on the United States Pacific seaboard. As President Roosevelt pointed out in his end-year Lend-Lease Report to Congress, 88 per cent of the country's oil production was absorbed by its war industries and fighting forces. Lend-Lease exports reached 132 million barrels in 1943, while commercial exports totalled 47 million barrels. These total United States overseas shipments of 179 million barrels remained 37 million barrels behind the country's oil exports in 1938.

Outside the United States, production remained well behind the former maximum, mainly owing to tanker shortage. This refers in particular to the Caribbean producing companies. In the Middle East production has again reached—and in some areas exceeded—the pre-war level, but the tanker shortage resulted in such curious steps as the re-pumping of heavier oil products into the oilfields. Russia's production, helped by supplies of equipment from the United States, showed a marked recovery, but no reliable information about production in Axis-controlled areas is available. On the whole, world production in 1943 has probably remained somewhat short of the 1942 record of 2,245 million barrels, but there are prospects of a new world production peak in 1944.

One of the main features of the international oil industry in 1943 was the extension of refining capacity. Such extensions have been carried out in 1943 both in the United States and elsewhere. In particular all Near and Middle Eastern refineries (Abadan, Haifa, Suez and Bahrain) have been enlarged and adjusted to produce oil products of special military importance, such as aviation spirit. These Middle Eastern expansion projects will be continued in 1944 and will include the erection of a large oil refinery in Eastern Arabia. The United States aviation petrol programme made rapid headway in 1943 and by the end of the year was approaching completion. In November it was officially announced that the United States was then producing four times as much 100 octane petrol as in 1942 and that within a few months production would again be doubled.

Apart from the steps designed to increase immediate oil supplies to the highest possible rate, plans were initiated in the autumn of 1943 to develop the Middle Eastern oil resources to the full. The United States Government is supporting this plan by a project for the construction of a 1,250-mile pipe line from the head of the Persian Gulf to the Mediterranean. This move forms part of a wider programme for the fuller development of non-United States oil resources, through which the United States authorities hope to conserve their domestic oil reserves.

Oil and petrol prices in this country remained unchanged throughout the year. In the United States only small price increases in a number of refined oil products were recorded. There has been a determined effort, supported by Mr Harold Ickes, the Petroleum Administrator for War, to obtain the sanction of the Price Administration for an increase in the country's crude oil prices. This, however, was refused.

## Non-Ferrous Metals

THE production effort for non-ferrous metals reached its peak in 1943. Supplies, which were generally short at the beginning of the year, therefore, became more plentiful in the course of the summer, and by the late autumn the supply problems had in the main been solved. Since September, indeed, stocks have

tended to accumulate, except for tin, for which extra-Pacific supplies were only just sufficient to prevent major withdrawals from the United States reserve.

The comparatively easy supply position for non-ferrous metals in the latter part of the year is the more remarkable as consumption for munitions purposes was at a high rate. It appears, indeed, that the production of new metals—except tin—established new all-time maximum in 1943. Present indications suggest that through the wartime expansions the capacity of the world's copper mines has now reached over 2,750,000 metric tons a year, compared with slightly over 2,500,000 tons in 1939. For both lead and zinc the potential annual output now appears to be in excess of 2,000,000 metric tons, an increase of between 20 and 25 per cent on the pre-war figure. With the expansion of mines production, refining facilities have been extended, particularly in zinc, for which important expansion schemes, designed to replace the lost customs refining facilities in Europe, were completed in the early part of 1943. These developments, incidentally, have greatly extended supplies of high-grade zinc, of which there was a shortage before the war, a fact which is likely to assist the development of certain new zinc uses, such as die-casting, to a greater extent.

While the war supply problems for base metals have been solved, the adjustment of post-war supplies attracted much attention in the closing months of 1943. Intensified research into new potential uses is one of the means adopted by the producers of the various metals to solve their post-war problems. As the shortage of manpower does not at the present stage favour large additional releases of base metals for civilian uses, metal production generally may have to be restricted in 1944. As a first step in this direction the British Government has already ordered a cut of 20 to 25 per cent in Rhodesia's copper production, to take effect in stages, from April onwards. Metal prices both in the United States and this country remained unchanged throughout 1943, although the British price for tin was raised by £25 to £300 per ton on January 1, 1944.

**Light Metals.**—Supplies of light metals increased rapidly in 1943. By the early autumn magnesium supplies began to exceed demand and before the end of the year aluminium was produced in excess of requirements. Allied production of magnesium is believed to have reached the rate of about 300,000 metric tons a year—ten times the world output of 1939—while that of aluminium is reported to have reached the annual rate of 2,000,000 tons, that is over three times the last pre-war world figure. In the early weeks of 1944, the first steps were taken in the United States to curtail light metal production, although both aluminium and magnesium are now being used to a considerable extent to replace other metals.

**Steel-Alloy Metals.**—One of the most remarkable achievements in the field of metals in 1943 was the solution of the alloy-steel supply problems. An announcement that the "battle of alloy steels has been won" was made by Mr John T. Whiting, Director of the Steel Division of the US War Production Board, in September. Official figures were subsequently issued in the United States, which showed that large reserves of a number of steel alloying elements, including molybdenum and vanadium, have been accumulated, and that production continued to be well in excess of requirements. Moreover the International Nickel Company of Canada announced that its production had to be curtailed owing to a shortage of miners, which can only mean that nickel supplies are sufficiently large to make special priority allocations of workers to the nickel mines unnecessary. Apart from the larger supplies of steel alloying elements the remarkable increase in the production in alloy steels, which appears to be one of the outstanding features of the war in the field of raw materials, has been due to changes in the composition of alloys, which allowed considerable savings in a number of alloying elements.

## Textile Raw Materials

WHILE world consumption of raw cotton declined from the revised figure of 25,678,000 bales in 1941-42 to 24,799,000 bales in 1942-43, the world crop of the last season, at 26,624,000 bales, showed an increase on the year of 526,000 bales. This improvement in supplies was due to the better United States crop, which, at 12,824,000 bales, was more than 2,000,000 bales in excess of the previous season's crop. Cotton consumption outside the United States—and especially in Europe and the Far East—continued to fall. For the first time since the outbreak of war America's consumption showed a downward trend; it was 10,658,000 bales in 1943, against 11,438,000 bales in 1942. A further slight decline is expected in 1944, as the labour supply position of the United States textile industry has become tight. In this country the activity of the cotton textile industry, and in direct connection therewith, raw cotton consumption, appear to have passed the wartime "low." Stocks of raw cotton throughout the world at the end of the 1942-43 season registered a new peak of 23,586,000 bales, an increase of over 1,000,000 bales on the year. The greater part of the carry-over, however, consisted of lower-grade cotton. Prospects for the 1943-44 crop are more or less unchanged on the year. The current United States crop, according to the preliminary final estimate of December 1st, will be 11,478,000 bales, a decline of 1,346,000 bales on last season's final figure, but this reduction appears to have been made up by increased supplies of "outside growths."

While wool allocations in this country remained limited in 1943, the United States Government removed restrictions on raw wool consumption in November, 1943, after having increased its releases from the beginning of the year. The wool appraisal and clip figures respectively remained high in the 1942-43 season. Australian appraisals were reported at 1,120 million lb., against 1,108 million lb. in the preceding season. In New Zealand sales totalled 331 against 336 million lb. South Africa recorded a decline of 9 million lb. to about 230 million lb., while production of Plate wool—Argentina and Uruguay—advanced from 588 to 638 million lb. Argentina experienced sales difficulties, and heavy stocks had to be carried over into the current season. In the three British wool producing Dominions, the Imperial Wool Buying Scheme continued in operation, and as prices under this scheme were raised by 15 per cent at the beginning of the 1942-43 season, Empire wool cheques have risen substantially. The heavy accumulations of raw wool during this war together with the rapid growth of rayon and staple fibre are causing concern in the wool exporting countries. During the year under review steps to increase the competitive strength of wool were discussed in Australasia and South Africa. One of the main post-war aims of wool producers appears to be intensified research to improve the quality of raw wool and wool products. An Imperial Raw Wool Conference to discuss post-war problems has been suggested by Australia and has found the approval of the other large Empire producing areas. It will probably take place in 1944. Towards the end of the year Dominion wool producers expressed the view that the war-time wool buying scheme should be extended well beyond the end of the war—on the present basis it will lapse after the first post-war season—but it is uncertain whether this proposal will be accepted.

Amongst other textile raw materials, supplies of flax and soft-hemp improved in 1943 owing to greater production in the British Empire and increased supplies from Russia. Hard hemp fibres, too, were available in greater quantities, and steps were taken in 1943 to intensify production still further, especially in East Africa, Mexico and Central America. Owing to the record demand for marine tows and similar essential hard hemp products, however, supplies of sisal and other agave fibres remained inadequate and required strict allocations. The occupation of Southern Italy does not appear to have improved silk supplies last year, as Germany had taken over all Italian supplies before the Allied landings. This year, however, Italian supplies should assist in meeting Allied demands. Free China, too, has enlarged its production. Chinese supplies have been transported by air to India and by road to Russia; at the end of 1943 the Chinese Government was preparing increased shipments following the reopening of the land route via Burma. To prevent the disappearance of valuable silk supplies into civilian channels, the Chinese silk distribution was placed under Government control early in 1943. Mexican silk production still finds itself in an early stage of development, but Brazil has made considerable progress as a silk producer and had a sizeable supply in 1943.

## Rubber

RUBBER remained one of the few raw materials the supply of which caused difficulties in 1943. The reserve of natural rubber, both in the United States and in this country, had fallen to the safety limit by the end of 1943. Ceylon, where slaughter tapping has been introduced at a substantial rate (the planters are compensated by the Government for the damage thus done to their plantations), is believed to have extended its production to about 125,000 tons, against 90,000 tons in 1941. In Africa, too, the collection of rubber has fulfilled expectations, but the development of the Amazon basin rubber resources has so far been disappointing. Brazil's production in 1943 remained slightly below 30,000 tons—against 50,000 tons hoped for at the beginning of the year—and present official expectations for 1944 are no higher than 40,000 tons. On the other hand, the synthetic rubber programme of the United States has made much headway in 1943, and in the last quarter of the year 124,219 long tons of the various types of synthetic rubber were produced, raising the year's total to over 200,000 tons. All plants now under construction are expected to reach their production stage by March, 1944. The total capacity of these works together with those already in operation is 850,000 long tons a year, sufficient to meet all requirements. Synthetic rubber is now also produced in Canada, and in this country a project to produce synthetic rubber on a limited scale was initiated by British Celanese, Limited, in the closing months of the year. According to official sources, synthetic rubber cannot replace crude rubber to more than 70 to 75 per cent, so that the main problem remains the supply of crude rubber. In tyre manufacture supplies of high-tenacity rayon cords appear to constitute an additional bottle-neck, which by the end of the year was being vigorously tackled. At the beginning of the year the Combined Raw Materials Board formed a special Combined Rubber Committee to facilitate the solution of rubber supplies, both natural and synthetic. In November a similar Combined Committee was formed for rubber tyres. The international rubber regulation agreement of 1938 terminated at the end of 1943.



## Manufactures

THE output of civilian goods remained at its prescribed wartime minimum, standardised where possible and concentrated in a reduced number of firms—the nucleus firms. The production of many durable goods, such as motor-cars and houses, remained suspended. Utility furniture was made in limited volume, but in the main the public had to make the best of pre-war supplies of durable goods. The production of war stores as a whole was further expanded. Some statistics that have been released show the magnitude of production from the beginning of the war to the end of 1943. Army equipment includes 83,000 tanks, armoured cars and carriers; more than 115,000 guns of calibres exceeding 20 mm.; nearly  $\frac{5}{8}$  million machine guns, rifles, sub-machine guns and automatic pistols; more than 1,000,000 wheeled vehicles of unarmoured types. Air Force equipment includes some 90,000 aircraft of all types, mainly combat types. A large proportion of production consisted of heavy bombers—one heavy bomber is equivalent in man-hours to four fighters and 40 primary trainers. In 1943 British factories provided three-quarters of the total structure weight of new aircraft delivered to the Royal Air Force and the Fleet Air Arm. Figures of naval construction have not yet been released, but output has been substantial. Some 70 per cent of the total "effort" in new construction has been concentrated on naval work; at the end of 1943 naval strength in most types of vessels was greater than it was at the beginning of the war. Neither the statistics nor the space is available for a comprehensive record of industrial production; a few industries have been selected for brief reference.

### Iron and Steel

CRUDE steel production was maintained at a high level, though statistics of ingot output have not been published. Raw material supplies—mainly coal, ore and scrap—though not plentiful, were adequate for meeting essential crude steel requirements.

The adjustment in the munitions production programme involved consequential adjustments in the manufacture of steel products, calling for a high degree of flexibility. In particular, there was a heavy demand for special steels. On the whole, production was successfully kept in line with changing needs, and there appear to have been no major difficulties.

The scheme for the allocation of steel supplies to the different purposes has worked smoothly; it has ensured supplies for essential needs and assisted in avoiding bottlenecks and waste in the steel-using industries.

The general level of iron and steel prices has again remained unchanged, though wages and raw material prices continued to advance. The scheme whereby high-cost producers whose plant is needed in wartime are subsidised from a general levy on ingot production has remained in force.

It is not known to what extent the rise in wages and raw material prices has been compensated by economies. The industry as a whole has been by no means unprofitable; but there will be a need for heavy replacements and modernisation of plant after the war.

### Shipping and Shipbuilding

THE two outstanding features of the past year were the marked reduction in shipping losses and the massive volume of construction in North America and the United Kingdom. The volume of new construction has steadily exceeded losses in both merchant and naval vessels; merchant and naval tonnages have been mounting. In other words, the renewed attack last year on the communications of the United Nations was decisively defeated and they were able to mass and concentrate their striking power.

The United Kingdom's share in the defeat of the enemy's attempt at cutting or interrupting the communications of the United Nations was a large one. Some 70 per cent of its total effort in new construction was devoted to naval vessels. Although the British output of merchant tonnage was by no means negligible, the task of providing the many millions of tons of standardised merchant ships fell mainly to the United States. The shipbuilding effort of the United Nations has been essentially a joint effort.

The losses of the past 4½ years have seriously reduced the volume of British-owned merchant shipping tonnage, but the United Kingdom's naval strength at the end of 1943 was greater than before the war in most types of vessels. Although British shipyards have concentrated mainly on specialised naval construction, there has been much technical progress and improvement in the building of merchant ships, as a result of the extension of welding, for example.

### Cotton Textiles

DURING 1943 increasing quantities of cotton yarn and piece-goods were required for the Forces, the Allies, and the home services. The war emergency scheme for the production and distribution of goods was tightened, and there was less output for private deals.

No important changes occurred in the regulations of the

Cotton Control and the Cotton Board for securing adequate quantities of goods to be sent to the right quarters. Adjustments of one kind and another had to be made, but the original scheme was generally maintained.

The Planning Department at the Control Office continued to operate; although some changes have had to be made from time to time, owing to unforeseen difficulties, the system worked satisfactorily.

There was a tendency for more difficulties to be experienced in carrying on commercial export trade. Partly owing to the fall in production, a fresh survey had to be made toward the end of the summer, and it was then decided by the Board of Trade not to issue any export allocations for the fourth quarter of the year.

The concentration of production scheme was maintained. It is reported that the Controller gave permission for a few of the closed spinning and weaving mills to be restarted, but on the whole the output of yarn and cloth was only about 60 per cent of capacity.

The most serious problem in the industry was the labour shortage. Managers of mills found that when operatives left for one reason or another it was virtually impossible to replace them. New entrants into the industry were few in number. Even nucleus firms found it impossible to run at full capacity. In December the operatives in both spinning and weaving branches secured a further advance in wages, the agreement with the employers providing for an increase of 4s. a week for adult occupations and 2s. a week for juvenile occupations. Since the outbreak of war in September, 1939, all cotton operatives have received wages advances amounting to 35 per cent on list rates, and also flat rate increases of 9s. a week for adults and 5s. for juveniles, and it is estimated that average earnings are about 70 per cent above pre-war.

Owing to the rise in wages, yarn and cloth margins were increased in February and again in December. Throughout the year, however, there was virtually no rise in the price of goods, as in February there was a reduction of 1d. per lb. in the price of raw cotton in order to prevent any general advance in rates for manufactured goods.

Exports of cloth in 1943 amounted to 374,323,000 square yards, against 484,230,000 square yards in 1942; in 1939 they totalled 1,393,038,000 square yards. Shipments of yarn in 1943 were 19,196,000 lb, compared with 18,738,000 lb in 1942, and 113,604,000 lb in 1939.

The report and recommendations of the Cotton Board Committee, appointed to inquire into post-war problems, caused some controversy. The document deals with the organisation of the post-war industry, the size of the industry, problems of excess capacity, raw cotton, plant and equipment, labour force, research, de-concentration, taxation, price management and distribution of goods. The outstanding feature of the proposals is the emphasis which is laid upon the need for price management. The recommendations are now being considered by the Board of Trade.

Trading results of cotton firms for 1943 showed that the average profit of 62 spinning mills was £7,959 per company, compared with an average of £8,078 for 65 companies in 1942. The average dividend of 102 spinning mills was 10.68 per cent, against 10.22 per cent in 1942.

### Wool Textiles

DURING 1943 production on Government account, at first well maintained, began to fall; other output was little changed, but exports were further restricted.

The wool supply position was good, but while a large stock of Australian wool continued to be maintained in the United States, imports to this country remained restricted. During the wool year ending June, 1943, the Australian clip was 3,591,457 bales, compared with 3,656,013 in the previous season, whilst New Zealand's was 962,359 bales, against 985,812. The United States stock of foreign wool, according to an American source, is 330 million lb., mostly fine greasy Australian; in addition there are 460 million lb. of home-grown wool in the hands of dealers, and 130 million in the hands of the Commodity Credit Corporation. Great Britain's stock of wool in the United States is 525 million lb. It is estimated that if the war ends this year the British Government will own anything from seven to eight million bales of wool.

The Government's issue prices for wool have been unchanged in the home trade since September, 1940, and for export since July 1, 1942. The great majority of mill men regard these steady prices as an unmixed blessing. The export issue price is based on the actual cost of the wool; the maintenance of the home issue price involves a payment of one of the Government's minor subsidies.

Margins for spinning and weaving have been fixed by one of the most comprehensive experiments in price control—the Wool Yarn and Wool Cloth (Maximum Prices and Charges) Order, 1943. Medium and low quality crossbred yarns rose by about 1d. a lb. during the year, fine crossbred by 3d. to 5d., and merino by 5d. to 7d. for home civilian trade.

The wool textile industry's labour force has been further

depleted by transfers to munition factories and the forces. A high proportion of the remaining labour is immobile and advanced in age. The mills engaged on apparel are running at half capacity, while the carpet industry throughout the year operated at not more than ten per cent capacity. On the apparel side the purchase of cloth and clothing for UNRRA has replaced direct khaki and Air Force orders with some manufacturers but is still of small proportions.

There has been no new development in the rationing of raw materials to mills except that shoddy and woollen wastes came under ration in January, 1943. The effect has been to maintain stocks of rags and shoddies which were rapidly becoming scarce owing to the cessation of imports, clothes rationing and lack of labour to collect them.

### Rayon

PRICES of rayon yarn remained stable throughout the year, apart from minor increases in yarn of staple fibre to cover increased costs in the spinning trade. It is unlikely that these increases actually compensated the makers for the full increase in labour costs, and in effect it would appear that compensating reductions in other costs are made as the use of staple fibre becomes more general. The increases generally in rayon costs compare favour-

ably with increases in other textiles and, as subsidies have been freely granted in the case of cotton, the relative price position has moved in favour of rayon, a state of affairs which will reveal its importance after the close of hostilities. During the past year the demand for rayon has exceeded supply, but strict control at all points has avoided bottlenecks. The allocation of rayon through the Rayon Allocation Office has been one of the most successful elements of control. The demand for certain of the cheaper utility fabrics and lower-grade hose was less than estimated. A rearrangement of the utility specifications and the transfer of some of the surplus low-grade goods to "relief exports" eased this position. A better utility stocking is now on the home market. The outstanding feature of the year was the setting up of the British Rayon Federation, representing all sections from producers to merchants. The main work of the Federation still lies ahead; the programme outlined by the President, Mr Samuel Courtauld, offers hope that rayon will be able to provide not only for its own future but for many developments in conjunction with the older textiles. Export trade has been continued under strict control and at a higher level than in pre-war years. The general world shortage of rayon has increased. The industry has continued to provide for the Services, and has made particular progress in tyre fabrics. Experimental work has proceeded on post-war developments on a limited scale.

## Retail Trade

THE year 1943 may be described as a period of consolidation of earlier measures for control of production for the home market, and no major development (except that distribution of utility furniture began in January) took place. Retail turnover was lower in 1942 than in 1943. Turnover in non-food merchandise was lower in every month in 1943 compared with 1942, except in September, when a new issue of clothing coupons became valid. Sales of food and perishables varied more from month to month. The table shows the percentage changes in 1943 from 1942 in the various departments, and by districts. In the fancy, sports and travel and miscellaneous departments, stocks declined substantially during the year, so that it can be assumed that rising prices (partly accounted for by the raising of purchase tax in the Budget to 100 per cent on some luxury goods) were responsible for the higher turnover. Shortage of supplies did not press as heavily on retail trade as was expected, although pre-war stocks in most departments were virtually exhausted and the "cushion" of stocks had disappeared. Numbers of stores began to buy and re-sell second-hand goods in most of the unrationed categories. Perhaps the greatest problem encountered by traders was the call-up of assistants and the difficulties in replacing them. At the end of 1942 the reservation age for women was fixed at 45, with an upper limit of 35 in the more essential branches such as clothing. In the autumn of 1943 reservation by age was removed. The employment of inexperienced assistants has led to a noticeable, although perhaps inevitable, deterioration in the standard of salesmanship.

The clothing ration continued at the level of four coupons per month throughout the year, and extra coupons were granted to children and manual workers as before. The "industrial ten" was extended to cover a further three-quarters of a million workers, bringing the total eligible for the 1943-44 ration period to over 13 million.

The tendency to demand quality for coupons was marked, and it led in September to the down-pointing of certain low-quality grades of utility clothing, the demand for which was small. About seven to eight per cent of utility clothing was affected. Shoes were in short supply, and their rationing was raised on August 15th from five to seven coupons for women's and seven to nine coupons for men's shoes. About 20 per cent of women's shoes were made with wooden soles, and ten per cent of men's; and some cheaper shoes remain at the lower pointing.

There were other small changes in coupon values: men's socks were reduced from three to two coupons, and women's seamless (now 80 per cent of production) from two to one and a half coupons; women's pyjamas were reduced by a coupon; woollen jumpers weighing less than 10 oz. to six coupons. Utility clothing continued to amount to 100 per cent of production; increasing supplies in the shops in the clothing component of the cost of living index between January 1, 1943, and January 1, 1944, from 134.5. The drop enabled the price of tea and sugar to fall without a rise in the total index.

The Board of Trade began in January to compile its register of retail traders; and by the end of February, 1944, 11,000 names. Those eligible for inclusion must be in business for a minimum period, and must have been so during the war. In December, the President of the Board announced that it was intended to continue the licensing of shop premises in the post-war period. He said that some increase in numbers would be desirable and that preference would be given to ex-shopkeepers on war service and to disabled persons.

The concentration of clothing production, which began in July, 1942, was virtually complete, except for London, by the end of 1943. The aim of the scheme was to release 20 to 25 per cent of the labour force. No general compensation fund was established, and financial arrangements were left to the firms concerned.

From December 1, 1942, only utility furniture was permitted to be manufactured, and on January 1, 1943, the allocation of permits to buy it was begun. In January 7,000 permits were granted, and in February 11,500; no figures are available for the rest of the year. In April two new classes of persons were added to those eligible for permits. In addition to couples married after January 1, 1941, and bombed-out families, couples with children setting up home for the first time, and those rehoused by local authorities became eligible. The demand outstripped supply and the granting of permits was suspended on July 20th. When allocation was resumed on September 1st, the maximum

AVERAGE DAILY VALUE OF RETAIL SALES AND STOCKS IN GREAT BRITAIN COMPARED WITH A YEAR AGO  
PERCENTAGE CHANGES

#### (a) By Commodities

|                                    | Sales Year ended January, 1944 | Stocks (at Cost) End of January, 1944 |
|------------------------------------|--------------------------------|---------------------------------------|
| Non-food merchandise :-            |                                |                                       |
| Piece goods .....                  | - 9.6                          | - 2.8                                 |
| Women's wear .....                 | - 8.0                          | - 16.6                                |
| Men's and boys' wear .....         | - 17.8                         | + 3.0                                 |
| Footwear .....                     | - 9.8                          | - 3.2                                 |
| Furnishing departments .....       | - 12.9                         | - 11.9                                |
| Hardware .....                     | - 6.0                          | - 19.8                                |
| Fancy departments .....            | + 4.6                          | - 25.7                                |
| Sports and travel requisites ..... | + 6.0                          | - 21.9                                |
| Miscellaneous .....                | + 3.4                          | + 4.0                                 |
| Total .....                        | - 6.0                          | - 15.1                                |
| Food and perishables .....         | + 2.0                          | - 3.6                                 |
| All departments .....              | - 1.5                          | - 14.3                                |

#### (b) By Districts

|                                   |       |        |
|-----------------------------------|-------|--------|
| Scotland .....                    | - 0.8 | - 9.5  |
| North-east .....                  | - 0.5 | - 15.8 |
| North-west .....                  | - 3.0 | - 10.4 |
| Midlands and South Wales .....    | - 2.6 | - 17.6 |
| South of England .....            | - 3.5 | - 25.4 |
| Central and West-end London ..... | + 1.8 | - 7.5  |
| Suburban London .....             | + 1.8 | - 18.4 |

number of units for each couple was halved, but extra units were granted for each additional member of the family. Some reduction in the number of units required for individual pieces of furniture was made at the same time. More firms were designated throughout the year, and there were 170 at the end of 1943, employing a labour force which was probably in the region of 7,000.

In December, an Act was passed which gave the President of the Board of Trade power to issue general licences to traders enabling them to discriminate between customers in the sale of specified goods. This measure is designed to limit the sale of certain goods in short supply to those who need them most. The first licence came into force on January 7, 1944, and the list includes a number of items on which sales limitations had previously been placed. The weakness of the Act is that it puts the power of discrimination into the hands of traders, itself an undesirable thing, but it does not compel them to exercise their power.

Shortages were most felt in household linens, particularly sheets, and in domestic utensils, but on the whole supplies of civilian goods for the home market exceeded earlier expectations for the fourth year of war.

## THE ECONOMIST INDEX NUMBER OF WHOLESALE PRICES

| Commodity                  | Unit of Measurement | Average      |              |              |              |              |              | 1943 (End of Month) |              |              |              |              |              |              |              |              |              |              |              |
|----------------------------|---------------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                            |                     | 1929         | 1939         | 1940         | 1941         | 1942         | 1943         | Jan.                | Feb.         | Mar.         | Apr.         | May          | June         | July         | Aug.         | Sept.        | Oct.         | Nov.         | Dec.         |
| Cereals and Meat.....      | 1913=100            | 135.6        | 103.1        | 129.6        | 138.8        | 150.0        | 153.1        | 152.0               | 152.9        | 154.6        | 154.7        | 154.3        | 154.0        | 154.7        | 153.5        | 154.2        | 151.5        | 150.5        | 151.2        |
| Other Food.....            | "                   | 136.9        | 104.5        | 130.4        | 151.6        | 162.9        | 171.1        | 167.9               | 171.1        | 171.1        | 171.4        | 171.4        | 171.4        | 171.4        | 171.4        | 171.4        | 171.4        | 171.1        | 171.1        |
| Textiles.....              | "                   | 141.9        | 90.5         | 131.4        | 142.3        | 143.1        | 143.1        | 145.5               | 141.9        | 145.5        | 143.9        | 144.7        | 143.8        | 143.1        | 142.9        | 141.8        | 140.7        | 141.6        | 141.4        |
| Minerals.....              | "                   | 116.2        | 116.3        | 145.3        | 157.8        | 161.5        | 165.0        | 165.0               | 165.0        | 165.0        | 165.0        | 165.0        | 165.0        | 165.0        | 165.0        | 165.0        | 165.0        | 165.0        | 165.0        |
| Miscellaneous.....         | "                   | 112.7        | 99.8         | 130.7        | 140.9        | 159.2        | 157.8        | 154.8               | 154.8        | 157.9        | 157.9        | 158.8        | 158.9        | 158.9        | 157.6        | 158.1        | 158.2        | 158.3        | 158.3        |
| <b>Complete Index.....</b> | <b>"</b>            | <b>127.2</b> | <b>102.1</b> | <b>132.6</b> | <b>145.4</b> | <b>152.8</b> | <b>157.1</b> | <b>156.2</b>        | <b>156.0</b> | <b>157.9</b> | <b>157.7</b> | <b>157.9</b> | <b>157.7</b> | <b>157.7</b> | <b>157.3</b> | <b>157.3</b> | <b>156.3</b> | <b>156.3</b> | <b>156.5</b> |
| Cereals and Meat.....      | 1927=100            | 86.9         | 73.8         | 92.6         | 99.2         | 107.3        | 109.5        | 108.9               | 109.2        | 110.5        | 110.6        | 110.4        | 110.1        | 110.6        | 109.9        | 110.2        | 108.2        | 107.7        | 108.1        |
| Other Food.....            | "                   | 95.8         | 65.6         | 81.8         | 95.2         | 102.1        | 107.3        | 105.3               | 107.3        | 107.3        | 107.5        | 107.5        | 107.5        | 107.5        | 107.5        | 107.5        | 107.5        | 107.3        | 107.3        |
| Textiles.....              | "                   | 92.2         | 58.8         | 85.7         | 92.8         | 93.0         | 93.0         | 94.5                | 92.1         | 94.5         | 93.5         | 93.5         | 93.5         | 93.5         | 93.5         | 93.5         | 92.7         | 91.4         | 91.9         |
| Minerals.....              | "                   | 95.6         | 86.6         | 119.5        | 126.8        | 132.8        | 135.9        | 135.9               | 135.9        | 135.9        | 135.9        | 135.9        | 135.9        | 135.9        | 135.9        | 135.9        | 135.9        | 135.9        | 135.9        |
| Miscellaneous.....         | "                   | 90.5         | 80.8         | 104.9        | 113.1        | 119.9        | 126.6        | 124.1               | 124.1        | 126.7        | 126.7        | 127.3        | 127.4        | 127.4        | 126.8        | 127.0        | 127.1        | 127.2        | 127.2        |
| <b>Complete Index.....</b> | <b>"</b>            | <b>92.4</b>  | <b>74.2</b>  | <b>86.4</b>  | <b>105.7</b> | <b>111.0</b> | <b>114.2</b> | <b>113.5</b>        | <b>113.4</b> | <b>114.8</b> | <b>114.6</b> | <b>114.8</b> | <b>114.6</b> | <b>114.6</b> | <b>114.3</b> | <b>114.3</b> | <b>113.6</b> | <b>113.6</b> | <b>113.7</b> |

## BRITISH WHOLESALE PRICES

[illegible]

\* Pre-war, No. 2, N. Manitoba. † Pre-war, Argentina. ‡ Pre-war, New Zealand frozen wethers. § Pre-war, Danish Gilt. || Pre-war, Danish pig.  
 ¶ Pre-war, Danish only. (a) Pre-war, Queensland, scow. (b) 1929 = Native first marks. (c) Pre-war, English pig.  
 (e) Price at which Ministry of Supply supplied corn. (f) Sheffield in 1923 and 1939. (g) Pet's

## AMERICAN WHOLESALE PRICES

| Commodity                                  | Unit of Measurement | 1 of Year         |                     |                    | 1943 (End of Month) |                    |                    |                    |                    |                    |                    |                    |                    |                 |  |  |
|--------------------------------------------|---------------------|-------------------|---------------------|--------------------|---------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|-----------------|--|--|
|                                            |                     | 10                | 1941                | 1942               | Jan.                | Feb.               | Mar.               | April              | May                | June               | July               | Aug.               | Sept.              | Oct.            |  |  |
| <b>Grains</b>                              |                     |                   |                     |                    |                     |                    |                    |                    |                    |                    |                    |                    |                    |                 |  |  |
| Wheat, Chicago, nearest future             | cents per bush.     | 126 $\frac{1}{2}$ | 137 $\frac{1}{2}$   | 139 $\frac{1}{2}$  | 142 $\frac{1}{2}$   | 145                | 143 $\frac{1}{2}$  | 144 $\frac{1}{2}$  | 144 $\frac{1}{2}$  | 143 $\frac{1}{2}$  | 146 $\frac{1}{2}$  | 150 $\frac{1}{2}$  | 15                 |                 |  |  |
| Winnipeg, "                                | "                   | 77 $\frac{1}{2}$  | 80                  | 92 $\frac{1}{2}$   | 91 $\frac{1}{2}$    | 101 $\frac{1}{2}$  | 97 $\frac{1}{2}$   | 99 $\frac{1}{2}$   | 101 $\frac{1}{2}$  | 108 $\frac{1}{2}$  | 109 $\frac{1}{2}$  | 101 $\frac{1}{2}$  | 101                |                 |  |  |
| Maize, Chicago, "                          | "                   | 84-00             | 95 $\frac{1}{2}$    | 98 $\frac{1}{2}$   | 100                 | 101                | 105                | 105                | 107                | 107                | 107                | 101                | 101                |                 |  |  |
| <b>Metals</b>                              |                     |                   |                     |                    |                     |                    |                    |                    |                    |                    |                    |                    |                    |                 |  |  |
| Copper, Connecticut, "                     | cents per lb.       | 00                | 12-00               | 12-00              | 12-00               | 12-00              | 12-00              | 12-00              | 12-00              | 12-00              | 12-00              | 12-00              | 12-00              | 12              |  |  |
| Tin, N.Y., Straits, spot                   | "                   | 10                | 52-00               | 52-00              | 52-00               | 52-00              | 52-00              | 52-00              | 52-00              | 52-00              | 52-00              | 52-00              | 52-00              | 52              |  |  |
| Lead, N.Y., spot                           | "                   | 35                | 5-85                | 6-50               | 6-50                | 6-50               | 6-50               | 6-50               | 6-50               | 6-50               | 6-50               | 6-50               | 6-50               | 6               |  |  |
| Spelter, East St. Louis, spot              | "                   | 25                | 8-25                | 8-25               | 8-25                | 8-25               | 8-25               | 8-25               | 8-25               | 8-25               | 8-25               | 8-25               | 8-25               | 8               |  |  |
| <b>Miscellaneous</b>                       |                     |                   |                     |                    |                     |                    |                    |                    |                    |                    |                    |                    |                    |                 |  |  |
| Esoca, N.Y., Accra, nearest future         | "                   | 17                | 8-55                | 9 $\frac{1}{2}$    | 9 $\frac{1}{2}$     | 9 $\frac{1}{2}$    | 9 $\frac{1}{2}$    | 9 $\frac{1}{2}$    | 8-81               | 8-81               | 8-81               | 8-81               | 8-81               | 8               |  |  |
| Coffee, N.Y., cash, Rio, No. 1             | "                   | 98                | 9 $\frac{1}{2}$     | 9 $\frac{1}{2}$    | 9 $\frac{1}{2}$     | 9 $\frac{1}{2}$    | 9 $\frac{1}{2}$    | 9 $\frac{1}{2}$    | 9 $\frac{1}{2}$    | 9 $\frac{1}{2}$    | 9 $\frac{1}{2}$    | 9 $\frac{1}{2}$    | 9 $\frac{1}{2}$    | 9 $\frac{1}{2}$ |  |  |
| Cotton, N.Y., American spot                | "                   | 32                | 18-59               | 20-92              | 21-42               | 22-01              | 22-17              | 21-65              | 22-16              | 21-65              | 21-25              | 21-28              | 21-28              | 20              |  |  |
| Cotton, Oil, "A", nearest future           | "                   | 94                | 13-50 $\frac{1}{2}$ | 14-45              | 13-95               | 14-10              | 13-95              | 14-00              | 13-95              | 13-95              | 13-95              | 14-10              | 14-25              | 12              |  |  |
| Lard, Chicago, "                           | "                   | 55                | 9-95                | 13-80              | 13-80               | 13-80              | 13-80              | 13-80              | 13-80              | 13-80              | 13-80              | 13-80              | 13-80              | 13              |  |  |
| Petroleum, N.Y. cont. spot                 | cents per bar.      | 117               | 117                 | 117                | 117                 | 117                | 117                | 117                | 117                | 117                | 117                | 117                | 117                | 11              |  |  |
| Rubber, N.Y., smoked sheet, spot           | cents per lb.       | 23 $\frac{1}{2}$  | 23 $\frac{1}{2}$    | 23 $\frac{1}{2}$   | 23 $\frac{1}{2}$    | 23 $\frac{1}{2}$   | 23 $\frac{1}{2}$   | 23 $\frac{1}{2}$   | 23 $\frac{1}{2}$   | 23 $\frac{1}{2}$   | 23 $\frac{1}{2}$   | 23 $\frac{1}{2}$   | 23 $\frac{1}{2}$   | 23              |  |  |
| Sugar, N.Y., Cuban Cent., 96, spot         | "                   | 93                | 3-50 $\frac{1}{2}$  | 3-74 $\frac{1}{2}$ | 3-74 $\frac{1}{2}$  | 3-74 $\frac{1}{2}$ | 3-74 $\frac{1}{2}$ | 3-74 $\frac{1}{2}$ | 3-74 $\frac{1}{2}$ | 3-74 $\frac{1}{2}$ | 3-74 $\frac{1}{2}$ | 3-74 $\frac{1}{2}$ | 3-74 $\frac{1}{2}$ | 3               |  |  |
| <b>Woody's Index of Staple Commodities</b> |                     | 4                 | 217-9               | 239-8              | 244-9               | 246-9              | 248-9              | 246-2              | 245-7              | 243-3              | 244-1              | 247-1              | 247-8              | 247             |  |  |

• Dec. 9, 1941

† Trading suspended.

‡ Nom.

† Trading suspended.

† Norm.